BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA

SEPARATE FINANCIAL STATEMENTS
prepared in accordance with
International Financial Reporting Standards
as adopted for use in the European Union
31 December 2011

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.

1 We have audited the accompanying financial statements of BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A. (the "Bank"), which comprise the separate statement of financial position as at 31 December 2011, and the separate income statement, the separate statement of comprehensive income, separate statement of changes in equity and separate 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted for use in the European Union, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the European Union.

Ernst & Young

Ernst and Young Assurance Services SRL

Bucharest, Romania

07 March 2012

BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA
SEPARATE INCOME STATEMENT
for the year ended 31 December 2011
(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2011	2010 As previously issued	2010 Restated
Interest and similar income	3	267,199,004	229,764,366	229,764,366
Interest and similar expense	4	(127,780,155)	(85,565,853)	(85,565,853)
Net interest income		**139,418,849**	**144,198,513**	**144,198,513**
Fee and commission income	5	24,190,334	23,164,693	23,164,693
Fee and commission expense	5	(7,916,423)	(5,036,099)	(5,036,099)
Net fee and commission income	**5**	**16,273,911**	**18,128,594**	**18,128,594**
Net trading income	6	15,187,959	17,376,968	17,376,968
Other operating income	7	5,541,903	6,892,137	6,892,137
Total operating income		**176,422,622**	**186,596,212**	**186,596,212**
Credit loss expense	8	(195,802,534)	(77,155,631)	(77,155,631)
Net income from other financial transactions	9	(253,293)	(1,769,166)	(1,769,166)
Net Operating Income		**(19,633,205)**	**107,671,415**	**107,671,415**
Personnel expenses	10	(62,720,213)	(64,209,794)	(64,209,794)
Depreciation of property and equipment	18	(14,102,146)	(10,843,277)	(11,942,174)
Amortization of intangible assets	19	(4,455,239)	(5,063,696)	(5,063,696)
Other operating expenses	11	(54,939,670)	(76,452,002)	(76,452,002)
Total operating expenses		***(136,217,268)***	***(156,568,769)***	***(157,667,666)***
(Loss)/Profit before tax		**(155,850,473)**	**(48,897,354)**	**(48,996,251)**
Income tax (expense)/revenue	12	14,827,605	5,660,377	5,998,509
(Loss)/Profit for the year		**(141,022,868)**	**(43,236,977)**	**(43,997,742)**
Attributable to:				
Equity holders of the parent		**(141,022,868)**	**(43,236,977)**	**(43,997,742)**
Non-controlling interest		-	-	-

The financial statements on pages 2 to 84 were approved and signed on behalf of the Board of Directors on 7 March 2011 by:

Ezio Salvai
General Manager

INTESA SANPAOLO
B.C. INTESA SANPAOLO ROMANIA S.A.
3

Catello De Simone
Chief Financial Officer

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2011	2010 As previously issued	2010 Restated
Profit/(Loss) for the year		**(141,022,868)**	**(43,236,977)**	**(43,997,742)**
Other comprehensive income				
Net gain/(loss) on available-for-sale financial assets		(209,756)	(17,216)	(17,216)
Income tax relating to components of other comprehensive income		33,561	2,755	2,755
Other comprehensive income/(loss) for the year, net of tax		**(176,195)**	**(14,461)**	**(14,461)**
Total comprehensive income/(loss) for the year, net of tax		**(141,199,063)**	**(43,251,438)**	**(44,012,203)**
Attributable to:				
Equity holders of the parent		**(141,199,063)**	**(43,251,438)**	**(44,012,203)**
Non-controlling interest		-	-	-

Ezio Salvai
General Manager

Catello De Simone
Chief Financial Officer

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2011	2010 Restated	As at 1 January 2010 Restated
ASSETS				
Cash and balance with central banks	13	558,219,950	509,516,437	400,722,279
Due from banks	14	156,765,340	194,733,945	18,722,711
Derivative financial instruments	15	195,818	10,623	609,740
Loans and advances to customers	16	3,042,126,564	2,956,322,661	2,330,900,544
Financial investments available-for-sale	17	385,113,090	149,098,295	154,348,038
Equity investments in Intesa Leasing	17	8,745,616	8,745,612	2,400,612
Property and equipment	18	119,336,875	109,836,199	113,535,121
Intangible assets	19	9,495,095	11,436,981	11,916,428
Deferred tax assets	12	17,744,884	2,883,717	-
Other assets	20	16,989,149	12,657,080	25,016,914
TOTAL ASSETS		**4,314,732,381**	**3,955,241,550**	**3,058,172,387**
LIABILITIES AND EQUITY				
Due to banks	21	432,034,317	950,970,586	421,429,121
Derivative financial instruments	15	48,138	144,355	846,431
Due to customers	22	1,859,542,413	1,508,764,569	1,090,217,284
Other borrowed funds	23	1,064,581,051	839,085,826	975,960,375
Current income tax liabilities		-	-	28,667
Deferred tax liabilities	12	-	-	3,149,795
Provisions	24	16,802,371	17,445,313	9,784,691
Other liabilities	25	17,730,014	11,653,641	10,566,559
TOTAL LIABILITIES		**3,390,738,304**	**3,328,064,290**	**2,511,982,923**
EQUITY				
Share capital	26	854,285,910	416,285,910	291,285,910
Share premium		251,628,890	251,628,890	251,628,890
Accumulated deficit	27	(199,131,426)	(58,108,559)	(14,110,816)
Available-for-sale reserve	28	14,834	191,030	205,491
Other reserves	28	17,195,869	17,179,989	17,179,988
		923,994,077	**627,177,260**	**546,189,463**
TOTAL EQUITY		**923,994,077**	**627,177,260**	**546,189,463**
TOTAL LIABILITIES AND EQUITY		**4,314,732,381**	**3,955,241,550**	**3,058,172,386**

The financial statements on pages 2 to 84 were approved and signed on behalf of the Board of Directors on 7 March 2011 by:

Ezio Salvai
General Manager

B.C. INTESA SANPAOLO ROMANIA S.A.
INTESA SANPAOLO
3

Catello De Simone
Chief Financial Officer

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2011	2010
Cash flows from operating activities			
Profit / (Loss) before taxation		(155,850,471)	(48,897,354)
Adjustments for:			
Change in operating assets	30	(90,321,169)	(612,463,165)
Change in operating liabilities	30	(115,578,852)	961,143,707
Non-cash items included in profit before tax	30	14,638,190	18,504,797
Net gain / (loss) on investing activities	17	(19,008,073)	(5,927,489)
Net gain / (loss) on financial assets		123,272	(1,090,314)
Income tax paid			
Net cash flow from operating activities		**(365,997,103)**	**311,270,182**
Investing activities			
Purchase of property, equipment and intangible assets	18	(4,753,718)	(4,516,907)
Proceeds from sale of property and equipment	18	159,067	3,301,243
Purchase of intangible assets	19	(2,513,450)	(4,585,452)
Purchase of financial investments	17	(376,288,973)	(152,280,551)
Proceeds from sale of financial investments	17	139,920,794	158,110,431
Acquisition of subsidiaries, net of cash acquired	17	-	(6,345,000)
Dividends received	7	245,991	510,178
Net cash flows from/(used in) investing activities		**(243,230,289)**	**(5,806,058)**
Financing activities			
Repayment of other borrowed funds		(33,849,192)	(149,544,500)
Proceeds from other borrowed funds		212,745,000	
Proceeds from issue of share capital	26	438,000,000	125,000,000
Net cash flows (used in)/from financial activities		**616,895,808**	**(24,544,500)**
Net Increase in cash and cash equivalents		7,668,416	280,919,624
Net foreign exchange difference		3,066,492	3,885,768
Cash and cash equivalent at 1 January		704,250,382	419,444,990
Cash and cash equivalents at 31 December	28	**714,985,290**	**704,250,382**
Operational cash flow from interest			
Interest paid		113,620,423	85,779,413
Interest received		299,905,093	235,714,143
Dividend received		245,995	510,178

Ezio Salvai
General Manager

INTESA SANPAOLO ROMANIA S.A. B.C. INTESA SANPAOLO 3

Catello De Simone
Chief Financial Officer

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

		Attributable to equity holders of the Bank					
	Note	Share Capital	Share Premium	Accumulated deficit*	AFS reserves	Other reserves	Total
Balance at 1 January 2010 Restated	27	**291,285,910**	**251,628,890**	**(14,110,816)**	**205,491**	**17,179,988**	**546,189,463**
(Loss)/Profit for the year		-	-	(43,997,742)	-	-	(43,997,742)
Total comprehensive income					(14,461)	-	(14,461)
Increase		125,000,000	-	-	-	-	125,000,000
Balance at 31 December 2010 restated		**416,285,910**	**251,628,890**	**(58,108,558)**	**191,030**	**17,179,988**	**627,177,260**
Balance at 1 January 2011 Restated		**416,285,910**	**251,628,890**	**(58,108,558)**	**191,030**	**17,179,988**	**627,177,260**
Loss for the year		-	-	(141,022,868)	-	-	(141,022,868)
Total comprehensive expenses		-	-	-	(176,195)	-	(176,195)
Increase		438,000,000	-	-	-	15,880	438,015,880
Balance at 31 December 2011		**854,285,910**	**251,628,890**	**(199,131,426)**	**14,835**	**17,195,868**	**923,994,077**

*Accumulated deficit has been adjusted with the result of depreciation and amortisation expense for the increase in book value for fixed assets as a result of hyperinflation treatment (the hyperinflation treatment has been made until and including year 2003 and the revised calculation of the depreciation and amortisation expense has been made for the period 2005-2009) - Note 27.

B.C. INTESA SANPAOLO ROMANIA S.A.
INTESA SANPAOLO

Ezio Salvai
General Manager

Catello De Simone
Chief Financial Officer

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

1. BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA AND ITS OPERATIONS

Banca Comerciala Intesa Sanpaolo Romania SA (the "Bank") has been incorporated in Romania in December 1996, initially under the name of "West Bank" and is licensed by the National Bank of Romania to conduct banking activities. The Bank has changed its name from "West Bank" to "Sanpaolo IMI Bank Romania" after the approval by National Bank of Romania on 16 October 2003 and finally to "Banca Comerciala Intesa Sanpaolo Romania" after the approval by the National Bank of Romania on the 14 January 2008. The Bank is principally engaged in retail banking operations in Romania.

The Bank's holding company and ultimate holding company is Intesa Sanpaolo SpA.

As at 31 December 2011 the Bank had 38 branches and 39 representative offices (2010: 39 branches and 43 representative offices).

The Bank's registered office is located at the following address:
88, B-dul Revoluției, Arad, Romania

In 2011 the average number of employees was 693 (2010: 766)

The Board of Directors formulates policies for the operation of the Bank and monitors their implementation. The Board is composed of 7 members appointed by the General Meeting of Shareholders.

As at 31 December 2011 the Board of Directors of the Bank comprised the following members:

1. Giovanni Ravasio	*president*
2. Daniele Bordina	*member*
3. Ezio Salvai	*member**
4. Ioan Mihail Anca	*member*
5. Adriana Saitta	*member*
6. Giampiero Trevisan	*member*
7. Riccardo Poli	*member*

*) Members of the Management Committee

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These separate financial statements ("the financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union under the historical cost convention except for available-for-sale investments and derivative transactions which have been measured at fair value. The principal accounting policies applied in the preparation of these financial statements are set out below.

These financial statements are presented in RON and all values are rounded to the nearest RON, except when otherwise indicated. The functional currency of the Bank is RON.

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union.

The Bank is exempt from producing consolidated financial statements according to IAS 27 paragraph 10, as the following requirements are met:

A parent (Banca Comerciala Intesa Sanpaolo Romania) does not need to present consolidated financial statements if and only if:

(a) the parent is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting financial statements;
(b) the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
(c) the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
(d) the ultimate or any intermediate parent of the parent produces financial statements available for public use that comply with International Financial Reporting Standards.

The ultimate parent of the Bank, incorporated in Italy, prepares financial statements in accordance with IFRS. The subsidiary Intesa Leasing IFN is accounted for at cost and tested for impairment.

Presentation of Financial Statements

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 31.

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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated income statement unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. Significant accounting judgments and estimates

In the process of applying the Bank's recognition and measurement 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:

(a) 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 income statement. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. 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 no objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups).
The impairment loss on the loans and advances is disclosed in more detail in Note 8, 16, and 34.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques, which contain variables obtained from observable market data. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them.

All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(c) Provision for litigations

The Bank follows the guidance of IFRS for recording the provisions for contingencies. Provisions are recorded when the Bank has a present obligation (legal or constructive) as a result of a past event, there is a probable cash outflow from the Bank and the cash flow can be reliably estimated. In assessing the probability of the cash outflow the Bank assesses the conditions existing at balance sheet date and uses the judgment and advice of internal and external lawyers which represent the Bank in legal court cases. If the conditions are no longer met, the Bank reverses the provisions. In assessing the probable cash outflows the Bank also involves its legal advisers and formal documentation from the legal files. The amount of provision is also computed with reference to the timing of expected outflow. Where the timing is

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

over 1 year, the Bank records the provision at their present value discounted at the Bank's cost of funds rate.

(d) Taxation

Romanian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and State authorities. Recent events within Romania suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for 4 calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2011, Management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax positions will be sustained.

Deferred tax assets are recognized in respect to tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgement 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.

(e) Impairment of available for sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances.

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

(f) Impairment of equity investments

The Bank reviews its equity investments at each statement of financial position date to assess whether they are impaired.

The Bank also records impairment charges on equity investments when there is objective evidence.

(g) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Change in accounting policies and estimates

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Bank has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

- **IFRS 1 First-time adoption**
- **IFRS 3 Business Combinations**
- **IFRS 7 Financial Instruments: Disclosures**
- **IAS 1 Presentation of Financial Statements**
- **IAS 27 Consolidated and Separate Financial Statements**
- **IAS 34 Interim Financial Reporting**
- **IFRIC 13 Customer Loyalty Programmes**
- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)**
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
- **IAS 24 Related Party Disclosures (Revised)**
- **IAS 32 Classification on Rights Issues (Amended)**

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Bank, its impact is described below:

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.

- **IFRS 1 First-time adoption,** effective for annual periods beginning on or after 1 January 2011. This improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting, allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities.

- **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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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.

- **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. The Bank does not expect that the amendment will have any impact on its financial position or performance, as no such transactions have taken place.

- **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 permitted and must be applied retrospectively. The Bank does not expect that the amendment will have any impact on its financial position or performance, as no such transactions have taken place.

- **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 Bank does not expect that the amendment will have any impact on its financial position or performance, as no such transactions have taken place.

- **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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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.

2.4. Future changes in accounting policies

IFRS 1 First-time Adoption of International Financial reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – effective for annual periods beginning on or after 1 July 2011. The IASB has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. When an entity's date of transition to IFRS is on, or after, the date its functional currency ceases to be subject to severe hyperinflation (the functional currency normalization date), the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, and that were subject to severe hyperinflation, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. The amendment also removes the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions. The amended standard has these dates coinciding with the date of transition to IFRS.

The Bank is in the process of assessing the impact of the new amendments on the financial position or performance of the Bank.

