



**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**

**FINANCIAL STATEMENTS  
31 DECEMBER 2013**

**Prepared in accordance with International Financial Reporting  
Standards as endorsed by the European Union**

---

<b>CONTENTS</b>	<b>PAGE</b>
Statement of responsibility for financial statements preparation	
Independent auditors' report	
Income statement	1
Statement of profit or loss and other comprehensive income	2
Statement of financial position	3
Statement of charges in the shareholders' equity	4
Statement of cash flows	5
Notes to the financial statements	7 - 73

**STATEMENT**  
Pursuant to art.30 of Accounting Law no. 82/1991

The yearly financial statements as at 31 December 2013 were prepared for:  
Legal person: BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A. ("the Bank")  
County: 02--ARAD  
Address: ARAD, B-DUL REVOLUTIEI, No. 88, TEL.0257-308200  
Trade Register no.: J02/82/1996  
Type: 34—joint stock companies  
Main activity (NACE code and description): 6419—other monetary intermediation activities  
Fiscal Identification Code: 8145422

The First Deputy General Manager of the Bank, Ioan Mihail Anca, takes responsibility for the preparation of the annual financial statements as at 31 December 2013 and confirms the following:

- a) the accounting policies used in the preparation of the annual financial statements comply with the applicable accounting regulations (respectively International Financial Reporting Standards as endorsed by European Union);
- b) the annual financial statements present fairly the financial position, financial performance as well as the other information regarding the activity performed.
- c) The Bank is a going concern.

Signature





**KPMG Audit SRL**  
Victoria Business Park  
DN1, Soseaua Bucuresti-Ploiesti nr. 69-71  
Sector 1

P.O. Box 18-181  
Bucharest 013685  
Romania

Tel: +40 (21) 201 22 22  
+40 (372) 377 800  
Fax: +40 (21) 201 22 11  
+40 (372) 377 700  
www.kpmg.ro

## **Independent Auditors' Report (free translation<sup>1</sup>)**

To the shareholders of  
Banca Comerciala Intesa Sanpaolo Romania S.A.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Banca Comerciala Intesa Sanpaolo Romania S.A. ("the Bank"), which comprise the statement of financial position as at 31 December 2013, the income statement, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as endorsed by 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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.

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

---

<sup>1</sup> TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.



### *Opinion*

In our opinion, the financial statements of Banca Comerciala Intesa Sanpaolo Romania S.A. present fairly, in all material respects, the financial position of the Bank as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

### *Other Matters*

This report is made solely to the Bank's shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for the report on financial statements and the report on conformity or for the opinion we have formed.

### **Report on conformity of the Administrators' Report with the financial statements**

In accordance with the Order of the National Bank of Romania no 27/2010 and related amendments, article no. 16 point (1) e) we have read the Administrators' Report attached to the financial statements and presented from page 1 to 12. The Administrators' Report is not a part of the financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements.

**For and on behalf of KPMG Audit S.R.L.:**

**Refer to the original signed  
Romanian version**

**Furtuna Cezar-Gabriel**

registered with the Chamber of Financial  
Auditors of Romania under no 1526/20.11.2003

Bucharest, 28 February 2014

**Refer to the original signed  
Romanian version**

**KPMG AUDIT S.R.L.**

registered with the Chamber of Financial  
Auditors of Romania under no 9/2001

**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**INCOME STATEMENT**  
for the year ended at 31 December 2013  
*(All amounts are presented in RON, unless otherwise stated)*

	Note	2013 RON	2012 RON
Interest income			
Interest expense		273,131,138	303,748,965
Net interest income	7	<u>148,931,560</u>	<u>156,657,489</u>
Fee and commission income		36,571,988	30,689,857
Fee and commission expense		-11,619,460	-9,057,589
Net fee and commission income	8	<u>24,952,528</u>	<u>21,632,268</u>
Net trading income	9	26,765,220	28,836,447
Other income from sale of available for sale financial instruments	10	8,212,319	1,044,146
Other operating income		1,808,856	948,851
Net other operating income		<u>36,786,395</u>	<u>30,829,444</u>
<b>Total operating income</b>		<b>210,670,483</b>	<b>209,119,201</b>
Impairment allowance on loans and advances to customers	18	-227,464,164	-154,607,181
Net losses from disposal of assets		-1,237,591	-345,489
Net charge / (release) of provisions for risks and charges		-7,426,873	1,444,119
Personnel expenses	11	-70,013,281	-76,599,176
Depreciation, amortization and impairment of tangible and intangible assets and investment property	20, 21, 22	-13,801,260	-24,014,365
Other operating expenses	12	<u>-56,111,699</u>	<u>-60,494,262</u>
Loss before tax		<u>-165,384,385</u>	<u>-105,497,153</u>
Income tax revenue	13	-	47,335
Loss for the year		<b>-165,384,385</b>	<b>-105,449,818</b>

The financial statements were approved by the Board of Directors on 27 February 2014 and were signed on its behalf by:

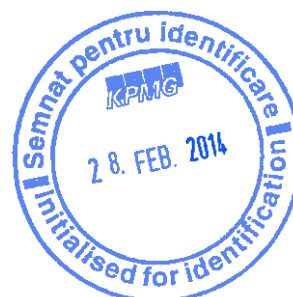
Ioan Mihail Anca  
First Deputy General Manager

Carmen Baschir  
Chief of Accounting Department

Cristo de Simone  
Deputy General Manager



Accompanying notes are an integral part of these financial statements.