IFRS 7 Financial Instruments: Disclosures (Amendment) – effective for annual periods beginning on or after 1 July 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when:

- Financial assets are derecognized in their entirety, but the entity has a continuing involvement in them (e.g. options or guarantees on the transferred assets)
- Financial assets are not derecognized in their entirety

The Bank is in the process of assessing the impact of the new amendments on the financial position or performance of the Bank.

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets – effective for annual periods beginning on or after 1 January 2012. The amendment to IAS 12 introduce a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, an own use basis must be adopted. The amendment also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. As a result of this amendment, SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets has been withdrawn.

The Bank is in the process of assessing the impact of the new amendments on the financial position or performance of the Bank.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments – Classification and Measurement – effective for annual periods beginning on or after 1 January 2013. However, the IASB issued Exposure Draft (ED) Mandatory Effective Date of IFRS 9 (ED/2011/3) that proposes the following:

- To move the mandatory effective date for IFRS 9 to annual periods beginning on or after 1 January 2015 with early application continuing to be permitted
- Not to provide further relief from restatement of comparative amounts to periods beginning after 2012

The comment period for the ED closes on 30 November 2011 and amendments, if any, are expected to be issued by the end of 2011.

The first phase of IFRS 9 *Financial Instruments* addresses the classification and measurement of financial instruments (Phase 1). The Board's work on the other phases is ongoing and includes impairment of financial instruments and hedge accounting, with a view to replacing IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. Phase 1 of IFRS 9 applies to all financial instruments within the scope of IAS 39.

Financial assets
All financial assets are measured at fair value at initial recognition.
Debt instruments may, if the Fair Value Option (FVO) is not invoked, be subsequently measured at amortized cost if:

- The asset is held within a business model that has the objective to hold the asset to collect the contractual cash flows

And

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding

All other debt instruments are subsequently measured at fair value.
All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. However, entities have an irrevocable choice by instrument for all other equity financial assets.

Financial liabilities
For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in the OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in the OCI would create or enlarge an accounting mismatch in profit or loss.
All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The Bank is in the process of assessing the impact of the new amendments on the financial position or performance of the Bank.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements – effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12 – Consolidation – Special Purpose Entities resulting in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 10 does not change consolidation procedures (i.e. how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control. Control exists when an investors has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee And
- The ability to use its power over the investee to affect the amount of the investee's returns

IFRS 10 also provides a number of clarifications on applying this new definition of control, including the following key points:

- An investor is any party that potentially controls an investee; such party need not hold an equity investment to be considered an investor;
- An investor may have control over an investee even when it has less than a majority of the voting rights of that investee (sometimes referred to as de facto control)
- Exposure to risks and rewards is an indicator of control, but does not in itself constitute control
- When decision-making rights have been delegated or are being held for the benefit of others, it is necessary to assess whether a decision-maker is a principal or an agent to determine whether it has control
- Consolidation is required until such time as control ceases, even if control is temporary

The Bank is in the process of assessing the impact of the new amendments on the financial position or performance of the Bank.

IFRS 11 *Joint Arrangements,* IAS 28 *Investment in Associates and Joint Ventures* – effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The reference to 'control' in 'joint control' refers to the definition of 'control' in IFRS 10.

IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:
Joint operation – an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. Joint operations are accounted for by showing the party's interest in the assets, liabilities, revenues and expenses, and\or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any.
Joint venture – an arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method. The option to account for joint ventures (as newly defined) using proportionate consolidation has been removed.

Under this new classification, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

and conditions, and other facts and circumstances. In addition, IAS 28 was amended to include the application of the equity method to investments in joint ventures.

The Bank does not expect that the amendments will have any impact on its financial position or performance, as no such transactions have taken place.

IFRS 12 ***Disclosure of Interests in Other Entities*** – effective for annual periods beginning on or after 1 January 2013. IFRS 12 applies to an entity that has interest in subsidiaries, joint arrangements, associates and\or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31 and IAS 28, while others are new.

The objective of the new disclosure requirements is to help the users of financial statements understand the following:

- The effects of an entity's interests in other entities on its financial position, financial performance and cash flows
- The nature of, and the risks associated with, the entity's interest in other entities

Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include:

- Summarized financial information for each subsidiary with a material non-controlling interest
- Significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture), if applicable
- Summarized financial information for each individually material joint venture and associate
- Nature of the risks associated with an entity's interest in unconsolidated structured entities, and changes to those risks

The Bank does not expect that the amendments will have any impact on its financial position or performance, as no such transactions have taken place.

IFRS 13 ***Fair Value Measurement*** – effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS.

Fair value under IFRS 13 is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e. an 'exit price'). 'Fair value' as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.
The standard provides clarification on a number of areas, including the following:

- Concepts of 'highest and best use' and 'valuation premise' are relevant only for non-financial assets and liabilities
- Market participants are assumed to transact in a way that maximizes value in situations where the unit of account for the item being measured is not clear from other IFRS
- The impact of blockage discounts is prohibited in all fair value measurements
- A description of how to measure fair value when a market becomes less active

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

The Bank is in the process of assessing the impact of the new amendments on the financial position or performance of the Bank.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1* – effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in the OCI. Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items in the OCI are reclassified through profit or loss in future periods.

The Bank is in the process of assessing the impact of the new amendments on the financial position or performance of the Bank.

IAS 19 *Employee Benefits (Revised)* – effective for annual periods beginning on or after 1 January 2013. The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in OCI when they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense) All other changes in the net defined benefit asset (liability) are recognized in OCI with no subsequent recycling to profit or loss.
- Objectives for disclosures of defined benefit plans are explicity stated in the revised standard, along with new or revised disclosure requirements. These new disclosure requirements include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.
- Termination benefits will be recognized at the earlier of when the offer or termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 Liabilities.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

The Bank is in the process of assessing the impact of the new amendments on the financial position or performance of the Bank.

2.5. Comparatives

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

During year 2011 the depreciation and amortisation expense for the increase in book values of fixed assets as a result of hyperinflation treatment (IAS 29) has been calculated and booked. The change in the book values of fixed assets has been made until and including year 2003 and the related depreciation and amortisation expense has previously not been calculated. For this reason the calculation for the depreciation and amortisation expense for the period 2005-2008 has been remade and the value of accumulated deficit as of 1 January 2010 has been changed, while the calculation for the year 2009 has impacted accumulated deficit as of 1 January 2010.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

The book values of the fixed assets have also been changed as a result of the changes in depreciation and amortisation expenses, and the corresponding details can be found in Notes 18-19.

The impact of the restatement is following:

At 1 January 2010

	Computer software	Other intangible assets	Land and Buildings	Computer Hardware	Other assets
Cost	24,451,077	61,825	101,667,703	9,099,453	37,862,842
Accumulated depreciation	12,658,364	53,210	16,155,900	8,187,408	16,416,303
Net book value	11,792,713	8,615	85,511,803	912,045	21,446,539

As at 1 January 2010 Restated

	Computer software	Other intangible assets	Land and buildings	Computer Hardware	Other assets
Cost	24,046,874	109,190	101,169,742	9,579,195	35,931,466
Accumulated depreciation	12,137,361	102,257	12,428,205	7,154,818	13,562,259
Net book value	11,909,513	6,915	88,741,537	2,424,377	22,369,207

At 31 December 2010

	Computer software	Other intangible assets	Land and Buildings	Computer Hardware	Other assets
Cost	27,918,619	55,044	112,381,136	9,186,965	29,945,927
Accumulated depreciation	16,598,906	52,876	21,189,463	9,085,349	15,968,854
Net book value	11,319,713	2,168	91,191,673	101,616	13,977,073

At 31 December 2010 Restated

	Computer software	Other intangible assets	Land and Buildings	Computer Hardware	Other assets
Cost	27,527,470	83,512	111,789,460	9,374,032	26,867,507
Accumulated depreciation	16,090,957	83,044	17,529,923	7,734,897	12,929,980
Net book value	11,436;513	468	94,259,537	1,639,135	13,937,527

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Foreign currency translation

(a) Functional and presentation currency

Functional currency of the Bank is the currency of the primary economic environment in which it operates. The financial statements are presented in RON which is the Bank's functional and presentation currency. The functional currency of the subsidiary is RON.

(b) Transaction and balances

Transactions denominated in foreign currency are initially translated into the functional currency at the official exchange rate ruling at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the income statement at the time of settlement using the exchange rate ruling on that date.
Monetary assets and liabilities denominated in foreign currency are translated in RON as at the statement of financial position date. At 31 December 2011 the exchange rate used for translating foreign currency balances was USD 1 = 3,3393 (2010:USD 1 = RON 3.2355) and EUR 1 = 4,3197 (2010: EUR 1 = RON 4.2848). Foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the income statement for the year.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in income statement, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

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.

II. Financial assets

(a) Classification

The Bank classifies its financial assets into the following categories: financial assets held at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of the Bank's investments at initial recognition.

(i) Financial assets at fair value through profit or loss ("FVTPL")

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The Bank currently does not have any financial assets designated at fair value through profit or loss at inception. Derivatives are also categorized as held for trading unless they are designated as hedges.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(iii) Held-to-maturity ("HTM")

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank sells other than an insignificant amount of HTM assets, the entire category would be tainted and reclassified as available for sale. During 2010 and 2009 the Bank did not held any HTM securities in its portfolio.

(iv) Available-for-sale ("AFS")

AFS investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(b) Recognition, de-recognition and initial measurement

Purchases and sales of financial assets FVTPL, HTM and AFS are recognized on trade-date - the date on which the Bank commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss.

Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transactions costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

(c) Subsequent measurement

AFS financial assets and financial assets FVTPL are subsequently carried at fair value. Loans and receivables and HTM investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the FVTPL category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of AFS financial assets are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in profit or loss. However, interest calculated using the effective interest method is recognized in the income statement. Dividends on AFS equity instruments are recognized in the income statement when the entity's right to receive payment is established.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Fair value measurement principles

The fair values of quoted investments in active markets are based on current bid prices for the treasury bills denominated in RON and for the Eurobonds. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques, The Bank obtains firm quotations at the valuation date for the Tbill in EUR from 3-4 banks (via Reuters dealing system) and then use an average price from the firm quotations obtained.

These include recent prices at which recent arm's length transactions have taken place.

(e) Reclassification of financial assets

Reclassification is at the choice of management, and is determined on an instrument by instrument basis. The Bank does not reclassify any financial instrument after initial recognition

III. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

IV. Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value with changes reflected in the income statement. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognizes profits on day 1.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement. No embedded derivatives exist at reporting date.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank did not designate any derivative transaction as a hedging instrument during the years 2011 and 2010 and did not use hedge accounting. The fair value gain or loss has been recognized by the Bank through profit or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Interest income and expense

Interest income and expense are recognized in the statement of income for all instruments measured at amortized cost and debt instruments classified as available for sale using the effective interest rate method. Interest income includes coupons earned on fixed income investment securities and accrued discount and premium on treasury securities.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

VI. Fee and commission income

Fees and commissions are recognized on an accrual basis when the service has been provided. Loan origination fees for loans which are probable of being drawn down, are deferred and recognized as adjustments to the effective yield on the loan.

Fee and commission income consists mainly of fees and commissions received for the payments and receipts transacted through customer accounts, current account administration, trading of securities and foreign exchange.

VII. Dividends

Dividends on ordinary shares are recognized as a liability and deducted from equity in the period in which they are approved by the Annual General Meeting of shareholders. The statutory financial statements of the Bank prepared in accordance with Romanian Accounting Regulations are the basis for profit distribution and other appropriations.

VIII. Impairment of financial assets

(a) Assets carried at amortized cost

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or interest;
- cash flow and financial difficulties experienced by the borrower;
- breach of loan covenants or conditions;
- initiation of bankruptcy proceedings;
- deterioration of the borrower's competitive position; and
- deterioration in the value of collateral.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Bank 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.

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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.
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 income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (e.g. on the basis of counterparty type, industry and rating). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period 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 for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

(b) Assets classified as available for sale

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

If any impairment evidence exists for available-for- sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on bond instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

IX. Intangible assets

Intangible assets consist of computer software licenses computer software development costs whose useful lives are finite. Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives which is typically three years.

X. Property and equipment

Cost

Property and equipment are stated at cost, restated to the equivalent purchasing power of the Romanian Leu at 31 December 2003 for assets acquired prior to 1 January 2004, less accumulated depreciation and provision for impairment, where required. Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs of repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property and equipment items are capitalized and the replaced part is retired.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

Depreciation

Land is not depreciated. Depreciation on other items of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

	Useful lives in years
Buildings	10-50
Office equipment, fixtures and fittings	3-15
Other assets	5

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

XI. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

XII. Operating Lease

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

XIII. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition: cash; non-restricted balances with

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

central banks, including minimum mandatory reserves; treasury bills and other eligible bills; loans and advances to banks and short-term government securities.

XIV. Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

XV. Financial guarantees contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given being the relative fee income. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the income statement under impairment charge for loan losses.

XVI. Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments and letters of credit.
Loan commitments and letters of credit are irrevocable commitments which can generate new risks. They are continually evaluated in order to determine if an outflow (incorporating future economic benefits) has become probable. If such an outflow has become probable, a provision will be booked in the financial statements for the period in which this has occurred.
Specific provisions are raised against other credit related commitments when the Bank has a present obligation as a result of a past event, when it is probable that there will be an outflow of resources and when the outflow can be reliably measured.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

XVII. Pension obligations and other post retirement benefits

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. Substantially all employees of the Bank are members of the State pension plan which is a defined contribution plan.

The cost of the defined benefit pension plan is determined using an actuarial valuation. Due to the long–term nature of this plan, such estimates are subject to significant uncertainty.

The Bank does not operate any other pension scheme and, consequently, has no obligation in respect of pensions.

XVIII. Income taxes

(a) Current income tax

The Bank records profit tax upon net income from the financial statements in accordance with Romanian Accounting Regulations and profit tax legislation. Romanian profits tax legislation is based on a fiscal year ending on 31 December. In recording both the current and deferred income tax charge for the year ended, the Bank has computed the annual income tax charge based on Romanian profits tax legislation enacted (or substantially enacted) at the balance sheet date.

(b) Deferred income tax

Differences between financial reporting under International Financial Reporting Standards and Romanian fiscal regulations give rise to material differences between the carrying value of certain assets and liabilities and income and expenses for financial reporting and income tax purposes.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for post-retirement benefits and tax losses carried forward. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognized in the income statement together with the realized gain or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

XIX. Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Interest expense is capitalized for qualifying assets.

XX. Net trading income

Net trading income includes the entire profit or loss impact (gains and losses) for trading assets and liabilities including derivatives held for trading.

XXI. Equity reserves

The separate financial statements of the Bank include the following reserves:

- AFS reserve
- Legal reserve
- Other capital reserve

The AFS reserve reflects all the changes arising from the evaluation at fair value of these assets.
Since the evaluation at fair of AFS assets pertains to transactions that directly affect equity without influencing profit and loss, deferred tax assets and liabilities that arise on capital losses and gains that may not be deducted during the year are recognized through the AFS reserve.

In accordance with the Romanian law on banks and banking activities, the Bank must distribute the profit as dividends or perform a transfer to retained earnings (reserves) on the basis of the financial statements prepared under Romanian Accounting Regulations ("RAR"). Amounts transferred to reserves must be used for the purposes designated when the transfer is made.

Under the Romanian banking legislation, the Bank is required to create legal reserves, appropriated at the rate of 5% of profit up to a limit of 20% of the share capital.