**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the year ended at 31 December 2013  
*(All amounts are presented in RON, unless otherwise stated)*

	2013	2012
	RON	RON
<b>Loss for the year</b>	<u>-165,384,385</u>	<u>-105,449,818</u>
<b>Other comprehensive income, net of income tax</b>		
<b>Items that are or may be reclassified to profit or loss</b>		
Revaluation reserve of available-for-sale financial assets		
Net difference from revaluation	2,813,145	1,017,587
Net amount transferred from reserve to profit or loss	799,809	-43,363
Related taxes	-578,073	-151,984
Other comprehensive income, net of tax	<u>3,034,881</u>	<u>822,240</u>
<b>Total comprehensive income for the year, net of tax</b>	<u>-162,349,504</u>	<u>-104,627,578</u>

The financial statements were approved by the Board of Directors on 27 February 2014 and were signed on its behalf by:

Ioan Mihail Anca  
First Deputy General

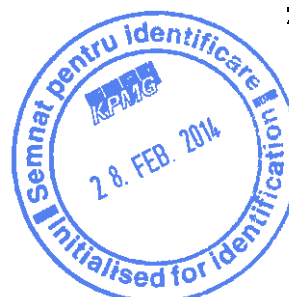
Carmen Baschir  
Chief of Accounting Department



Catello de Simone  
Deputy General Manager

Accompanying notes are an integral part of these financial statements.

2



**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2013

(All amounts are presented in RON, unless otherwise stated)

	Note	2013	2012
		RON	RON
<b>ASSETS</b>			
Cash and balances with central bank	15	812,098,874	807,395,944
Derivatives held for risk management	17	119,217	315,880
Placements with banks	16	144,559,284	47,551,813
Loans and advances to customers	18	3,444,819,875	3,549,268,781
Available for sale financial instruments	19	526,911,857	494,571,470
Equity investments	19	9,059,504	8,915,186
Property and equipment	20	81,794,831	89,010,156
Intangible assets	21	23,164,714	13,105,511
Investment property	22	21,828,043	22,468,481
Deferred tax assets	23	15,911,575	15,911,575
Other assets	24	12,359,105	17,157,099
<b>TOTAL ASSETS</b>		<b>5,092,626,879</b>	<b>5,065,671,896</b>
<b>LIABILITIES</b>			
Derivatives held for risk management	17	40,230	366,468
Deposits from banks	25	185,549,400	575,405,791
Borrowings from banks	27	936,044,625	1,036,599,873
Deposits from customers	26	3,159,091,716	2,496,387,038
Subordinated loans	28	31,445,115	31,055,582
Provisions	29	25,804,845	19,368,325
Deferred tax liabilities	23	730,057	151,984
Other liabilities	30	27,224,914	17,291,354
<b>TOTAL LIABILITIES</b>		<b>4,365,930,902</b>	<b>4,176,626,415</b>
<b>EQUITY</b>			
Share capital and share premium	31	1,178,443,100	1,178,443,100
Accumulated losses		-482,930,890	-317,546,505
Reserves	31	31,183,767	28,148,886
<b>TOTAL EQUITY</b>		<b>726,695,977</b>	<b>889,045,481</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,092,626,879</b>	<b>5,065,671,896</b>

The financial statements were approved by the Board of Directors on 27 February 2014 and were signed on its behalf by:

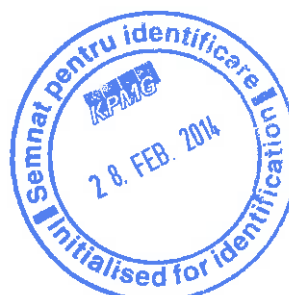
Ioan Mihail Anca  
 First Deputy General Manager

Carmen Baschir  
 Chief of Accounting Department



Catello de Simone  
 Deputy General Manager

Accompanying notes are an integral part of these financial statements.