The reserve for general banking risks is retained from the statutory gross profit and is calculated applying 1% to balance of assets carrying banking risks. The reserve was established starting with the financial year 2004 until the end of 2006.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

3. INTEREST AND SIMILAR INCOME

	2011	2010
Loans and advances to customers	220,808,937	188,923,942
Interest income accrued on impaired loans	14,449,044	22,244,722
Current accounts and deposits with banks	10,343,535	10,018,096
Financial investments – available-for-sale	21,597,488	8,577,606
	267,199,004	**229,764,366**

4. INTEREST AND SIMILAR EXPENSE

	2011	2010
Due to customers	70,575,328	50,042,924
Due to banks	21,197,703	13,316,685
Other borrowed funds	35,811,663	21,920,000
Repo transaction	195,461	286,244
	127,780,155	**85,565,853**

5. NET FEE AND COMMISSION INCOME

	2011	2010
Fee and commission income		
Transactions related fee and commission income	18,504,323	16,983,822
Credit related fee and commission income	5,665,284	6,166,466
Other fees	20,727	14,405
	24,190,334	**23,164,693**
Fee and commission expense		
Transactions with banks	4,086,047	4,392,902
Fee for cash purchase	307,101	361,096
Other fees paid	3,523,275	282,101
	7,916,423	**5,036,099**

6. NET TRADING INCOME

	2011	2010
Foreign exchange		
- Gain\(Loss) from trading	728,297	660,095
- Gain\(Loss) from dealing transaction	14,459,662	16,879,287
Interest rate swaps	-	(162,414)
	15,187,959	**17,376,968**

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

7. OTHER OPERATING INCOME

	2011	2010
Dividend income	245,995	515,272
Release of provision for litigation	700,000	-
Income from sale of tangible assets	160,800	3,302,356
Release of provision closure branch	2,517,410	2,561,715
Recovery of collection expenses	299,822	119,648
Rent income	535,916	240,892
Release of provision overdue commissions	830,011	-
Other income	251,949	152,254
	5,541,903	**6,892,137**

The income from the sale of tangible assets has been obtained from the sale-and-lease-back transaction with the Bank's auto fleet and as a result of the sale of the former Lipova branch building.

8. CREDIT LOSS EXPENSE

	2011	2010
Corporate lending	1,773,271	1,677,925
Small/medium business lending	177,461,636	72,273,737
Consumer lending	10,436,999	2,176,239
Residential mortgages	6,130,628	1,027,730
	195,802,534	**77,155,631**

9. NET INCOME FROM OTHER FINANCIAL TRANSACTIONS

	2011	2010
Guarantees issued	(733,647)	(633,966)
Unused irrevocable credit limit	480,354	(1,135,200)
Net income / (loss) from other financial transactions	**(253,293)**	**(1,769,166)**

10. PERSONNEL EXPENSES

	2011	2010
Wages and salaries	48,883,856	49,521,506
Social security costs	12,299,754	13,380,596
Other expenses	1,536,603	1,307,692
	62,720,213	**64,209,794**

Other personnel expenses include meal vouchers.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

11. OTHER OPERATING EXPENSES

	2011	2010
Administrative expenses	35,698,023	45,156,491
Loss on sale of property and equipment	2,857,156	5,967,265
Expenses on local taxes	2,155,451	2,857,187
Software expenses	4,216,067	3,690,472
Advertising and marketing	1,169,176	3,937,746
Guarantee fund expenses	3,726,108	2,089,830
Professional services expenses	1,479,726	992,328
Provision for litigation	400,000	1,200,000
Branch closure cost provisions	-	8,424,082
Tax provisions	-	1,200,000
Overdue commissions provision	1,631,356	-
Other	1,606,607	936,601
	54,939,670	**76,452,002**

Following a detailed analysis of the operational results and the degree of meeting the operational performance targets, 20 units (out of which 4 during year 2011) that have not managed to meet the performance targets and\or have realized losses have been closed, after approval from the Bank's Board of Directors.
The Bank has booked provisions covering the total costs of closing down these units. As the expenses have been subsequently incurred, the provisions have been reversed accordingly. The related expenses with the closing of these branches include: penalties paid to landlords for the unilateral closing of leasehold agreements, non-recoverable leasehold improvements write-downs.

Administrative expenses

The administrative expenses are detailed below:

	2011	2010
Rental expenses	19,257,584	26,266,704
Consumables	396,277	273,648
Light, heating and other	2,317,899	2,367,896
IT Communications	1,612,299	1,737,725
Postal, telephone and other	2,094,647	2,332,713
Travel costs	1,419,401	1,685,098
Security	1,451,454	1,671,739
Personnel training	138,564	456,524
Insurance expenses	360,163	747,065
Cleaning	1,056,523	1,128,859
Services for card	902,636	713,161
Protocol	449,866	532,387
Legal expenses	424,554	259,605
Forms, stationery and printed matters	1,105,856	1,262,921
Transportation	809,193	829,032
Other	1,901,107	2,891,414
	35,698,023	**45,156,491**

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

12. INCOME TAX EXPENSE

The income tax expense consists of current and deferred income tax as follows:

	2011	**2010 As previously issued**	**2010 Restated**
Current tax expense / (revenue)	-	32,250	32,250
Deferred tax charge / (release)	(14,827,605)	(5,692,627)	(6,030,759)
Income tax expense / (revenue)	**(14,827,605)**	**(5,660,377)**	**(5,998,509)**

Profit/ (Loss) before tax	**(155,850,473)**	**(48,897,354)**	**(48,996,251)**
Theoretical tax charge at the applicable statutory rate	(24,936,076)	(7,823,577)	(7,839,400)
Tax effect on items which are not deductible:			
Non-deductible expenses	31,794,545	17,836,339	17,836,339
Income which is exempt from taxation	(22,645,678)	(8,764,509)	(8,764,509)
Income tax expense / (revenue)	**(14,827,605)**	**(5,660,377)**	**(5,998,509)**

The differences between regulations issued by the Romanian Ministry of Finance and the accounting rules applied in preparing these financial statements give rise to temporary differences between the carrying value of certain assets and liabilities for financial reporting and tax purposes.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Current income tax is calculated applying a rate of 16% (2010: 16%). Deferred income taxes are calculated on all temporary differences under the liability method using a profit tax rate of 16% (2010: 16%).
Deferred income tax assets and liabilities are attributable to the following items:

	Statement of financial position			Income statement		
	2011	2010 Restated	As at 1 January 2010 Restated	2011	2010 As previously issued	2010 Restated
Tax effects of deductible temporary differences						
Impairment allowance for loans and advance to customers	(57,390,327)	(42,209,609)	(14,623,488)	(15,180,718)	(27,586,121)	(27,586,121)
IAS 29 restatement of fixed assets	-	(401,833)	(21,534)	401,833	(711,791)	(380,299)
Fair Value of AFS investments	(2,825)	(36,387)	-	-	(39,141)	(39,141)
Overdue commissions	-	96,605	-	(96,605)	96,605	96,605
AFS interest	-	6,640	-	(6,640)	-	6,640
Fiscal credit for loss	74,432,997	43,857,941	11,495,226	30,575,056	32,362,715	32,362,715
Deductible temporary differences	705,039	1,570,360	-	(865,321)	1,570,360	1,570,360
Deferred tax asset /(liability) and expense/(income)	**17,744,884**	**2,883,717**	(3,149,795)	**14,827,605**	**5,692,627**	**6,030,759**

Recoverability of deferred tax asset is assessed by the Bank according to the budget 2012 – 2014 in which is estimated to recover only RON 465.206.234 out of RON 510.243.974, the total fiscal loss recorded bay the Bank as at 31 December 2011. This budget plan has been prepared with a conservative approach.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

13. CASH AND BALANCES WITH CENTRAL BANK

	2011	2010	As at 1 January 2010
Cash on hand	60,067,270	57,056,423	58,874,122
Current account with the Central Bank	498,152,680	452,460,014	341,848,157
	558,219,950	**509,516,437**	**400,722,279**

Current accounts include the mandatory reserves with the National Bank of Romania. During 2010, the interest ranged from 1.86% to 1.29% (2010: from 3.38% to 1.57%) for reserves held in RON and was between 0.88% and 0.69% (2010: from 1.27% to 0.96%) for reserves held in EUR. The interest rates for term deposits with the National Bank of Romania ranged during 2010 from 2.25% to 6.25% (2010: 2.25% to 6.25%).

14. DUE FROM BANKS

	2011	2010	As at 1 January 2010
Current accounts	13,729,901	13,647,639	6,719,545
Overnight deposits and term deposits	143,035,439	181,086,306	12,003,166
Total due from banks	**156,765,340**	**194,733,945**	**18,722,711**

In 2011, interest on placements with banks ranged from 1.50% to 7,50% for RON (2010: from 1.59% to 7.56%), from 0.40% to 1.95% for EUR (2010: from 0.05% to 0.44%), from 0.10% to 0.60% for USD (in 2010 there were no placements with banks in USD during the year).

15. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit and loss of the Bank.

Over-the-counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the Bank's market risk.

Forward contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. The Bank has credit exposure to the counterparties of the forward contracts. Forward contracts are settled gross. Forward contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the differences being paid by one party to the other. The Bank has undertaken an interest rate swap with the parent company.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

15. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair values of derivative instruments held are set out below.

	Contract/notional amount	Fair values Assets	Fair values Liabilities
At 31 December 2011			
Derivatives held for trading			
Currency swaps	183,201,010	119,729	28,724
Foreign exchange derivatives	125,693,492	76,089	19,414
Total recognized derivative	**308,894,502**	**195,818**	**48,138**
At 31 December 2010			
Derivatives held for trading			
Currency swaps	55,518,225	1,889	134,220
Foreign exchange derivatives	159,154,275	8,734	10,135
Total recognized derivative	**214,672,500**	**10,623**	**144,355**

All derivative financial instruments are classified within Level 2 of the fair value hierarchy.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

16. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of customer

	2011	2010
Corporate lending	270,474,800	184,750,125
Small/medium business lending	2,470,803,128	2,404,130,722
Consumer lending	366,355,005	300,340,637
Residential mortgages	289,902,059	222,249,975
Subordinated loan	4,307,825	4,284,800
TOTAL gross exposure	**3,401,842,817**	**3,115,756,259**
Less: allowance for impairment losses	(359,716,253)	(159,433,598)
TOTAL	**3,042,126,564**	**2,956,322,661**

The subordinated loan has been granted to Intesa Sanpaolo Leasing.

(b) Analysis by sector

	2011	% of total	2010	% of total
Trade	630,708,676	19	654,737,620	21
Industry	708,213,782	21	649,381,421	21
Individuals	656,257,063	19	521,545,739	16
Services	749,884,866	21	614,348,232	20
Constructions	364,358,947	11	469,728,668	15
Agriculture	272,537,459	8	187,172,046	6
Other	19,882,024	1	18,842,533	1
	3,401,842,817	**100**	**3,115,756,259**	**100**
Less provision for impairment losses	(359,716,253)		(159,433,598)	
Total loans	**3,042,126,564**		**2,956,322,661**	

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

16. LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Allowance for loan losses

	Corporate lending	Small/medium business lending	Consumer Lending	Residential Mortgages	TOTAL
At 1 January 2011	**8,453,131**	**145,545,440**	**3,849,497**	**1,585,530**	**159,433,598**
Charge for the year	3,713,588	368,895,286	21,857,185	12,838,775	407,304,834
Releases during the period	(1,940,317)	(192,744,538)	(11,420,186)	(6,708,147)	(212,813,188)
Written off	-	1,310,888	-	-	1,310,888
Effect of exchange rate changes on provisions	38,180	4,079,653	229,640	132,648	4,480,121
At 31 December 2011	**10,264,582**	**327,086,729**	**14,516,136**	**7,848,806**	**359,716,253**
Individual impairment	8,985,491	286,327,756	12,707,250	6,870,748	314,891,245
Collective impairment	1,279,091	40,758,973	1,808,886	978,058	44.825,008
TOTAL	**10,264,582**	**327,086,729**	**14,516,136**	**7,848,806**	**359,716,253**

	Corporate lending	Small/medium business lending	Consumer Lending	Residential Mortgages	TOTAL
At 1 January 2010	**6,668,153**	**68,357,364**	**1,531,378**	**492,832**	**77,049,727**
Charge for the year	6,169,152	263,624,824	8,001,278	3,778,608	281,573,862
Releases during the period	(4,491,227)	(191,922,461)	(5,825,040)	(2,750,878)	(204,989,606)
Written off	-	571,376	-	-	571,376
Effect of exchange rate changes on provisions	107,053	4,914,337	141,881	64,968	5.228,239
At 31 December 2010	**8,453,131**	**145,545,440**	**3,849,497**	**1,585,530**	**159,433,598**
Individual impairment	7,408,816	127,564,499	3,373,923	1,389,650	139,736,888
Collective impairment	1,044,315	17,980,941	475,574	195,880	19,696,710
TOTAL	**8,453,131**	**145,545,440**	**3,849,497**	**1,585,530**	**159,433,598**

17. FINANCIAL INVESTMENTS

(a) Available-for-sale investments

	2011	2010
Debt securities	384,841,630	148,842,715
AFS Equity investments	271,460	255,580
	385,113,090	**149,098,295**

	Available for sale
At 1 January 2011	**149,098,295**
Additions	376,288,972
Disposals	(139,920,794)
Net gains / (loss) from changes in fair value	(209,756)
Effect of exchange rates	(143,627)
At 31 December 2011	**385,113,090**
At 1 January 2010	**154,348,038**
Additions	152,280,550
Disposals	(158,110,431)
Net gains / (loss) from changes in fair value	(17,216)
Effect of exchange rates	597,354
At 31 December 2010	**149,098,295**

Debt securities comprise treasury bills, bonds denominated in RON and Eurobonds issued by Romanian Ministry of Finance.

Available-for-sale instruments are classified as either Level 1 or Level 2 in the fair value hierarchy and their fair value is determined on Level 1 or Level 2 inputs. For Level 1, the prices considered for fair value determination are the quoted prices from active markets for identical assets and liabilities. For Level 2, the inputs used for fair value determination are based on observable data.

All of the AFS investments are classified as Level 2 within the Fair value hierarchy.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

17. FINANCIAL INVESTMENTS (CONTINUED)

AFS Equity investments held by the Bank are detailed below.

Investment	Country of incorporation	Nature of business	Shareholding 2011	Shareholding 2010
Sibiu Stock Exchange	Romania	commodity exchange	26,880	21,600
Casa Română de Compensaţie	Romania	clearing house BMFMS	40,500	29,900
TransFonD	Romania	settlement and clearing inter-banking transfer	193,803	193,803
Biroul de Credit	Romania		10,277	10,277
			271,460	**255,580**

In 2011 the participation to Sibiu Stock Exchange increased with 5,280 shares granted free of charge in 2010, at the nominal value of shares RON 1 per share.
The participation to Casa Romana de Compensatie increased due to 10,600 shares granted free of charge in 2009, at the nominal value of shares RON 1 per share.

(b) Equity investments

	2011	2010	As at 1 January 2010
Intesa Sanpaolo Leasing IFN	8,745,616	8,745,612	2,400,612

Banca Comerciala Intesa Sanpaolo Romania holds 99,49% of the share capital of INTESA SANPAOLO LEASING ROMANIA I.F.N S.A., Romanian company located at S-PARK Loc BUCURESTI str TIPOGRAFILOR nr 11-15, registered at the Romanian Registry of Commerce under J40/14030/2005 with fiscal number RO17863812.