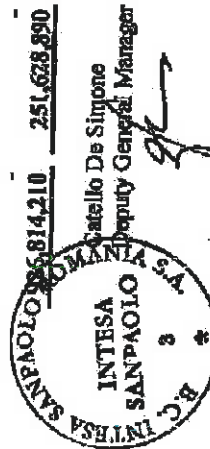




**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
 For the year ended at 31 December 2013  
*(All amounts are presented in RON, unless otherwise stated)*

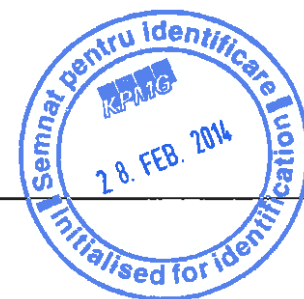
	Attributable to equity holders of the Bank					Total
	Share capital	Share Premium	Accumulated losses	Reserves related to available for sale financial assets	Other reserves	
Balance at 1 January 2012	897,373,275	251,628,890	-184,064,156	-24,325	28,759,382	993,673,066
Comprehensive income	-	-	-105,449,818	-	-	-105,449,818
Loss for the year	-	-	-	-	-	-
Revaluation of available for sale financial assets	-	-	-	822,240	-	822,240
Total comprehensive income	-	-	-105,449,818	822,240	-	822,240
Transactions with shareholders, recorded directly in equity	-	-	-	822,240	-	-104,627,578
Elimination of shared capital and other equity items at merger	-43,087,365	-	-	-	-	-43,087,365
Transfer of retained earnings and other reserves at merger	-	-	-28,032,531	-	-1,408,411	-29,440,942
Share capital increases at merger	72,528,300	-	-	-	-	72,528,300
Balance at 31 December 2012	926,814,210	251,628,890	-317,546,505	797,915	27,350,971	889,045,481
Balance at 1 January 2013	926,814,210	251,628,890	-317,546,505	797,915	27,350,971	889,045,481
Comprehensive income	-	-	-165,384,385	-	-	-165,384,385
Loss for the year	-	-	-	-	-	-
Revaluation of available for sale financial assets	-	-	-	3,034,881	-	3,034,881
Total comprehensive income	-	-	-165,384,385	3,034,881	-	-162,349,504
Transactions with shareholders, recorded directly in equity	-	-	-	3,034,881	-	-162,349,504
Balance at 31 December 2013	926,814,210	251,628,890	-482,930,890	3,832,796	27,350,971	726,695,971

Ioan Mihail Anca  
 First Deputy Capital Manager  
 Carmen Basochir  
 Chief of Accounting Department



Accompanying notes are an integral part of these financial statements.

**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**STATEMENT OF CASH FLOWS**  
**for the year ended at 31 December 2013**  
*(All amounts are presented in RON, unless otherwise stated)*



	Note	2013	2012
<b>Cash flows from operating activities</b>			
Loss before taxation		-165,384,385	-105,497,153
<b>Adjustments for:</b>			
Depreciation and amortization and impairment of tangible, intangible assets and investment property	20,21, 22	13,801,260	24,014,365
Net loss on impairment of financial assets	18	227,464,164	154,607,181
Change in fair value of financial assets at fair value through profit and loss		-129,575	198,268
Other non-cash adjustments		-1,039,503	-325,413
<b>Operating profit before changes in operating assets and liabilities</b>		<b>74,711,961</b>	<b>72,997,248</b>
<b>Changes in operating assets:</b>			
Increase in securities available for sale		-28,727,432	-21,504,867
Increase in loans and advances to customers		-123,015,258	-207,159,691
Increase/ (decrease) in other assets		4,797,993	-3,024,704
<b>Change in operating liabilities:</b>			
Decrease in deposits from banks		-340,455,666	-17,526,346
Increase in deposits from customers		662,704,678	333,104,036
Increase / (Decrease) in other liabilities		16,948,152	-203,326
<b>Net cash from operating activities</b>		<b>266,964,428</b>	<b>156,682,350</b>
<b>Cash flows from investing activities</b>			
Income from sale of tangible assets		102,304	4,490,653
Acquisition of tangible and intangible assets		-16,107,004	-9,779,212
Acquisition of equity investments		-11,020	-169,570
Dividends received		306,093	170,598
<b>Net cash flows used in investing activities</b>		<b>-15,709,627</b>	<b>-5,287,531</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings from banks		-261,661,900	-36,591,821
Proceeds from borrowings from banks		112,117,500	-
Repayments of subordinated loans		-	-65,611,500
<b>Net cash flows used in financing activities</b>		<b>-149,544,400</b>	<b>-102,203,321</b>
Net increase of cash and cash equivalents		101,710,401	49,191,498
<b>Cash and cash equivalents at 1 January</b>		<b>854,947,757</b>	<b>805,756,259</b>
<b>Cash and cash equivalents at 31 December</b>	32	<b>956,658,158</b>	<b>854,947,757</b>

Accompanying notes are an integral part of these financial statements.

**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**STATEMENT OF CASH FLOWS**  
for the year ended at 31 December 2013  
*(All amounts are presented in RON, unless otherwise stated)*

---

**Cash flows from operating activities include:**

Interest received	234,340,050	316,623,277
Interest paid	-116,545,330	-161,077,568

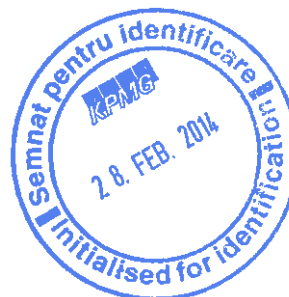
Ioan Mihail Anca  
First Deputy General Manager



Catello De Simone  
Deputy General Manager



Carmon Baschir  
Chief of Accounting Department



---

Accompanying notes are an integral part of these financial statements.

**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**as at and for the year ended 31 December 2013**  
*(all amounts are presented in RON, unless otherwise stated)*

---

**1. REPORTING ENTITY**

Banca Comerciala Intesa Sanpaolo Romania S.A. ("the Bank") was established in Romania in December 1996, originally under the name "West Bank" and is accredited by the National Bank of Romania to perform banking activities. The bank changed its name from "West Bank" to "Sanpaolo IMI Bank Romania" after approval by the National Bank of Romania on 16 October 2003 and finally in "Intesa Sanpaolo Romania Commercial Bank" after approval by the National Bank of Romania on 14 January 2008 as a result of the merger between Banca Intesa and Sanpaolo IMI.

According to the decision of the Extraordinary General Meetings of Banca Comerciala Intesa Sanpaolo Romania S.A. and Banca CR Firenze Romania S.A. the Bank Shareholders dated 18 June 2012, at 30 September 2012 took place the merger of the banks in the form prescribed in Article 238 paragraph (1) letter a) of the Companies Law 31/1990 with subsequent amendments and, therefore, Banca CR Firenze Romania SA as absorbed company was incorporated in Banca Comerciala Intesa Sanpaolo Romania SA as the absorbing company. Following the merger, the share capital increased by 72,528,300 RON from 814,111,110 RON to 886,639,410 RON by issuing a number of 7,252,830 new shares, with the nominal value of 10 RON / share, which were allocated by Cassa di Risparmio di Firenze SpA and Intesa Sanpaolo Holding International SA, as shareholders of Banca CR Firenze Romania S.A.

The share capital as at 31 December 2013 and 31 December 2012 is in amount of RON 886.639.410, with the following structure:

- Intesa Sanpaolo SpA, major shareholder, which owns 81,096,905 shares in amount of RON 810,969,050, representing 91.47% of the Bank's share capital;
- CASSA DI RISPARMIO DI FIRENZE SpA, which owns 7,252,825 shares in amount of RON 72,528,250, representing 8.18% of the share capital;
- INTESA SANPAOLO HOLDING INTERNAȚIONAL S.A., which owns 314,211 shares in amount of RON 3,142,110, representing 0.35% of the share capital.

The Bank's main activity is to provide banking services to companies and individuals. These include opening deposit, local and abroad payments, foreign exchange operations, credit lines, medium term facilities, letters of guarantee, letters of credit and financing micro enterprises and small and medium enterprises which are operating in Romania etc.

As at 31 December 2013, the Bank had 44 branches, 32 agencies, resulting a total of 76 units plus the headquarters and a total number of 823 employees.

The headquarters of the Bank is located at the following address: Revolution Boulevard no. 88, Arad, Romania.

In 2013, the average number of employees was 848 (2012: 867).

The Board of Directors of the Bank comprises 6 members elected by the General Meeting of Shareholders.

As at 31 December 2013, the Board of Directors of the Bank comprises the following members:

- |                       |           |
|-----------------------|-----------|
| 1. Giovanni Ravasio   | president |
| 2. Ezio Salvai        | member    |
| 3. Giampiero Trevisan | member    |
| 4. Giulio Ponti       | member    |
| 5. Marina Tabacco     | member    |
| 6. Luca Finazzi       | member    |



## 1. REPORTING ENTITY (continued)

As at 31 December 2012, the Board of Directors of the Bank comprises the following members:

1. Giovanni Ravasio	president
2. Ioan Mihail Anca	member*
3. Giampiero Trevisan	member
4. Massimo Pierdichi	member
5. Marina Tabacco	member

\*) *Member of Management Committee*



## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 2.1. Statement of Compliance

As at 31 December 2013 the financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS).

The Bank's interest in the share capital of Intesa Sanpaolo Leasing Romania IFN SA did not change, being in amount of RON 8,745 thousands. The shareholders structure of the leasing company is the following:

- Intesa Sanpaolo Romania S.A. owns a number of 597 shares of RON 1,800 per share, representing 99.49% of share capital;
- CIB Lizing Zrt. owns a number of 3 shares of 1,800 RON per share, representing 0.51% of share capital.

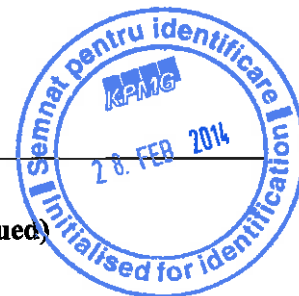
From the Romanian accounting perspective, the Bank is exempt to prepare consolidated financial statements, complying with stipulations as per paragraph 31 b from the accounting Regulations of IFRS, approved by the Order of the National Bank of Romania no. 27/2010, fulfilling the cumulative conditions stipulated on paragraph 32 and 33 from the same Regulations and in accordance with National Bank of Romania communication number III/5698/07.01.2010. From prudential perspective, the Bank must issue the consolidated financial statements, according to the NBR Order no. 1/2011 for the approval of the methodological standards regarding the issuance of financial statements according to IFRS. The National Bank of Romania confirmed this statement through the letter no. IV/2/17971/14.01.2010.