In January 2011, the Bank has acquired from CIB Lizing Zrt a number of 17 shares in Intesa Sanpaolo Leasing Romania IFN S.A. at the symbolic price of RON 4. This increase of the contribution has been approved on January 25, 2011 by the Board of Administration of Intesa Sanpaolo Romania.

Following this event, as of 31 December 2011, Intesa Sanpaolo Romania SA holds a total number of 597 (99,49%) shares in Intesa Sanpaolo Leasing Romania IFN S.A., each with a nominal value of RON 1,800 per share and CIB Lizing Zrt holds 3 shares (0,51%) at a nominal value of RON 1,800 per share.

As a result to this impairment test, and because in 2011 Intesa Sanpaolo Leasing made a profit in amount of RON 2,362,142, there has been no need to diminish the book value.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

18. PROPERTY AND EQUIPMENT

	Land and buildings	Computer Hardware	Other assets	Total
Cost:				
At 1 January 2010 Restated	101,169,742	9,579,195	35,931,466	146,680,403
Additions	14,726,940	1,180,150	658,384	16,565,474
Disposals	(4,107,222)	(1,385,313)	(9,722,343)	(15,214,878)
At 31 December 2010	**111,789,460**	**9,374,032**	**26,867,507**	**148,030,999**
At 1 January 2011	111,789,461	9,374,832	26,867,507	148,031,800
Additions	20,608,038	2,854,130	641,551	24,103,719
Disposals	(3,465,305)	(1,798,168)	(2,501,165)	(7,764,638)
At 31 December 2011	**128,932,194**	**10,430,794**	**25,007,893**	**164,370,881**
Depreciation:				
At 1 January 2010 Restated	12,428,205	7,154,818	13,562,259	33,145,282
Disposals	(2,409,282)	(1,404,382)	(5,435,152)	(9,248,816)
Depreciation charge for the year Restated	5,154,840	1,984,461	4,802,873	11,942,174
Impairment losses	2,356,160	-	-	2,356,160
At 31 December 2010	**17,529,923**	**7,734,897**	**12,929,980**	**38,194,800**
At 1 January 2011	15,173,763	7,734,897	12,930,780	35,839,440
Disposals	(903,926)	(1,795,472)	(2,208,182)	(4,907,580)
Depreciation charge for the year	4,307,509	1,830,633	2,681,704	8,819,846
Impairment losses	5,282,300	-	-	5,282,300
At 31 December 2011	**23,859,646**	**7,770,058**	**13,404,302**	**45,034,006**
Net book value:				
At 1 January 2010 Restated	**88,741,537**	**2,424,377**	**22,369,207**	**113,535,121**
At 31 December 2010	**94,259,537**	**1,639,135**	**13,937,527**	**109,836,199**
At 31 December 2011	**105,072,548**	**2,660,736**	**11,603,591**	**119,336,875**

Included within other assets are motor vehicles, furniture and fittings, household equipment, air conditioning equipment. Included in fixed assets are items adjusted for the hyperinflationary economy prior to 1 January 2004.

For goods repossessed, as a result of the foreclosure process for bad debts was calculated an impairment adjustment as a difference between book value and the fair value from revaluation of 5,282,300 RON as at 31 December 2011.
The impairment adjustment was booked as depreciation expense for property and equipment.

For the branches closed during 2011 as part of the restructuring plans of the Bank, an impairment provision was calculated as of 31 December 2010 of 2,356,160 RON which was booked as other operating expenses as of 31 December 2010.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

19. INTANGIBLE ASSETS

	Computer software	Other intangible assets	TOTAL
Cost:			
At 1 January 2010 Restated	24,046,874	109,190	24,156,064
Additions	4,585,453	-	4,585,453
Disposals	(1,104,857)	(25,678)	(1,130,535)
At 31 December 2010	**27,527,470**	**83,512**	**27,610,982**
At 1 January 2011	27,527,470	83,512	27,610,982
Additions	2,513,450	-	2,513,450
Disposals	(967,697)	(71,743)	(1,039,440)
At 31 December 2011	**29,073,223**	**11,769**	**29,084,992**
Amortization:			
At 1 January 2010 Restated	12,137,361	102,275	12,239,636
Disposals	(1,103,693)	(25,638)	(1,129,331)
Amortization charge for the year	5,057,289	6,407	5,063,696
At 31 December 2010	**16,090,957**	**83,044**	**16,174,001**
At 1 January 2011	16,090,957	83,044	16,174,001
Disposals	(967,696)	(71,647)	(1,039,343)
Amortization charge for the year	4,454,868	371	4,455,239
At 31 December 2011	**19,578,129**	**11,768**	**19,589,897**
Net book value:			
At 1 January 2010 Restated	**11,909,513**	**6,915**	**11,916,428**
At 31 December 2010	**11,436,513**	**468**	**11,436,981**
At 31 December 2011	**9,495,094**	**1**	**9,495,095**

Included in intangible assets are computer software licenses (FIBA) and MasterCard licenses. Amortization of intangible assets is included in 'Other operating expenses' in the income statement.

The remaining average amortization period is 2.5 years

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

20. OTHER ASSETS

	2011	2010	As at 1 January 2010
Deposits paid for rent, electricity	1,850,346	1,935,560	2,009,053
Payment instruments to be settled	4,747,446	1,295,928	2,690,234
Expenses paid in advance	1,021,863	1,743,623	2,853,071
Sundry debtors	4,518,759	3,955,452	3,077,219
Collateral repossessed	-	-	12,048,568
Other amounts to be settled	-	-	-
Overdue commissions	3,166,357	2,909,069	-
Prepayments	33,772	26,407	68,845
Other	1,650,606	791,041	2,271,924
Total	**16,989,149**	**12,657,080**	**25,016,914**

Details on overdue commissions are presented below:

	2011	2010	As at 1 January 2010
Overdue commissions, gross	4,600,537	3,512,849	-
Provision	(1,434,180)	(603,780)	-
Overdue commissions, net	**3,166,357**	**2,909,069**	**-**

The repossessed assets from bad debtors on behalf of non-performing loans from 2009 (with a total value of 12.048.568 RON) have been reclassified as fixed assets in 2010.

The Bank has decided to transfer them to the fixed assets category because in the past year the Bank has been unable to sell them and, for the moment, the market for selling such goods is not favourable.

21. DUE TO BANKS

	2011	2010	As at 1 January 2010
Sight deposits	83,484,447	299,726,160	132,630,841
Term deposits	340,493,746	645,411,112	195,187,739
Items in course of collection	8,056,124	5,833,314	4,358,131
Repurchase agreements	-	-	89,252,410
	432,034,317	**950,970,586**	**421,429,121**

The interest rate during 2011 for term deposits ranged from 2.00% to 9,50% for RON (2010: from 3.30% to 7.63%) and there were no term deposits to banks in EUR during the year.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

22. DUE TO CUSTOMERS

	2011	2010	As at 1 January 2010
Current accounts	261,450,797	250,959,234	213,763,903
Deposits due to companies and individuals	1,558,686,326	1,208,970,173	831,265,141
Restricted deposits	39,405,290	48,835,162	45,188,240
Total	**1,859,542,413**	**1,508,764,569**	**1,090,217,284**

Included in restricted deposits were deposits for guarantee of proper work performed as at 31 December 2011 in the amount of RON 16,395,058 (2010: 20,875,357). Other types of deposits that are found in position "Restricted deposits" are collateral cash (in the amount of RON 16,809,122) for letters of guarantee issued; collateral cash (in the amount of RON 6,201,110) for loans.

The average interest rate during 2011 for term deposits ranged from 4.79% to 5.63% for RON (2010: from 6.03% to 8.09%) and from 2.32% to 3.25% for EUR (2010: from 3.75% to 5.88%).

23. OTHER BORROWED FUNDS

	2011	2010	As at 1 January 2010
Loans from Intesa Sanpaolo Group	1,064,581,051	839,085,826	975,960,375
Total	**1,064,581,051**	**839,085,826**	**975,960,375**

The amount from Intesa Sanpaolo Group comprises loans received from Intesa Sanpaolo Bank Ireland, Societe Europeenne de Banque SA Luxemburg and a subordinated loan granted by Intesa Sanpaolo Bank Ireland PLC. Total amount granted is EUR 230,000,000 (2010: EUR 180,000,000) and a subordinated loan of EUR 15,000,000 (2010: EUR 15,000,000).

The amounts are fully drawn and used at this moment and there are no restrictions to demand early reimbursement.

The Bank also has emergency facilities from Group, which are committed but not withdrawn in the amount of RON 215,985,000 (EURO 50,000,000) from Intesa Sanpaolo S.p.A..

The first loan was received on 29 June 2007 in the amount of EUR 20,000,000 with an interest of 1,657% is repayable in one tranche on 29 June 2015.

The second loan was received on 29 June 2007, in the amount of EUR 20,000,000 with an interest of 1,637% is repayable in one tranche on 27 June 2014.

The third loan was received on 26 August 2011 in the amount of EUR 20,000,000 with an interest of 4,514% and is repayable in one tranche on 26 August 2014.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

The fourth loan was received on 15 November 2007 in the amount of EUR 20,000,000 with an interest of 2,012% and is repayable in one tranche on 08 November 2013.

The fifth loan was received on 24 December 2007 in the amount of EUR 30,000,000 with an interest of 2,306% and is repayable in one tranche on 17 December 2013.

The sixth loan was received on 23 October 2008 in the amount of EUR 20,000,000 with an interest of 5,584% and is repayable in one tranche on 20 October 2014.

The seventh loan was received on 27 October 2008 in the amount of EUR 20,000,000 with an interest of 5,584% and is repayable in one tranche on 20 October 2014.

The eighth loan was received on 17 October 2011 in the amount of EUR 30,000,000 with an interest of 5,982% and is repayable in one tranche on 17 October 2017.

The nine loan was received on 31 January 2011 in the amount of EUR 50,000,000 with an interest of 4,41% and is repayable in one tranche on 28 February 2013.

The subordinated loan from Intesa Sanpaolo Ireland was received on 17 October 2005 in amount of EUR 15,000,000 with an interest rate of 3,235% and is repayable on 17 October 2015.

Upon the insolvency of the borrower the lender's claims arising from this subordinated loan agreement will rank behind those of all other creditors of the borrower and will rank ahead only of the shareholders of the borrower.

24. PROVISIONS

	2011	2010	As at 1 January 2010
Provision for risk and charges	1,640,401	1,460,130	323,000
Provision for litigation	1,806,350	2,106,350	906,350
Provision for letters of guarantee	4,107,230	3,838,225	2,672,893
Provisions for personnel expenses	8,708,615	6,534,401	5,882,448
Provisions for closing branches	259,775	3,506,207	-
Provisions for merger	280,000	-	-
Total	**16,802,371**	**17,445,313**	**9,784,691**

Provision for risk and charges includes the provision made for audit services (RON 371,601), the provision made for additional building taxes and related penalties possibly owed to local tax authorities budgets, starting with year 2009 and until year 2014, the prescription date (RON 1,200,000) and provision for other expenses (RON 68,800).

The outflow for audit services is certain and expected to take place within the next 12 months. The outflow for additional building taxes and related penalties possibly owed to local tax authorities budgets is uncertain (it depends whether the local tax authorities will conduct any investigations until the prescription date and what the results of those investigations will be) and expected to take place until year 2014, at the very latest.
In 2011, the Bank established a new provision for litigation for a case and released the provision for an older case because the court suspended the legal proceedings at the request of

counterparty. The outflow associated to Provision for litigation is uncertain (it depends on the court's decisions) and the timing of the outflow is also uncertain (as it depends on the court's planning of the hearings).

Provisions for letters of guarantee and Provisions for personnel expenses are revalue monthly and the total provision amount required is adjusted monthly, either through booking additional provisions or reversing from the amounts already provisioned. The outflow associated with these two types of provisions is uncertain, but the timing of the outflow cannot exceed one calendar year for Provision for personnel expenses, while for Provision for letters of guarantee, it cannot be determined exactly.

Provisions for closing branches are used (decreased) as the related expenses for closing the branches are booked. The outflow in this case is certain and the timing of the outflow is no later than the date at which the branches have actually been closed, which is less than three calendar months from 31 December 2011.

Provision for merger is related to the expenses for the merger process between Intesa Sanpaolo Romania and CR Firenze which is set to to take place in June 2012.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

The movement in provisions during 2011 is as follows:

	LG's	Closure branches	Litigation	Personnel	Merger	Other	Total
At 1 January	**3,838,225**	**3,506,207**	**2,106,350**	**6,534,401**	**-**	**1,460,130**	**17,445,313**
Arising during the year	8,487,170	-	400,000	8,312,624	280,000	782,655	18,262,149
Utilized	(8,218,165)	(3,246,432)	(700.000)	(6,138,110)	-	(602,384)	(18,905,091)
Unused amounts reversed	-	-	-	-	-	-	-
At 31 December	**4,107,230**	**259,775**	**1,806,350**	**8,708,615**	**280,000**	**1,640,401**	**16,802,371**
Current (less than one year)	4,107,230	-	400,000	8,312,324	280,000	1,640,401	14,739,954
Non-current (more than one year)	-	259,775	1,406,350	396,291	-	-	2,062,416
At 31 December	**4,107,230**	**259,775**	**1,806,350**	**8,708,615**	**280,000**	**1,640,401**	**16,802,371**

The movement in provisions during 2010 is as follows:

	LG's	Closure branches	Litigation	Personnel	Merger	Other	Total
At 1 January	**2,672,893**	**-**	**906,350**	**5,882,448**	**-**	**323,000**	**9,784,691**
Arising during the year	4,055,947	3,963,576	1,200,000	7,135,582	-	1,670,130	18,025,235
Utilized	(2,890,615)	(457,369)	-	(6,483,629)	-	(533,000)	(10,364,613)
Unused amounts reversed	-	-	-	-		-	-
At 31 December	**3,838,225**	**3,506,207**	**2,106,350**	**6,534,401**	**-**	**1,460,130**	**17,445,313**
Current (less than one year)	3,838,225	3,506,207	1,200,000	5,963,481	-	1,460,130	15,968,043
Non-current (more than one year)	-	-	906,350	570,920	-	-	1,477,270
At 31 December	**3,838,225**	**3,506,207**	**2,106,350**	**6,534,401**	**-**	**1,460,130**	**17,445,313**

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

25. OTHER LIABILITIES

	2011	2010	As at 1 January 2010
Taxes due to the State Budget	1,063,898	897,508	349,533
Salary to be paid	4,396,070	4,289,131	2,778,165
Expense accruals	242,421	257,872	114,216
Commercial instruments	4,747,445	1,295,929	2,690,234
Commission for LG's	2,563,958	2,194,073	2,462,993
Foreign Exchange Position	1,945,095	1,188,647	1,980,726
MoneyGram creditors	1,342.245	657,176	-
Other liabilities	1,428,882	465,784	190,692
Total	**17,730,014**	**11,653,641**	**10,566,559**

26. SHARE CAPITAL

	2011	2010	As at 1 January 2010
Registered share capital	814,111,110	376,111,110	251,111,110
Restatement in accordance with IAS 29	40,174,800	40,174,800	40,174,800
Total share capital	**854,285,910**	**416,285,910**	**291,285,910**

The authorized and issued share capital as at 31 December 2011 amounts RON 814,111,110 and comprises 81,411,111 shares (2010: 37,611,111 shares) with a nominal value of RON 10 each. All issued shares are fully paid and carry one vote.

In March, 2011 the Bank increased its share capital with RON 115,000,000 by issuing 11,500,000 shares with a nominal value of RON 10 per share, all of them subscribed by Intesa Sanpaolo S.p.A. The minority shareholder Intesa Sanpaolo Holding did not subscribed any share in this capital increase.

In December 2011 the Bank issued a number of 32,300,000 new shares at a nominal value of RON 10,00 per share (total RON 323,000,000), 32,175,338 shares subscribed by Intesa Sanpaolo S.p.A. and 124,662 shares subscribed by Intesa Sanpaolo Holding. The capital increase was carried out exclusively through cash contribution of existing shareholders. Following the share capital increase and full payment of the amounts of new shares subscribed by shareholders, on 31 December 2011 the bank's subscribed and paid up share capital amounts to RON 814,111,110.

Following the capital increase, the capital structure as at 31 December 2011 and 31 December 2010 is as follows:

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Shareholder	2011 Number of shares	2011 %	2010 Number of shares	2010 %
Intesa Sanpaolo S.p.A Italia	81,096,905	99,61	37,421,567	99.50
Intesa Sanpaolo Holding	314,206	0,39	189.544	0.50
Total	**81,411,111**	**100.00**	**37,611,111**	**100.00**

27. ACCUMULATED DEFICIT

At 31 December 2009	(18,817,265)
Restatement of fixed assets	4,706,449
At 1 January 2010 Restated	**(14,110,816)**
Loss for the year before restatement	(43,236,977)
Transfer from retained profit	(760,765)
At 31 December 2010	**(58,108,558)**
Loss for the year	**(141,022,868)**
At 31 December 2011	**(199,131,426)**

Accumulated deficit has been changed following the adjustment to the book values of fixed assets. The increase to the value of fixed assets established as a result of the hyperinflation adjustment has not been amortized for the period 2005-2010; as a result, in 2011 the depreciation and amortization expense for the period 2005-2010 have been computed and booked which has impacted accumulated deficit in the following manner:

- as of 1 January 2010 the depreciation and amortization expense for the period 2005-2009 of 4,706,449 RON;
- as of 31 December 2010 the depreciation and amortization expense for the year 2010 of 760,765 RON.

28. RESERVES

	Available-for-sale reserve	Statutory reserve	Other capital reserve	Total
At 1 January 2010	205,491	6,504,954	10,675,035	17,385,480
Increase	-	-	-	-
Net gains/(loss) on available-for-sale	(14,461)	-	-	(14,461)
At 31 December 2010	**191,030**	**6,504,954**	**10,675,035**	**17,371,019**
At 1 January 2011	191,030	6,504,954	10,675,035	17,371,019
Increase	-	-	15,880	15,880
Net gains/(loss) on available-for-sale	(176,196)	-	-	(176,196)
At 31 December 2011	**14,834**	**6,504,954**	**10,690,915**	**17,210,703**

At 31 December 2011, statutory reserves inlude: legal reserve amounting 6,198,053 RON and general reserve for the credit risk in the amount of 306,901 RON.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

At 31 December 2011, other capital reserves include: general reserve for the credit risk (10,056,102 RON), share premium transferred to other reserves (396,094 RON) and other reserves (238,719 RON).

29. FAIR VALUE HIERARCHY

All financial instruments carried at fair value are categorized in three categories defined as follows:
Level 1 - Quoted market prices
Level 2 - Valuation techniques (market observable)
Level 3 - Valuation techniques (non-marked observable)

As at 31 December 2011, the Bank held the following financial instruments measured at fair value:

Assets measured at fair value	Total	Level 1	Level 2	Level 3
Derivative Financial Instruments	**195,818**	-	195,818	-
Financial investments available-for-sale	**384,841,630**	-	384,841,630	-

Liabilities measured at fair value	Total	Level 1	Level 2	Level 3
Derivative Financial Instruments	**48,138**	-	48,138	-

As at 31 December 2010:

Assets measured at fair value	Total	Level 1	Level 2	Level 3
Derivative Financial Instruments	**10,623**	-	10,623	-
Financial investments available-for-sale	**148,842,715**	-	148,842,715	-

Liabilities measured at fair value	Total	Level 1	Level 2	Level 3
Derivative Financial Instruments	**144,355**	-	144,355	-

During the year 2011, there were no transfers between Level 1 and Level 2 fair value measurement.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Fair values of financial assets and liabilities

Set out below is a comparison, by class, of the carrying amounts and fair values of the bank's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non–financial assets and non–financial liabilities

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balance with central banks	558,219,950	558,219,950	509,516,437	509,516,437
Due from banks	156,765,340	156,765,340	194,733,945	194,733,945
Loans and advances to customers	3,042,126,564	3,042,126,564	2,956,322,661	2,956,322,661
	3,757,111,854	**3,757,111,854**	**3,660,573,043**	**3,660,573,043**
Financial liabilities				
Due to banks	432,034,317	432,034,317	950,970,586	950,970,586
Due to customers	1,859,542,413	1,859,542,413	1,508,764,569	1,508,764,569
Other borrowed funds	1,064,581,051	1,064,581,051	839,085,826	839,085,826
	3,356,157,781	**3,356,157,781**	**3,298,820,981**	**3,298,820,981**

Fair value of financial assets and liabilities not carried at fair value
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value
For financial assets and financial liabilities that have a short term maturity (less than one year) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed rate financial instruments
The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

30. ADDITIONAL CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2011	2010
Cash on hand	60,067,270	57,056,423
Current account with the Central Bank	498,152,680	452,460,014
Due from banks with maturity less than 3 months	156,765,340	194,733,945
Total	**714,985,290**	**704,250,382**

Current accounts with Central Bank include mandatory reserve deposits. These are available for use in the Bank's day to day operations, provided that on a month average, the Bank maintains the minimum required by law.

(b) Change in operating assets

	2011	2010
Net change in financial assets HFT	(185,195)	599,117
Net change in loans and advance to customers	(85,803,903)	(625,422,117)
Net change in other assets	(4,332,070)	12,359,835
Total	**(90,321,168)**	**(612,463,165)**

(c) Change in operating liabilities

	2011	2010
Net change in financial liabilities HFT	(96,217)	(702,076)
Net change in due to banks	(472,336,852)	542,211,416
Net change in due to customers	350,777,843	418,547,286
Net change in other liabilities	6,076,374	1,087,081
Total	**(115,578,852)**	**961,143,707**

(d) Non-cash items included in profit before tax

	2011	2010
Depreciation of property and equipment	14,102,146	10,843,277
Amortization of other intangible assets	4,455,239	5,063,696
Reversed provisions LG&LC	253,293	1,769,166
Provisions	(896,235)	5,891,456
Other non-monetary items	(3,276,253)	(5,062,798)
Total	**14,638,190**	**18,504,797**

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

31. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

As at 31 December 2011

	Less than 12 months	Over 12 months	Total
ASSETS			
Cash and balance with Central Banks	558,219,950	-	558,219,950
Due from banks	156,765,340	-	156,765,340
Loans and advances to customers	1,279,375,800	1,762,750,764	3,042,126,564
Derivative financial instruments	195,818	-	195,818
Financial investments available-for-sale	314,290,294	70,822,796	385,113,090
Equity investments	-	8,745,616	8,745,616
Intangible assets	-	9,495,095	9,495,095
Property and equipment	-	119,336,875	119,336,875
Deferred tax assets	-	17,744,884	17,744,884
Other assets	16,989,149	-	16,989,159
TOTAL ASSETS	**2,325,836,351**	**1,988,896,030**	**4,314,732,381**
LIABILITIES AND EQUITY			
Due to banks	432,034,317	-	432,034,317
Due to customers	1,822,720,527	36,821,886	1,859,542,413
Derivative financial instruments	48,138	-	48,138
Other borrowed funds	-	1,064,581,051	1,064,581,051
Current income tax liabilities	-	-	-
Deferred tax liabilities	-	-	-
Provisions	17,730,014	-	17,730,014
Other liabilities	16,802,371	-	16,802,371
TOTAL LIABILITIES	**2,289,335,367**	**1,101,402,937**	**3,390,738,304**
Net	**36,500,984**	**887,493,093**	**923,994,077**

As at 31 December 2010

	Less than 12 months	Over 12 months	Total
ASSETS			
Cash and balance with Central Banks	509,516,437	-	509,516,437
Due from banks	194,733,945	-	194,733,945
Loans and advances to customers	1,187,027,634	1,769,295,027	2,956,322,661
Derivative financial instruments	10,623	-	10,623
Financial investments available-for-sale	127,504,275	21,594,020	149,098,295
Equity investments	-	8,745,612	8,745,612
Intangible assets	-	11,436,981	11,436,981
Property and equipment	-	109,836,199	109,836,199
Deferred income tax assets	-	2,883,717	2,883,717
Other assets	12,657,080	-	12,657,080
TOTAL ASSETS	**2,031,449,994**	**1,923,791,556**	**3,955,241,550**

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

LIABILITIES			
Due to banks	950,970,586	-	950,970,586
Due to customers	1,486,212,514	22,552,055	1,508,764,569
Derivative financial instruments	144,355	-	144,355
Other borrowed funds	217,789,826	621,296,000	839,085,826
Current income tax liabilities	-	-	-
Deferred income tax liabilities	-	-	-
Other liabilities	11,653,641	-	11,653,641
Provisions	17,445,313		17,445,313
TOTAL LIABILITIES	**2,684,216,235**	**643,848,055**	**3,328,064,290**
Net	**(652,766,241)**	**1,279,943,501**	**623,177,260**

32. COMMITMENTS AND CONTINGENCIES

The Bank issues guarantees and letters of credit on behalf of its customers. The market and credit risk on these financial instruments, as well as the operating risk is similar to that arising from granting of loans. In the event of a claim on the Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Bank.

The aggregate amount of outstanding gross commitments and contingencies as at period end was:

	2011	2010
Letters of guarantee	394,521,104	165,783,423
Unused loan facilities and letters of credit	355,581,155	308,020,051
Letters of guarantee issued for other banks	106,016,284	80,581,809
Contingency lines	215,985,000	428,480,000
Total	**1,072,103,543**	**982,865,283**

32. COMMITMENTS AND CONTINGENCIES (continued)

The letters of guarantee include letters of guarantee in amount of RON 79,867,897 (2010: 79,796,343) issued for credit risk in respect of loans granted by, Intesa Sanpaolo Ireland, Banka Koper, Intesa Mediocredito SPA Milano and Banca Infrastrutture Innovazione e Svilippo Spa to Romanian customers.

Capital commitments

As at 31 December 2011 the Bank had capital expenditure contracted for but not recognized in these financial statements of RON 17,180,435 (2010: 19,873,724). The Bank's management is confident that future net revenues and funding will be sufficient to cover these commitments.

On May, 1st 2010 the Bank has sold its car fleet that were not previously fully depreciated. The selling price was approximately equal to the net book value of the car fleet at the date of the transaction (3,073,914 RON). The same cars have been subsequently leased from the buyer, through a lease agreement. The lease agreement does not include a clause regarding the possibility of buying the assets by the Bank, at the end of the contract. The result of the sale and leaseback transaction has been an operational lease agreement. The value of the monthly invoice issued according to the sale-and-lease back contract is 33,274 Euro.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

The future operating lease payments committed are disclosed below:

	2011	2010
No later than 1 year	17,180,435	19,873,724
Later than 1 year and no later than 5 years	25,881,598	39,269,197
Later than 5 years	11,586,617	11,874,664

Future minimum rental under non-cancellable operating leases as at 31 December are as follows:

	2011	2010
No later than 1 year	635,073	154,453
Later than 1 year and no later than 5 years	1,838,024	347,520
Later than 5 years	-	-

Tax Contingencies

Romanian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and State authorities. Recent events within Romania suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for 4 calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2011, Management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax positions will be sustained.

33. RELATED PARTY TRANSACTIONS

The Bank is a member of the Intesa Sanpaolo Group. The Bank's immediate parent is Intesa Sanpaolo SpA, a bank incorporated in Italy, which directly owns 99.61 % of the ordinary shares. The minority shareholder is Intesa Sanpaolo Holding International S.A Luxembourg which directly owns 0.39 %.

The related parties considered for reporting purposes include Intesa Sanpaolo S.p.A., Societe Europeenne de Banque S.A., Intesa Sanpaolo Bank Ireland, Central-European International Bank, Intesa Sanpaolo Banka DD Sarajevo, Intesa Sanpaolo Branch Tokyo, Banka Koper, Intesa Sanpaolo Card, Banca CR Firenze Romania, VUB Banka Bratislava, Vseobecna Uverova Banka AS Branch Praga, Intesa Mediocredito SpA Milano, Intesa Sanpaolo Holding International S.A. Luxembourg, Intesa Sanpaolo Leasing Romania which are all entities controlled by the Intesa Sanpaolo Group.

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.
A number of banking transactions is entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions, acquisition of other services.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

The volumes of related party transactions, outstanding balances at the year-end, and relating expense and income for the year are as follows:

Transactions with key management personnel of the Bank

	Balance as at 31 December 2011	Income 2011	Balance as at 31 December 2010	Income 2010
Key management personnel of the Bank:				
Current account	185,484	16,227	1,465,157	17,208
Deposits	1,657,406	22,082	1,190,044	137,247

The transactions with „key management personnel" represent only transactions related to current accounts and deposits, without any other benefits.

Transactions with other related parties

In addition to transactions with key management, the Bank enters into transactions with entities with significant influence over the Bank. The following table shows the outstanding balance and the corresponding interest during the year.

	Interest from related parties	Interest to related parties	Amounts owed by related parties Balance as at 31 December	Amounts owed to related parties Balance as at 31 December
Entities with significant influence over the Bank:				
2011	28,516,775	33,545,575	4,733,107	326,742,199
2010	28,845,378	36,185,793	47,676,415	727,613,233

Transactions with subsidiaries

	Interest from related parties	Interest to related parties	Amounts owed by related parties Balance as at 31 December	Amounts owed to related parties Balance as at 31 December
Intesa Sanpaolo Leasing Romania:				
2011	1,471,698	18,579	40,440,048	1,926,796
2010	1,404,044	-	45,164,380	-

Terms and conditions of transactions with related parties

The above mentioned balances arose from the ordinary course of business. The interest charged to and by related parties is at normal commercial rates. All amounts are expected to be settled in cash. Outstanding balances at year end are unsecured. There have been no guarantees provided or received for any related party receivable or payable. For year ended 31 December 2011 the Bank has not made a provision for doubtful debts relating to amounts owed by related parties. (2010: Nil).

34. RISK MANAGEMENT

34.1 Introduction

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being only relevant for non-trading risks. It is also subject to various operating risks.
The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

Risk management structure
The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors
The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Management Committee
The Management Committee has the responsibility to monitor the overall risk process within the Bank.

Risk Management Committee
The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels.

Risk Management Department
The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. Is also responsible for monitoring compliance with risk principles, policies and limits across the Bank. Each business group has its own unit which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Bank Treasury
Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit
The Bank's policy is that risk management processes throughout the Bank are audited annually by the internal audit function, which 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 Committee.