According to IAS 27, a parent need not present consolidated financial statements if and only if:

- 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 consolidated financial statements;
- 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);
- the ultimate or any immediate parent of the producers consolidated financial statements available for public use that comply with International Financial Reporting Standards;
- 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.

The parent society which issues the consolidated financial statements is INTESA SANPAOLO SpA, located in Italy, 10121 Torino, Piazza San Carlo no. 156.

The annual consolidated financial statements are available for public view on INTESA's website ([www.group.intesasanpaolo.com](http://www.group.intesasanpaolo.com)). The Bank fulfils the above criteria through the membership to Intesa Sanpaolo Spa which prepares and publishes financial statements in accordance with IFRS.



## **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

### **2.2. Basis of measurement**

The Bank's accounting records are maintained in RON, according to accounting legislation in Romania, as well as banking regulations in force issued by the National Bank of Romania.

The financial statements have been prepared on a fair value basis for derivative instruments, the financial assets and liabilities at fair value through profit or loss and financial instruments available for sale, except those for which fair value cannot be determined reliably.

Other financial assets and liabilities and non-financial assets and liabilities are carried at amortized cost, historical cost or revaluated amount.

## **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

### **2.3. Functional and presentation currency**

Management believes that functional currency as defined by IAS 21 ("Effects of exchange rate changes") is RON. The financial statements are presented in RON.

### **2.4. Use of estimates and judgments**

Preparation of financial statements in accordance with IFRS as endorsed by the European Union requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors considered being eloquent in the actual circumstances and the result of these factors form the basis of judgments used in determining the carrying amount of assets and liabilities for which there are no other sources available evaluation. Actual results may differ from these estimates. Estimates and judgments are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods affected, if the revision affects both current period and future periods.

Information about the significant estimates and judgments in applying accounting policies that have a significant effect on the amounts recognized in the financial statements are disclosed in Notes 5 and 6.

## **3. CHANGES IN ACCOUNTING POLICIES**

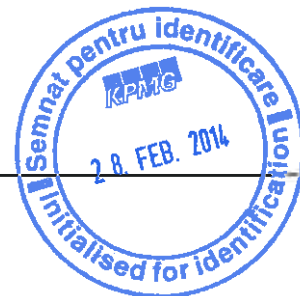
Except for the changes below, the Group has consistently applied the significant accounting policies as set out in Note 4 to all periods presented in these financial statements.

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

### **a) IFRS 13 - Fair value measurement**

IFRS 13 established a single measurement framework for fair value measurement. IFRS 13 does not modify the requirements for fair value measurement, instead it offers additional guidance on how the fair value should be measured in accordance with IFRS, when it is permitted or required. The adoption of the new standards affects the presentation of the fair value disclosures. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Bank has provided the relevant comparative disclosures under those standards.





### **3. CHANGES IN ACCOUNTING POLICIES (continued)**

#### **b) Amendments to IAS 1 - Presentation of Items of OCI**

As a result of the amendments to IAS 1, the Bank has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

### **4. SIGNIFICANT ACCOUNTING POLICIES**

These significant accounting policies adopted and applied by the Bank as set out below have been applied consistently to all periods presented in these financial statements.

In respect of comparative information, certain items from the financial statements as at 31 December 2012 have been reclassified to conform to current presentation.

#### **a) Business combination with entities under common control**

Business combinations arising from transfers of interest in entities that are under the control of the shareholder that controls the both entities are accounted for as of the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the consolidated financial statements ended at 31 December 2012.

In preparing the Bank's first financial statements in accordance with IFRSs as endorsed by the European Union, the following methods have been applied:

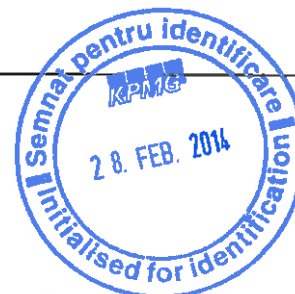
- Statement of financial position as at 31 December 2012 is presented for Banca Comerciala Intesa Sanpaolo S.A., while balance sheet as at 31 December 2011 represent the sum of balance sheet of the merged banks (Banca Comerciala Intesa Sanpaolo Romania S.A. and Banca CR Firenze Romania S.A), out of which intra-group amounts were eliminated;
- Statement of comprehensive income for the year ended 31 December 2012 is presented for Banca Comerciala Intesa Sanpaolo S.A. and Banca CR Firenze Romania S.A., while the income statement for the year ended 31 December 2011 represent the sum of the Statements of comprehensive income of the merged banks (Banca Comerciala Intesa Sanpaolo Romania S.A. and Banca CR Firenze Romania S.A), out of which intra-group transactions were eliminated.

#### **b) Foreign currency**

##### ***Foreign currency transactions***

Transactions in foreign currencies are translated to the functional currency of the bank at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at exchange rates at the dates the fair value was determined.

The exchange rates of major foreign currencies were:



**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) Foreign currency (continued)**

Currency	31 December 2013	31 December 2012	%
Euro (EUR)	1: RON 4.4847	1: RON 4.4287	+1.25%
US Dollar (USD)	1: RON 3.2551	1: RON 3.3575	- 3.16%

**c) Accounting for the effect of hyperinflation**

Romania has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the end of reporting period (i.e. non-monetary items are restated using a general price index from the date of acquisition or contribution).

As the characteristics of the economic environment of Romania indicate that hyperinflation has ceased, effective from 1 January 2004 the Bank no longer applied the provisions of IAS 29.

Accordingly, the amounts expressed in the measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these financial statements.

**d) Interest incomes and expenses**

Interest income and expense are recognized in the income statement using the effective interest rate method. The effective interest 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 the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

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

The calculation of the effective interest rate includes all fees and commissions, paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

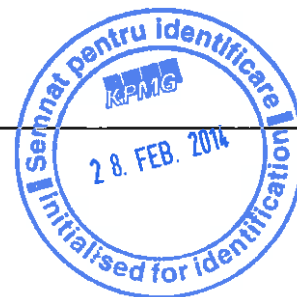
**e) Fees and commissions**

Fees and commission income and expenses that are directly attributable to the financial asset or liability origination are included in the measurement of the effective interest rate.

Other fee and commission income arising on the financial services provided by the Bank is recognized as the related service is provided.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.





#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***f) Dividends***

Dividend income is recognized when the right to receive income is established. Dividends are reflected as a component of other operating income in the Income Statement.

Dividends are treated as an appropriation of profit in the period they are declared and approved by the Shareholders General Assembly.

##### ***g) Lease payments***

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

##### ***h) Net trading income***

This category comprises gains less losses related to trading assets and liabilities and derivatives held for risk management, and includes all realized and unrealized fair value changes and foreign exchange differences.

##### ***i) Income tax***

Income tax comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of prior periods.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

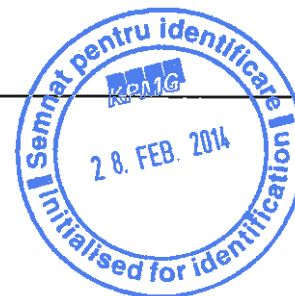
Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

The tax rate used to calculate the current and deferred tax position at 31 December 2013 is 16% (31 December 2012: 16%).

##### ***j) Financial assets and liabilities***

###### ***(i) Recognition***

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.



#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***j) Financial assets and liabilities (continued)***

###### ***(ii) Derecognition***

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

When the Bank sells a financial asset and simultaneously signs a repurchase agreement of the asset (or a similar asset) at a fixed price and at a time set ("repo"), the contract is recorded as a loan from banks and asset to which it relates continues to be recognized in the balance Bank.

The Bank enters into a transaction that transfers assets recognized on the balance sheet, but retains either all risks or rewards of the transferred assets or a part thereof. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or most significant risks and rewards include, for example, securities lending or sale transactions with repurchase clause.

For transactions in which the Bank neither retains nor transfers substantially the risks and rewards of ownership of a financial asset, the asset is derecognized if it was lost control over it.

The rights and obligations retained after the transfer are recognized separately as assets and liability, respectively. In transfers where control over the asset is retained, the Bank continues to recognize the asset to the extent that remains involved, the degree of involvement is determined by the degree to which the Bank is exposed to changes in value of the asset transferred.

The Bank derecognises a financial liability when its obligations are discharged or cancelled or expire. The Bank uses the specific identification method to determine the gain or loss on derecognition.

###### ***(iii) Offsetting***

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

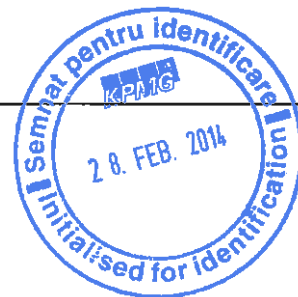
###### ***(iv) Amortised cost measurement***

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method, of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

###### ***(v) Fair value measurement***

###### ***Policy applicable from 1 January 2013***

Fair value is 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.



#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***j) Financial assets and liabilities (continued)***

###### ***(v) Fair value measurement (continued)***

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of traded financial instruments on an active market is based on the mid price (stock markets, dealer markets, broker markets) or on the mid price established by the broker/dealer which is posted through electronic information posting platforms (Bloomberg, Reuters), with no deduction for transacting costs.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include pricing models and discounted cash flows. The cash flows estimated are determined based on the management's best estimate and market discount rate as at the reporting date for a similar instrument. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. Where a fair value cannot be estimated reliably for a financial instrument that is not traded on an active market, the financial instrument is valued at cost and is tested for impairment as at the reporting date.

The Bank recognises transfers between levels of the fair value hierarchy as of the date or change in circumstances in which the change has occurred.