34. RISK MANAGEMENT (continued)

Basis of preparation and policies

Credit risk
The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees. Banks investment in in securities and bills are limited to those governmental for which credit risk related to them is limited. The credit risk management and control are centralized in Risk Management Department and reported to the Board of Directors, executive management and various committees regularly.

Credit risk measurement

(a) Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model') and are required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee), are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses

(i) The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally based on statistical analysis of customer behavior in given circumstances. Clients of the Bank are segmented into six rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's internal ratings scale	
Bank's rating (according to regulatory classes)	**Description of the grade**
Standard	Performing
Under observation(Watchlist)	Performing
Substandard	Performing
Doubtful	Performing
Loss	Performing
Default	Non performing

The internal rating system used to determine the probability of default is build using the local regulatory requirements. That is, each loan is classified in an internal rating class ranging from A to E based on its financial and socio-demographic characteristics. Further on, this application

34. RISK MANAGEMENT (continued)

rating is then integrated with the possible delays in payment the obligor may register and leads to the above mentioned transactional classification from Standard to Loss, which for our purpose here are performing classes. It is then assessed the probability that each loan, given its transactional rating migrates to the Default category.

(ii) Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the carrying value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

(b) Debt securities and other bills

The investments are exclusively in Governmental bonds and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and Banks, groups of customers, related parties and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved periodically by the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

• Mortgages over residential properties: Charges over business assets such as premises, inventory and accounts receivable, commercial effects;

34. RISK MANAGEMENT (continued)

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b) Derivatives

The Bank maintains strict control limits on the hedging capacity of the derivatives held. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

(c) Master netting arrangements

The Bank does not operate any master netting arrangements.

(d) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized usually by cash deposited by the ordering customer, for which the bank is not exposed to credit risk from these types of transactions.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

Impairment and provisioning policies

The internal rating system described above focus on credit-quality mapping from the inception of the lending activities and is updated based on monthly reviewed behavioral indicators. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

34. RISK MANAGEMENT (continued)

The impairment provision shown in the balance sheer at year-end is derived from each of the six internal rating grades

Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, Value at Risk (VaR), liquidity ratios and risk profile changes. On a quarterly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Risk mitigation
As part of its overall risk management, the Bank uses derivatives, insurances and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, operational risks, credit risks, and exposures arising from forecast transactions.

In accordance with the Bank's policy, the risk profile of the Bank is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Bank. The effectiveness of hedges is assessed by the Risk Management Department (based on economic considerations rather than the IFRS hedge accounting regulations). The effectiveness of all the hedge relationships is monitored by the Risk Management Department monthly. In situations of ineffectiveness, the Bank will enter into a new hedge relationship to mitigate risk on a continuous basis.

The Bank actively uses collateral to reduce its credit risks (see below).
The Bank is also covered against some of the operational risks by means of an insurance policy at the Bank level (Banker's Blanket Bond and Electronic and Computer Crime), and Group level.

34. RISK MANAGEMENT (continued)

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Bank to manage risk concentrations at both the relationship and industry levels.

34.2 Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Bank is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative.

With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honors its obligation but the counterparty fails to deliver the counter-value.

Credit-related commitments risks
The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

34. RISK MANAGEMENT (continued)

Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Bank's concentrations of risk are managed by client/counterparty, and by industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2011 was 219 millions of RON (2010: 85 millions of RON) both gross and net of collaterals.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, by industry. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

Industry analysis

31 December 2011	Financial Services	Government	Consumers	*Retail & Wholesale	**Construction & Materials	Manufacturing & Petroleum	***Services	Total
	RON	RON	RON	RON	RON	RON	RON	RON
Financial assets								
Cash and balances with central bank	-	558,219,950	-	-	-	-	-	558,219,950
Due from banks	156,765,340	-	-	-	-	-	-	156,765,340
Placement with other banks								
Other amounts due	-	-	-	-	-	-	-	-
	156,765,340	**558,219,950**	-	-	-	-	-	**714,985,290**
Derivative financial instruments								
Currency swaps	91,005	-	-	-	-	-	-	91,005
Forward foreign exchange contracts	56,675	-	-	-	-	-	-	56,675
	147,680	**558,219,950**	-	-	-	-	-	**147,680**
Loans and advances to customers								
Corporate lending	22,205,425	-	-	51,184,872	-	77,519,490	114,321,045	265,230,832
Small business lending	49,456,230	-	-	459,013,353	283,383,143	514,156,005	828,937,124	2,134,945,855
Consumer lending	-	-	350,311,505	-	-	-	-	350,311,505
Residential mortgages	-	-	285,550,295	-	-	-	-	285,550,295
Other	-	-	6,088,077	-	-	-	-	6,088,077
****	**71,661,655**	-	**641,949,877**	**510,198,225**	**283,383,143**	**591,675,495**	**943,258,169**	**3,042,126,564**
Financial investments available-for-sale								
Government debt securities	-	385,113,090	-	-	-	-	-	385,113,090
	228,574,675	**943,333,040**	**641,949,877**	**510,198,225**	**283,383,143**	**591,675,495**	**943,258,169**	**4,142,372,624**

* Retail & Wholesale includes Beverages
** Construction & Materials includes Aerospace & Defense
*** Services includes Telecommunication, Media, Electricity, Consumers, IT, Health Care and Other
**** The Total amount for loans includes principal and interest and excludes provisions ,cost of credit, deferred commissions and interest adjustment

Notes:

Consumer lending - includes loans granted to private individuals, the main purpose of the loans being the consumption
Residential mortgages - includes loans granted to private individuals, the main purpose of the loans being the purchase of real estate
Other - includes loans granted to private individual, which cannot be mapped according to the above classification

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

Industry analysis

31 December 2010	Financial Services	Government	Consumers	*Retail & Wholesale	**Construction & Materials	Manufacturing & Petroleum	***Services	Total
	RON	RON	RON	RON	RON	RON	RON	RON
Financial assets								
Cash and balances with central bank	-	509,516,437	-	-	-	-	-	509,516,437
Due from banks								
Placement with other banks	193,237,902	-	-	-	-	-	-	193,237,902
Other amounts due	1,496,043	-	-	-	-	-	-	1,496,043
	194,733,945	**509,516,437**	**-**	**-**	**-**	**-**	**-**	**704,250,382**
Derivative financial instruments								
Currency swaps	1,889	-	-	-	-	-	-	1,889
Forward foreign exchange contracts	8734	-	-	-	-	-	-	8,734
	10,623							**10,623**
Loans and advances to customers								
Corporate lending	30,595,045	-	-	17,363,564	-	68,559,071	64,842,137	181,359,817
Small business lending	45,202,960	-	-	559,367,774	450,072,630	508,027,900	696,009,033	2,258,680,297
Consumer lending	-	-	293,252,216	-	-	-	-	293,252,216
Residential mortgages	-	-	220,266,221	-	-	-	-	220,266,221
Other	-	-	2,764,110	-	-	-	-	2,764,110
****	**75,798,005**	**-**	**516,282,547**	**576,731,338**	**450,072,630**	**576,586,971**	**760,851,170**	**2,956,322,661**
Financial investments available-for-sale								
Government debt securities	-	148,842,715	-	-	-	-	-	148,842,715
	270,542,573	**658,359,152**	**516,282,547**	**576,731,338**	**450,072,630**	**576,586,971**	**760,851,170**	**3,809,426,381**

* Retail & Wholesale includes Beverages
** Construction & Materials includes Aerospace & Defense
*** Services includes Telecommunication, Media, Electricity, Consumers, IT, Health Care and Other
**** The Total amount for loans includes principal and interest and excludes provisions ,cost of credit, deferred commissions and interest adjustment

Notes:

Corporate lending- section Financial Services, includes the subordinated loan granted to Intesa Sanpaolo Leasing, amounting 4.284.800 RON.
Consumer lending - includes loans granted to private individuals, the main purpose of the loans being the consumption
Residential mortgages - includes loans granted to private individuals, the main purpose of the loans being the purchase of real estate
Other - includes loans granted to private individual, which cannot be mapped according to the above classification

34. RISK MANAGEMENT (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on product type and assessment of the credit risk of the counterparty.

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

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For derivatives: forward exchange rate transactions, cash
- For commercial lending, charges over real estate properties, inventory and trade receivables
- For retail lending, mortgages over residential properties.

The Bank also obtains guarantees from parent companies for loans to customers.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank does not have in place or used any master netting agreements..

The use of collaterals occurs in the moment when the legal enforcement procedure for the debtors unable to reimburse is started.

After the execution procedure is approved by the court, the bank executor proceed with the following actions:
-garnishment on the bank accounts within 15 days from the notification to the debtor
-for movable assets the executor will summon the debtor to pay within one day and after the expiration of the summons will move to seize personal property, followed by assessment of the asset (creditor and debtor agree or expertise) and the auction is set after at least two weeks after the seizure.
-for real estate, the executor will make the minutes of the situation (identification and description of property). Will issue and communicate the summons within 15 days and after the expiration of the summons will establish the sale price for the assets at the auction. The auction takes place at least 30 days after display at the auction block.

In some cases the execution process can be suspended following the appeals, insolvency procedures.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

Credit quality by class of financial assets

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 asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are net of impairment allowances.

	*Neither past due nor impaired							
31 December 2011	**Standard**	**Under Observation**	**Substandard**	**Doubtful**	**Loss**	****Past due but not impaired**	*****Individually impaired**	**Total**
	RON	**RON**	**RON**	**RON**	**RON**	**RON**	**RON**	**RON**
Cash and balances with central bank	-	-	-	-	-	-	-	558,219,950
Due from banks	156,765,340	-	-	-	-	-	-	156,765,340
Derivative financial assets	-	-	-	-	-	-	-	195,818
Loans and advances to customers								
Corporate lending	142,738,824	6,998,990	-	-	110,409,395	183	5,083,440	265,230,832
Small business lending	757,026,347	132,530,742	231,300,129	78,044,950	268,501,648	199,822,380	467,719,659	2,134,945,855
Consumer lending	48,437,226	62,548,354	93,645,094	53,362,803	20,691,926	52,231,413	19,394,689	350,311,505
Residential mortgages	25,015,114	56,737,027	95,500,156	55,341,507	23,025,670	24,772,500	5,158,321	285,550,295
Other	244,824	690,364	3,828,550	320,028	408,754	565,373	30,184	6,088,077
********	**973,462,335**	**259,505,477**	**424,273,929**	**187,069,288**	**423,037,393**	**277.391.849**	**497.386.293**	**3,042,256,874**
Financial investments available-for-sale								
Unquoted-Debt securities	-	-	-	-	-	-	-	385,113,090
	1,130,227,675	**259,505,477**	**424,273,929**	**187,069,288**	**423,037,393**	**277,391,849**	**497.386.293**	**4.142.551.072**

* Loans that are classified as performing, without past due
** Loans that are classified as performing, but with past due
*** Loans that are classified as non performing
**** The Total amount for loans includes principal and interest and excludes provisions ,cost of credit, deferred commissions and interest adjustment

Notes:
Section Neither past due nor impaired divided into Standard, Under Observation, Substandard, Doubtful and Loss is according to the National Bank of Romania rules

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

31 December 2010	*Neither past due nor impaired Standard	Under Observation	Substandard	Doubtful	Loss	**Past due but not impaired	***Individually impaired	Total
	RON	RON	RON	RON	RON	RON	RON	RON
Cash and balances with central bank	509,516,437	-	-	-	-	-	-	509,516,437
Due from banks	194,733,945	-	-	-	-	-	-	194,733,945
Derivative financial assets	10,623	-	-	-	-	-	-	10,623
Loans and advances to customers								
Corporate lending	163,431,180	-	12,573,585	-	-	3,618,186	1,736,866	181,359,817
Small business lending	862,025,987	217,761,178	242,376,050	152,541,253	163,436,719	287,388,562	333,150,548	2,258,680,297
Consumer lending	96,371,794	54,018,895	58,220,606	23,726,872	8,218,459	41,337,560	11,358,030	293,252,216
Residential mortgages	82,046,501	43,407,643	51,481,964	20,294,854	6,547,930	14,039,001	2,448,328	220,266,221
Other	357,216	-	-	2,368,984	-	37,910	-	2,764,110
****	**1,204,232,678**	**315,187,716**	**364,652,205**	**198,931,963**	**178,203,108**	**346,421,219**	**348,693,772**	**2,956,322,661**
Financial investments available-for-sale								
Unquoted-Debt securities	148,842,715	-	-	-	-	-	-	148,842,715
	1,398,966,623	**315,187,716**	**364,652,205**	**198,931,963**	**178,203,108**	**346,421,219**	**348,693,772**	**3,809,426,381**

* Loans that are classified as performing, without past due
** Loans that are classified as performing, but with past due
*** Loans that are classified as non performing
**** The Total amount for loans includes principal and interest and excludes provisions ,cost of credit, deferred commissions and interest adjustment

Notes:
Section Neither past due nor impaired divided into Standard, Under Observation, Substandard, Doubtful and Loss is according to the National Bank of Romania rules

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

Credit risk exposure for each internal credit risk rating

Bank's credit rating	Consumers	Corporate &Small Business	**Total 2011
	Total Exposure	Total Exposure	
Standard	79.263.457	923.111.174	1.002.504.941
Under Observation	132.190.941	148.803.039	280.993.980
Substandard	210.190.354	258.987.983	469.178.337
Doubtful	128.996.857	97.579.369	226.576.226
Loss	66.725.074	498.892.023	565.617.097
Individually impaired	24.583.194	472.803.099	497.386.293
Total	**641.949.877**	**2.400.176.687**	**3.042.126.564**

Bank's credit rating	Consumers	Corporate &Small Business	*Total 2010
	Total Exposure	Total Exposure	
Standard	189,590,990	1,048,617,979	1,238,208,969
Under Observation	107,985,734	233,002,915	340,988,649
Substandard	123,577,683	299,821,264	423,398,947
Doubtful	54,219,491	193,235,273	247,454,764
Loss	27,102,290	330,475,270	357,577,560
Individually impaired	13,806,359	334,887,413	348,693,772
Total	**516,282,547**	**2,440,040,114**	**2,956,322,661**

Notes:
*The Total amount for loans includes principal and interest and excludes provisions and deferred commissions
** The Total amount for loans includes principal and interest and excludes provisions ,cost of credit, deferred commissions and interest adjustment

Bank's Credit Rating, divided into Standard, Under Observation, Substandard, Doubtful and Loss is according to the National Bank of Romania rules.
Probability of Default – (PD) – the probability that the counterparty goes into default within a one year time horizon

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk.
All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

Aging analysis of past due but not impaired loans by class of financial assets

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Net amount of loans and advances by class to customers that were past due but not impaired were as follows:

31 December 2011	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
	RON	RON	RON	RON	RON
Loans and advances to customers					
Corporate lending	183	-	-	-	183
Small business lending	108.657.283	29.130.105	62.033.157	1.835	199.822.380
Consumer lending	29.727.655	9.464.727	13.039.031	-	52.231.413
Residential mortgages	19.481.872	2.808.358	2.482.270	-	24.772.500
Other	32.010	6.065	527.251	47	565.373
*	**157.899.003**	**41.409.255**	**78.081.709**	**1.882**	**277.391.849**

31 December 2010	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
	RON	RON	RON	RON	RON
Loans and advances to customers					
Corporate lending	-	-	3,618,186	-	3,618,186
Small business lending	91,945,254	65,923,393	129,519,915	-	287,388,562
Consumer lending	24,909,649	6,984,610	9,443,301	-	41,337,560
Residential mortgages	10,398,785	2,118,824	1,521,392	-	14,039,001
Other	37,910	-	-	-	37,910
*	**127,291,598**	**75,026,827**	**144,102,794**	-	**346,421,219**

Notes:
The past due analysis is based upon the total exposure for one client, classified as past due.
If one client has more than one loan, the past due days that are higher will contaminate the rest of the loans.
The Total section includes the sum of loans classified as Past due but not impaired, split according to the above mentioned gap.
* The Total amount of loans refers to principal plus interest net of impairment allowance.
Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets
The value of collateral that the Bank holds relating to loans individually determined to be impaired at 31 December 2011 amounts to 795 millions RON (2010: 478 millions RON). The collateral consists of cash, letters of guarantee and properties.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

Carrying amount by class of financial assets whose terms have been renegotiated

The table below shows the carrying amount of renegotiated financial assets, by class.