###### ***Policy applicable before 1 January 2013***

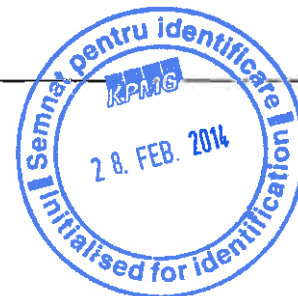
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The fair value of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all available factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of fair value of financial instruments at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of the instrument is evidence by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Where a fair value cannot be reliably estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.



#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***j) Financial assets and liabilities (continued)***

##### ***(vi) Identification and measurement of impairment***

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets not carried at fair value through profit or loss are 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. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised.

##### ***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan, receivable 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 carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The amount of the reversal is recognised in profit or loss.

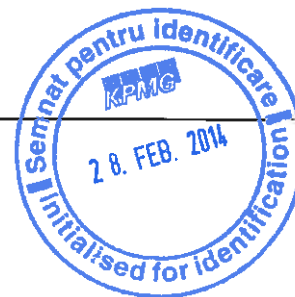
##### ***Loans and advances to customers***

The Bank, based on its internal impairment assessment methodology, has included observable data on the following loss events that comes to its attention as objective evidence that loans and advances to customers or groups of loans to customers are impaired:

- a) significant financial difficulty of the borrower such as breach of contract, default or delinquency in interest or principal payments of the borrowers (individually and in the same group of borrowers);
- b) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider such as the rescheduling of the interest or principal payments;
- c) is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- d) observable data indicating that there are economic or social conditions that can influence adversely the industry in which the borrower operates and that affect these borrowers.

The Bank first assesses whether objective evidence of impairment exists as described above individually for loans and advances to customers that are individually significant, and individually or collectively for loans that are not individually significant. If the Bank determines that no objective evidence of impairment exists for individually assessed loans and advances to customers, whether significant or not, it includes the loans and advances to customers in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans and advances to customers that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not





#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***j) Financial assets and liabilities (continued)***

###### ***(vi) Identification and measurement of impairment (continued)***

included in a collective assessment of impairment. The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, loans and advances to customers are grouped on the basis of similar credit risk (size, debt service on the reporting date, type of customer, sector, and type of product) characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Future cash flows in a group of loans to customers that are collectively evaluated for impairment are estimated on the basis of historical probability of default and estimations regarding loss given default for loans with credit risk characteristics similar to those in the group. Historical probability of default 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. The management estimates are based on the visible effects of current loans conditions. Significant changes in financial markets may generate significant adjustments on loss rates.

###### ***Available for sale financial assets***

For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is removed from equity and recognized in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. 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 shall be reversed, with the amount of the reversal recognized in profit or loss.

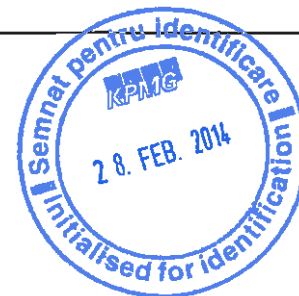
###### ***Financial assets carried at cost***

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

###### ***(vii) Designation at fair value through profit or loss***

The Bank designates financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;



#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***j) Financial assets and liabilities (continued)***

###### ***(vii) Designation at fair value through profit or loss***

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

##### ***k) Cash and cash equivalents***

Cash and cash equivalents include notes and coins on hand, balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

##### ***l) Trading assets and liabilities***

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

As at 31 December 2013 and 31 December 2012 the Bank does not have trading assets and liabilities.

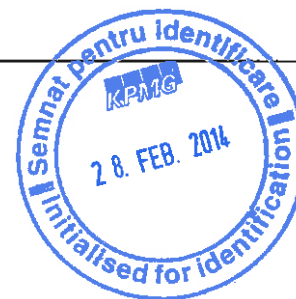
##### ***m) Derivatives held for risk management purposes***

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities or hedging instruments. Derivatives held for risk management purposes are initially recognised at fair value. After their initial recognition, derivatives are subsequently measured at their fair values without any deduction for transactions costs to be incurred on sale or disposal. The changes in the fair value of such instruments are recognised immediately in profit or loss as a component of Net trading income.

##### ***n) Loans and advances***

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method as described in the Note 4.d. above, except when the Bank chooses to carry the loans and advances at fair value through profit or loss as described in accounting policy (j) (vii) see above. Loans and advances are presented net of impairment allowance (see accounting policy (j) (vi) see above).



#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***o) Investment securities***

###### ***(i) Held-to-maturity***

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted depending on their classification as either held-to-maturity or available-for-sale. Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification: sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; sales or reclassifications after the Bank has collected substantially all of the asset's original principal; sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

###### ***(ii) Available for sale***

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised, as other operating income, in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

##### ***p) Property and equipment***

###### ***(i) Recognition and measurement***

Items of property and equipment are stated at their cost or revaluated amount less accumulated depreciation value and impairment losses.

###### ***(ii) Subsequent costs***

The Bank recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Bank and the cost of the item can be measured reliably. All other

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **p) Property and equipment (continued)**

###### *(ii) Subsequent costs*

costs are recognised in the income statement as an expense as incurred.