	2011	2010
Loans and advances to customers		
Corporate lending	2,954,505	3,618,186
Small business lending	404,218,577	400,164,000
Consumer lending	3,179,867	1,434,757
Residential mortgages	651,798	485,192
Other	669,533	-
*	411,674,280	405,702,135

Notes:
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments.
Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review.
Restructuring is most commonly applied to term loans, in particular customer finance loans.
* The Total amount of loans refers to principal plus interest net of impairment allowance.

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 whether 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 payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date.

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 that have been assessed individually and found not to be impaired.
Allowances are evaluated separately at each reporting date.
The collective assessment is made for groups of assets with similar risk characteristics, in order 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 in the individual loans assessments. The collective assessment takes account of data from the loan portfolio such as historical losses on the portfolio, PDs, collateral coverage, industry sector etc.
Financial guarantees and letters of credit are assessed and provisions are made in a similar manner as for loans.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The table below shows the Bank's credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

	2011	2010
*Guarantees issued to banks	106,016,284	78,301,336
**Guarantees issued to customers	381,599,745	165,783,423
*** Commitments to lend	368,502,514	308,020,051
Letters of credit	-	2,280,473
	856,118,543	**554,385,283**

Notes:

* Includes Letters of Guarantee granted to Banks (Intra Group)
** Includes Letters of Guarantee and Commitments to Lend related to Letters of Guarantee, granted to customers
*** Includes Commitments to Lend, related to loans, granted to customers

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

34.3 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on regular basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high liquid assets which could be used to secure additional funding if required.

The Bank maintains a portfolio of eligible assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has EUR 100,000,000 money market limit with Intesa Sanpaolo S.p.A. Milan and a committed back-up line of credit in amount of EUR 50,000,000 from Intesa Sanpaolo S.p.A. Milan that it can access to meet liquidity needs in case of a liquidity crisis. In accordance with the Bank's policy the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The ratios during the year were as follows:

Liquidity ratios		**2011**	**2010**
Advances to deposit ratios			
	Year-end	122,36%	123,06%
	Maximum	167,50%	130,09%
	Minimum	117,74%	105,08%
	Average	137,30%	114,36%

The Bank stresses the importance of current accounts and savings accounts as a source of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

Net liquid assets to customer liabilities ratios		**2011**	**2010**
	Year-end	56,26%	22,43%
	Maximum	57,28%	32,06%
	Minimum	16,29%	12,92%
	Average	41,77%	22,37%

Net liquid assets are liquid assets less all funds maturing in the next 30 days from wholesale market sources and from customers who are deemed to be professional.

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial assets and liabilities as at 31 December 2010. Derivatives are shown by their contractual maturity.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

31 December 2011	1 month	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RON	RON	RON	RON	RON	RON
Financial assets						
Cash and balances with Central bank	568,005,374	-	-	-	-	568,005,374
Due from banks	157,039,778	-	-	-	-	157,039,778
Net settled derivative assets	138,764	57,054	-	-	-	195,818
Loans and advances to customers	137,396,496	389,127,675	821,975,785	950,814,592	1,362,009,175	3,661,323,723
Financial investments available-for-sale	389,937,703	-	-	-	-	389,937,703
Other assets	973,312,239	-	-	-	-	973,312,239
Total undiscounted financial assets	**2,225,830,354**	**389,184,729**	**821,975,785**	**950,814,592**	**1,362,009,175**	**5,749,814,639**
Financial liabilities						
Due to banks	175,012,410	47,023,509	249,303,014	961,885,274	139,047,273	1,572,271,480
Net settled derivative liabilities	48,138	-	-	-	-	48,138
Due to customers	1,198,312,720	242,837,656	434,882,211	10,581,656	4,757,565	1,891,371,808
Other liabilities	4,847,555	-	-	-	-	4,847,555
Total undiscounted financial liabilities	**1,378,220,823**	**289,861,165**	**684,185,225**	**972,466,930**	**143,804,838**	**3,468,538,981**
Net undiscounted financial assets/(liabilities)	**847,609,531**	**99,323,564**	**137,790,560**	**(21,652,338)**	**1,218,204,337**	**2,281,275,658**
Total net financial assets/(liabilities)	**847,609,531**	**99,323,564**	**137,790,560**	**(21,652,338)**	**1,218,204,337**	**2,281,275,658**

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

31 December 2010	1 month	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RON	RON	RON	RON	RON	RON
Financial assets						
Cash and balances with Central bank	509,593,904	-	-	-	-	509,593,904
Due from banks	195,213,371	-	-	-	-	195,213,371
Net settled derivative assets	6,373	4,250	-	-	-	10,623
Loans and advances to customers	178,506,717	272,670,350	856,612,339	1,132,399,402	1,420,714,495	3,860,903,303,
Financial investments available-for-sale	154,360,796	-	-	-	-	154,360,796
Other assets	672,300,655	-	-	-	-	672,300,655
Total undiscounted financial assets	**1,709,981,816**	**272,674,600**	**856,612,339**	**1,132,399,402**	**1,420,714,495**	**5,392,382,652**
Financial liabilities						
Due to banks	440,934,196	220,506,274	557,023,740	733,482,385	-	1,951,946595,
Net settled derivative liabilities	32,867	111,488	-	-	-	144,355
Due to customers	1,106,092,380	271,622,748	124,362,019	11,979,029	4,135,248	1,518,191,424
Other liabilities	2,094,298	-	-	-	-	29,604,046
Total undiscounted financial liabilities	**1,549,153,741**	**492,240,510**	**681,385,759**	**745,461,414**	**4,135,248**	**3,472,376,672**
Net undiscounted financial assets/(liabilities)	**160,828,075**	**(219,565,910)**	**175,226,580**	**386,937,988**	**1,416,579,247**	**1,920,005,980**
Total net financial assets/(liabilities)	**160,828,075**	**(219,565,910)**	**175,226,580**	**386,937,988**	**1,416,579,247**	**1,920,005,980**

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
*Financial guarantees	23,904,244	52,163,729	24,939,399	267,027,887	119,580,770	487,616,029
**Other undrawn commitments to lend	19,568,598	25,963,349	245,308,700	36,670,869	40,990,998	368,502,514
Letters of credit	-	-	-	-	-	-
Total commitments and guarantees	**43,472,842**	**78,127,078**	**270,248,099**	**303,698,756**	**160,571,768**	**856,118,543**

2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
***Financial guarantees**	1,129,453	10,621,535	31,081,042	36,197,279	151,650,252	230,679,561
****Other undrawn commitments to lend**	10,531,056	64,259,293	86,277,203	106,742,022	53,615,675	321,425,249
Letters of credit	-	-	2,280,473	-	-	2,280,473
Total commitments and guarantees	**11,660,509**	**74,880,828**	**119,638,718**	**142,939,301**	**205,265,927**	**554,385,283**

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.
Each undrawn loan commitment is included in the time band containing the latest date it can be drawn down.

Notes:
* Includes Letters of Guarantee
** Includes Commitments to Lend, related to loans and to the Letters of Guarantee
The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

34.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank does not hold Trading Portfolios.

The market risk for the Banking Book is monitored based on a Value-at-Risk (VaR) methodology regarding Foreign Exchange risk and sensitivity analysis for the Interest Rate risk.

34.4.1 Foreign Exchange risk

Var Assumptions

For year 2010 and 2011, the VaR that the Bank measures is based on historical P&L and one day holding period, in line with the Group methodology.

Since VaR is an integral part of the Bank's market risk management, VaR limits have been established for all Banking Book and the exposure is monitored on a daily basis.

	FX VaR EQ RON
2011 - 31 December	191,247
2011 - Average daily	186,236
2011 -Highest	380,915
2011 -Lowest	4,732
2010 - 31 December	53,699
2010 - Average daily	25,734
2010 -Highest	203,830
2010 -Lowest	2,593

Back-testing

The methodology for VaR calculation has been changed in October 2009. In compliance with that Var is calculated taking into account the historical evolution of P&L.

The Bank performs back-testing by comparing daily profits and losses with the estimates derived from the Bank's VaR model.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

34.4.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank has established limits on the Banking Book interest rate gaps. In accordance with the Bank's policy, positions are monitored on a regular basis.

The following table presents the interest rate risk of the Bank based on the Shift Sensitivity indicator for +/- 25 basis points for 2010, and for 2011 was utilised a new shock +/-100 basis points . The Bank is considering a probable change of interest rate with a multiplier of +/-25 or +/- 100 basis points.

It is assumed that the interest rates will change, with all other variables held constant. The table below is presenting the impact over the gap between assets and liabilities bearing interest rate risk.

		Interest rate Sensitivity 2011					
Currency	Increase in BPs	0-18 m	19-36 m	3-5 y	5-10 y	10-15 y	>15y
		RON	RON	RON	RON	RON	RON
RON	+100	-1,139,403	-353,144	-2,335,571	-818,741	-141,025	-187,261
EUR	+100	4,763,837	-1,295,398	-2,373,186	-7,489,825	-7,457,206	-11,033,823
CHF	+100	5,415	-9,482	-20,348	-68,525	-67,711	-78,257
USD	+100	85,697	-2,719	-3,965	4,068	-7,520	0
Others	+100	140	0	0	0	0	0

		Interest rate Sensitivity 2010					
Currency	Increase in BPs	0-18 m	19-36 m	3-5 y	5-10 y	10-15 y	>15y
		RON	RON	RON	RON	RON	RON
RON	+25	-65,580	10,008	-52,262	-38,532	-20,871	-23,156
EUR	+25	699,983	-433,229	-417,587	-1,272,168	-1,082,929	-1,333,729
CHF	+25	-1,866	-2,445	-5,551	-17,952	-13,425	-14,237
USD	+25	5,857	-847	-1,244	197	-1,643	-
Others	+25	2	-	-	-	-	-

Please note that for the impact on P&L and Equity of the interest rate sensitivity analysis, for 2011 was applied a new shock, +/- 100 basis points instead of +/-25 basis points. The new results and the old one are presented in the table below:

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Increase (decrease) in basis points	Sensitivity of profit and loss 2011	Sensitivity of profit and loss 2010	Increase (decrease) in basis points
+50	8,983,838	848,032	+25
+100	17,943,643	1,696,239	+50
-50	-9,009,063	-847,856	-25
-100	-18,054,056	-1,695,536	-50

Interest rate risk

The Bank's assets and liabilities are included at carrying amount and categorized by the contractual re-pricing or maturity dates.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

The table below discloses the total balance sheet amounts related to all interest bearing assets and liabilities as well as any future cash flow (usually interests) that these element generate. All these amounts are intended to highlight the net position of the Bank in terms of interest rate risk calculated as the amounts exposed to interest rate risk times the period until which the respective interest rate is unchanged and thus the Bank exposed to potential earnings or losses face to market movements. Once repricing date (the date when interest is being reset) passes, the immediate risk of the Bank is reduced as rates on the net position is aligned to the market. It is essential that cash flows also coming from the due interests to be considered as they represent new capital for investment once they are cashed in and thus exposed to interest rate risk,

2011	Repricing amount	O\N	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
	RON	RON	RON	RON	RON	RON	RON
Assets							
Cash and balances with Central bank	567,218,118	507,135,939	-	-	-	-	60,082,179
Due from banks	157,039,778	-	157,039,778	-	-	-	-
Derivatives assets held as hedges	169,899,862	-	169,899,862	-	-	-	-
Loans and advances to customers	3,326,805,200	81,891	2,640,533,690	72,031,420	246,756,127	367,402,072	-
Financial investments available-for-sale	407,631,440	-	205,340,000	117,702,720	84,588,720	-	-
Total	**4,628,594,398**	**507,217,830**	**3,172,813,329**	**189,734,140**	**331,344,847**	**367,402,072**	**60,082,179**
Liabilities							
Due to banks	1,598,710,825	-	1,000,211,919	304,419,066	288,362,860	5,716,980	-
Derivative liabilities held as hedges	169,866,045	-	169,866,045	-	-	-	-
Due to customers	1,891,371,808	5,942,359	1,435,208,017	443,472,935	1,990,933	4,757,565	-
Total	**3,659,948,679**	**5,942,359**	**2,605,285,981**	**747,892,001**	**290,353,793**	**10,474,545**	**-**
Total interest sensitivity gap	**968,645,720**	**501,275,471**	**567,527,348**	**558,157,861**	**40,991,055**	**356,927,527**	**60,082,179**

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

2010	Repricing amount	1 week	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
	RON	RON	RON	RON	RON	RON	RON
Assets							
Cash and balances with Central bank	509,566,600	452,510,177	-	-	-	-	57,056,423
Due from banks	195,213,371	195,213,371	-	-	-	-	-
Derivatives assets held as hedges	55,518,225	37,272,592	18,245,633	-	-	-	-
Loans and advances to customers	3,236,417,196	2,534,854,345	57,969,367	74,613,472	249,251,057	319,728,955	-
Financial investments available-for-sale	154,360,796	60,000,000	30,030,000	40,964,657	23,366,139	-	-
Total	**4,151,076,188**	**3,279,850,485**	**106,245,000**	**115,578,129**	**272,617,196**	**319,728,955**	**57,056,423**
Liabilities							
Due to banks	1,859,620,618	741,049,746	692,116,424	387,863,339	38,591,109	-	-
Derivative liabilities held as hedges	55,471,040	37,310,260	18,160,780	-	-	-	-
Due to customers	1,518,191,424	1,106,092,380	271,622,748	124,362,019	11,979,029	4,135,248	-
Total	**3,433,283,082**	**1,884,452,386**	**981,899,952**	**512,225,358**	**50,570,138**	**4,135,248**	**-**
Total interest sensitivity gap	**717,793,106**	**1,395,398,099**	**-875,654,952**	**-396,647,229**	**220,047,058**	**315,593,707**	**57,056,423**

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. RISK MANAGEMENT (continued)

Currency risk – FX Position

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis.

The table below indicates the currencies to which the Bank had significant exposure at 31 December 2010. The analysis calculates the effect of a reasonably possible movement of the currency rate against RON, with all the other variables held constant on the income statement (due to the fair value of currency sensitivity non-trading monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

		Effect in the income statement	
Currency	**Changes (%)**	**2011**	**2010**
EUR	+10	50,500,345	50,989,909
USD	+10	(4,839,626)	(9,348,567)
OTHER	+10	561,478	467,585
TOTAL Effect	**+10%**	**46,222,197**	**42,108,927**

		Effect in the income statement	
Currency	**Changes (%)**	**2011**	**2010**
EUR	-10	(50,500,345)	(50,989,909)
USD	-10	4,839,626	9,348,567
OTHER	-10	(561,478)	(467,585)
TOTAL Effect	**-10%**	**(46,222,197)**	**(42,108,927)**

34.5 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

35. CAPITAL

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the National Bank of Romania in supervising the Bank.
During the past year, the Bank had complied with its externally imposed capital requirements (2008: the same).

Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed 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. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory capital	Actual 2011	**Required 2011	Actual 2010	**Required 2010
Tier 1 Capital	518,717,239		330,797,766	
Tier 2 capital	59.439.440		72,866,681	
***Total capital**	**578,156,679**	**230,278,500**	**403,664,447**	**219,342,157**
Risk weighted assets	**2,878,481,246**		**2,741,776,961**	
Tier 1 capital ratio	**18.02%**		**12.07%**	
Total capital ratio	**20.08%**		**14.72%**	

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings including current year profit, legal reserves net of taxes and deductions for items such as intangible assets, holdings in other credit and financial institutions amounting to more than 10% of their capital and subordinated claims in other credit and financial institutions in which holdings exceed 10% of their capital.

The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt, reserves to valuation differences in property, plant and equipment transferred to additional own funds, and deductions for holdings in other credit and financial institutions amounting to more than 10% of their capital and subordinated claims in other credit and financial institutions in which holdings exceed 10% of their capital

Certain adjustments are made to IFRS–based results and reserves, as prescribed by the Central Bank of Romania.
*The Capital is calculated according to the NBR Regulation no. 18/2006 on IFRS data.
**Represents the capital requirement for credit risk, market risk and operational risk calculated according to the NBR Regulation no. 13/2006 with subsequent changes on IFRS data.

36. EVENTS AFTER BALANCE-SHEET DATE

Bank will make all the legal steps to obtain de authorization from the National Bank of Romanian for merger with the Bank CR Firenze Romania.

B.C. INTESA SANPAOLO ROMANIA S.A.
Accounting & Balance Sheet Dept

BALANCE SHEET *
as at 31.12.2011

- RON / 000 -

ASSETS		Closing balance :			
		31.12.2010 restated		31/12/2011	
10	**Cash and cash equivalents**		**57.056**		**60.067**
	a) Cash and cash equivalents	57.056		60.067	
	b) On demand deposits with Central Bank	-		-	
20	**Financial assets held for trading**		**11**		**196**
	a) HFT loans	-		-	
	b) HFT financial derivatives (with positive value)	11		196	
30	**Financial assets designated at fair value through profit and loss**		**-**		**-**
40	**Financial assets available for sale**		**149.098**		**385.113**
	a) AFS debt securities	148.843		384.842	
	b) AFS equity securities	256		271	
50	**Investments held to maturity**		**-**		**-**
60	**Due from banks**		**647.194**		**654.918**
	a) Loans to banks	194.734		156.765	
	b) Loans to Central Bank	452.460		498.153	
70	**Loans to customers**		**2.956.323**		**3.042.127**
	a) Performing loans	2.607.621		2.544.547	
	b) Non Performing loans	348.702		497.579	
80	**Positive value of hedging derivatives**		-		-
90	**Changes in fair value of assets in hedged portfolios (+/-)**		-		-
100	**Equity investments**		**8.746**		**8.746**
120	**Property and equipment**		**109.836**		**119.337**
	a) Land	6.462		11.937	
	b) Buildings	87.797		93.136	
	c) Fixtures and fittings	25		(0)	
	d) Electrical equipment	5.787		5.953	
	e) Other tangible assets	9.765		8.311	
130	**Intangible assets**		**11.437**		**9.495**
	a) software yet to be implemented	861		573	
	b) software in use	10.573		8.922	
	c) limited duration	2		-	
140	**Tax assets**		**2.884**		**17.745**
	a) tax assets - current	-		-	
	b) tax assets - deferred	2.884		17.745	
160	**Other assets**		**12.657**		**16.989**
	a) Other assets and prepaid expenses	12.472		16.747	
	b) Accrued interest	185		242	
Total Assets			**3.955.242**		**4.314.732**

*) according IAS-IFRS

GENERAL MANAGER

EZIO SALVAI

CHIEF FINANCIAL OFFICER

CATELLO DE SIMONE

B.C. INTESA SANPAOLO ROMANIA S.A.
Accounting & Balance Sheet Dept

BALANCE SHEET *
as at 31.12.2011

- RON / 000 -

	LIABILITIES	Closing balance			
		31.12.2010 restated		31/12/2011	
10	**Due to banks**		**1.790.056**		**1.496.615**
20	**Due to customers**		**1.508.765**		**1.859.542**
	a) Current accounts	250.846		261.299	
	b) Time deposits	1.257.665		1.597.750	
	c) Other debts	254		493	
30	**Securities issued**		-		-
40	**Financial liabilities held for trading**		**144**		**48**
50	**Financial liabilities designated at fair value through profit and loss**		-		-
60	**Hedged derivatives**		-		-
70	**Changes in fair value of liabilities in hedged portfolios (+/-)**		-		-
80	**Tax liabilities**		-		-
	a) Tax liabilities - current	-		-	
	b) Tax liabilities - deferred	-		-	
90	**Liabilities included in disposal groups classified as held for sale**		-		-
100	**Other liabilities**		**11.654**		**17.730**
	a) Other Liabilities and deferred income	11.654		17.730	
	b) Accrued expenses	-		-	
110	**Provision for employee termination indemnities**		-		-
120	**Provision for risks and charges**		**17.445**		**16.802**
	a) Provision for personnel charges	6.534		8.709	
	b) Provision for other charges	4.966		2.180	
	c) Provision for legal disputes	2.106		1.806	
	d) Provision for guarantees issued	3.838		4.107	
130	**Technical reserves**		-		-
140	**Valuation reserves**		**191**		**15**
	a) Financial assets available for sale	191		15	
	b) Tangible assets	(0)		(0)	
	c) Valuation reserve-cash flow hedge	-		-	
150	**Redeemable shares**		-		-
160	**Equity instruments**		-		-
170	**Reserves**		**3.069**		**(40.913)**
	a) Legal reserves	6.198		6.198	
	b) Other reserves	10.982		10.998	
	c) Loss carried forward	(14.111)		(58.109)	
180	**Share premium reserve**		**251.629**		**251.629**
190	**Share capital**		**416.286**		**854.286**
200	**Own Shares (-)**		-		-
210	**Minority interest (+/-)**		-		-
220	**Profit (loss) for the period (+/-)**		**(43.998)**		**(141.023)**
	Total Liabilities		**3.955.242**		**4.314.732**

*) according IAS-IFRS

GENERAL MANAGER

EZIO SALVAI

CHIEF FINANCIAL OFFICER

CATELLO DE SIMONE

B.C. INTESA SANPAOLO ROMANIA S.A.
Accounting & Balance Sheet Dept

GUARANTEES GRANTED AND COMMITMENTS
as at 31.12.2011

- RON/000 -

	Off Balance	Closing balance	
		31.12.2010 restated	31/12/2011
1	**Guarantees issued**	**246.365**	**500.537**
	a) To banks	80.582	106.016
	b) To customers	165.783	394.521
2	**Margin on irrevocable loan lines issued**	**308.020**	**355.581**
3	**Letters of credit**	**-**	**-**

GENERAL MANAGER

EZIO SALVAI

CHIEF FINANCIAL OFFICER

CATELLO DE SIMONE

B.C. INTESA SANPAOLO ROMANIA S.A.
Accounting & Balance Sheet Dept

STATEMENT OF INCOME*

as at 31.12.2011

- RON / 000 -

		Closing balance			
		31.12.2010 restated		31/12/2011	
10	Interest income and similar revenues	229.764		267.199	
20	Interest expenses and similar charges	(85.566)		(127.780)	
30	**Net Interest margin**		**144.199**		**139.419**
40	Fee and commission income	23.165		24.190	
50	Fee and commission expense	(5.036)		(7.916)	
60	**Net fee and commission income**		**18.129**		**16.274**
70	Dividends and similar revenues		515		246
80	Profits (losses) on financial trading activities		17.377		15.188
90	Net Result from hedge accounting		-		-
100	Profits (losses) from sale or repuchase of:		-		-
	a) Profits (Losses) from sale or repurchase of loans	-		-	
	b) Profits (Losses) from sale or repurchase of available for sale financial assets	-		-	
	c) Profits (Losses) from sale or repurchase of held to maturity investments	-		-	
	d) Profits (Losses) from sale or repurchase of financial liabilities	-		-	
110	Profits (losses) on financial assets and liabilities designated at fair value		0		0
120	**Net interest and other banking income**		**180.219**		**171.127**
130	**Impairment losses/write-back to:**		(78.925)		(196.056)
	a) Loans	(77.156)		(195.803)	
	b) Available for sale financial assets	-		-	
	c) Held to maturity investments	-		-	
	d) Other financial transactions	(1.769)		(253)	
140	**Net income from banking activities**		**101.295**		**(24.929)**
150	Net insurance premiums		-		-
160	Other net insurance income		-		-
170	**Net result of financial and insurance activities**		**101.295**		**(24.929)**
180	Administrative expenses:		(124.134)		(111.672)
	a) Personnel expenses	(64.210)		(62.720)	
	b) Other administrative expenses	(59.924)		(48.952)	
190	Net provision for risks and charges		(1.303)		300
200	Net adjustments to property and equipment		(11.942)		(14.102)
210	Net adjustments to intangible assets		(5.064)		(4.455)
220	Other operating income (expense)		(8.848)		(992)
230	**Operating expenses**		**(151.291)**		**(130.921)**
240	Profits (losses) on investments in associates and companies subject to joint control		-		-
250	Net result on fair value adjustments to tangible and intagible assets		-		-
260	Impairment of goodwill		-		-
270	Profits (losses) on disposal of investments		-		-
280	**Operating profits (losses) before tax from continuing operations**		**(49.996)**		**(155.850)**
290	Income taxes for the period		5.999		14.828
300	**Net profit (losses) after tax from continuing operation**		**(43.998)**		**(141.023)**
310	Profits (losees) from discontinued operations		-		-
320	**Net income (loss)**		**(43.998)**		**(141.023)**
330	Profit (loss) for the period attributable to minority interest		-		-
340	**Net profit (loss)**		**(43.998)**		**(141.023)**

***) according IAS-IFRS**

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B.C. INTESA SANPAOLO ROMANIA S.A.
Accounting & Balance Sheet Dept

BALANCE SHEET *
as at 31.12.2011

- RON / 000 -

	ASSETS	Closing balance : 31.12.2010 restated		Closing balance : 31/12/2011	
10	**Cash and cash equivalents**		**57.056**		**60.067**
	a) Cash and cash equivalents	57.056		60.067	
	b) On demand deposits with Central Bank	-		-	
20	**Financial assets held for trading**		**11**		**196**
	a) HFT loans	-		-	
	b) HFT financial derivatives (with positive value)	11		196	
30	**Financial assets designated at fair value through profit and loss**		**-**		**-**
40	**Financial assets available for sale**		**149.098**		**385.113**
	a) AFS debt securities	148.843		384.842	
	b) AFS equity securities	256		271	
50	**Investments held to maturity**		**-**		**-**
60	**Due from banks**		**647.194**		**654.918**
	a) Loans to banks	194.734		156.765	
	b) Loans to Central Bank	452.460		498.153	
70	**Loans to customers**		**2.956.323**		**3.042.127**
	a) Performing loans	2.607.621		2.544.547	
	b) Non Performing loans	348.702		497.579	
80	**Positive value of hedging derivatives**		-		**-**
90	**Changes in fair value of assets in hedged portfolios (+/-)**		-		**-**
100	**Equity investments**		**8.746**		**8.746**
120	**Property and equipment**		**109.836**		**119.337**
	a) Land	6.462		11.937	
	b) Buildings	87.797		93.136	
	c) Fixtures and fittings	25		(0)	
	d) Electrical equipment	5.787		5.953	
	e) Other tangible assets	9.765		8.311	
130	**Intangible assets**		**11.437**		**9.495**
	a) software yet to be implemented	861		573	
	b) software in use	10.573		8.922	
	c) limited duration	2		-	
140	**Tax assets**		**2.884**		**17.745**
	a) tax assets - current	-		-	
	b) tax assets - deferred	2.884		17.745	
160	**Other assets**		**12.657**		**16.989**
	a) Other assets and prepaid expenses	12.472		16.747	
	b) Accrued interest	185		242	
	Total Assets		**3.955.242**		**4.314.732**

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GENERAL MANAGER

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BALANCE SHEET *
as at 31.12.2011

- RON / 000 -

	LIABILITIES	Closing balance	
		31.12.2010 restated	31/12/2011
10	**Due to banks**	**1.790.056**	**1.496.615**
20	**Due to customers**	**1.508.765**	**1.859.542**
	a) Current accounts	250.846	261.299
	b) Time deposits	1.257.665	1.597.750
	c) Other debts	254	493
30	**Securities issued**	-	-
40	**Financial liabilities held for trading**	**144**	**48**
50	**Financial liabilities designated at fair value through profit and loss**	-	-
60	**Hedged derivatives**	-	-
70	**Changes in fair value of liabilities in hedged portfolios (+/-)**	-	-
80	**Tax liabilities**	-	-
	a) Tax liabilities - current	-	-
	b) Tax liabilities - deferred	-	-
90	**Liabilities included in disposal groups classified as held for sale**	-	-
100	**Other liabilities**	**11.654**	**17.730**
	a) Other Liabilities and deferred income	11.654	17.730
	b) Accrued expenses	-	-
110	**Provision for employee termination indemnities**	-	-
120	**Provision for risks and charges**	**17.445**	**16.802**
	a) Provision for personnel charges	6.534	8.709
	b) Provision for other charges	4.966	2.180
	c) Provision for legal disputes	2.106	1.806
	d) Provision for guarantees issued	3.838	4.107
130	**Technical reserves**	-	-
140	**Valuation reserves**	**191**	**15**
	a) Financial assets available for sale	191	15
	b) Tangible assets	(0)	(0)
	c) Valuation reserve-cash flow hedge	-	-
150	**Redeemable shares**	-	-
160	**Equity instruments**	-	-
170	**Reserves**	**3.069**	**(40.913)**
	a) Legal reserves	6.198	6.198
	b) Other reserves	10.982	10.998
	c) Loss carried forward	(14.111)	(58.109)
180	**Share premium reserve**	**251.629**	**251.629**
190	**Share capital**	**416.286**	**854.286**
200	**Own Shares (-)**	-	-
210	**Minority interest (+/-)**	-	-
220	**Profit (loss) for the period (+/-)**	**(43.998)**	**(141.023)**
	Total Liabilities	**3.955.242**	**4.314.732**

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GUARANTEES GRANTED AND COMMITMENTS
as at 31.12.2011

- RON/000 -

	Off Balance	Closing balance	
		31.12.2010 restated	**31/12/2011**
1	**Guarantees issued**	**246.365**	**500.537**
	a) To banks	80.582	106.016
	b) To customers	165.783	394.521
2	**Margin on irrevocable loan lines issued**	**308.020**	**355.581**
3	**Letters of credit**	**-**	**-**

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