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

###### *(iii) Depreciation*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	<u>Economic useful life in years</u>
Buildings	10-50
Office equipment, lightning and accessories	3-15
Other assets	5

Improvements in rented premises are depreciated over the rental agreements periods for the Bank's premises.

##### **q) Intangible assets**

###### *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (no more than 5 years).

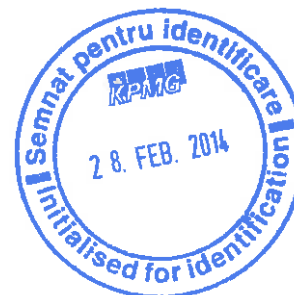
Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding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

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives (no more than 5 years), from the date that is available for use.

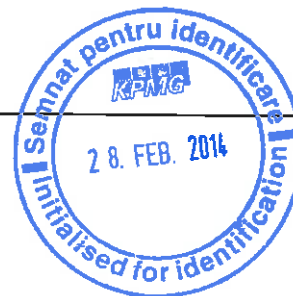
Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

##### **r) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or







#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **r) *Investment property (continued)***

for administrative purposes. The Bank accounts for investment property using the cost model (less impairment).

##### **s) *Impairment of non-financial assets***

The carrying amounts of the Bank's non-financial assets, other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### **t) *Deposits from customers***

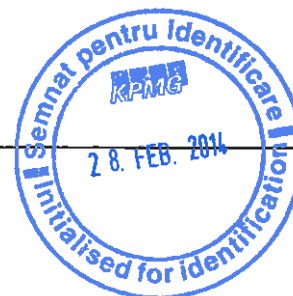
Deposits from customers are initially measured at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method.

##### **u) *Borrowings and other liabilities evidenced by paper***

Borrowings such as loans from banks and other financial institutions and other liabilities evidenced by paper such as subordinated loans or bonds issued are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs occurred. Borrowings and other liabilities evidenced by paper are subsequently stated at amortised cost.

##### **v) *Provisions***

A provision is recognised in the statement of financial position when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is



#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **v) Provisions (continued)**

recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

##### **w) Financial guarantees and loan commitments**

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantee or loan commitments are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

##### **x) Employee benefits**

###### **(i) Short term benefits**

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

###### **(ii) Defined contribution plans**

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. All employees of the Bank are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognised as an expense in the income statement as incurred. The Bank does not have any further obligations.

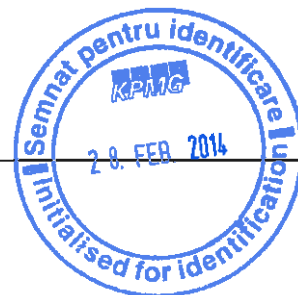
The Bank does not operate any independent pension scheme and, consequently, have no obligation in respect of pensions. The Bank does not operate any other post retirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

###### **(iii) Employment termination benefits**

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancy are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, than they are discounted to their present value.

##### **y) Segment reporting**

During 2012, the Bank performed banking transactions delivered mostly on the Romanian market. The management considers that the inherent risks and benefits specific to the banking activity are not significantly different between the categories of clients as well as between various geographical regions,



#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **y) *Segment reporting (continued)***

and consequently does not believe identifying separate reportable segments is necessary and would provide any additional benefits. Please see note 5 for the structure of loans portfolio per industry.

##### **z) *New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these financial statements:

#### **A. Standards that have been adopted by the European Union**

##### **Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2014; earlier application is permitted)**

The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Bank does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

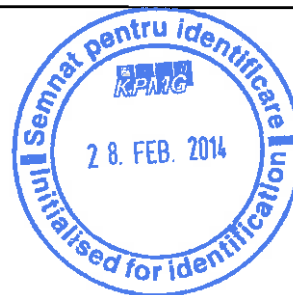
##### **Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Effective for annual periods beginning on or after 1 January 2014; earlier application is permitted)**

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period.

The Amendments also require the following additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs to disposal:

- the level of IFRS 13 ‘Fair value hierarchy’ within which the fair value measurement of the asset or cash-generating unit is categorised;
- for fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making it;
- for fair value measurements categorised within Level 2 and Level 3, each key assumption (i.e. assumptions to which recoverable amount is most sensitive) used in determining fair value less costs of disposal. If fair value less costs of disposal is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

The Bank does not expect the new Standard will have an impact on the financial statements.



#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### *z) New standards and interpretations not yet adopted (continued)*

#### **B. Standards that have not been adopted by the European Union**

##### **IFRS 9 Financial Instruments (Effective date not yet determined)**

This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value.

A financial asset is measured at amortized cost if the following two conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.

The Bank is in the process of assessing the impact that IFRS 9 could have on the financial statements.

##### **Additions to IFRS 9 Financial Instruments (Effective date not yet determined)**

The 2010 additions to IFRS 9 replace the guidance in IAS 39 Financial Instruments: Recognition and Measurement, about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities. The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities.

The Standard requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss, be presented in other comprehensive income (OCI), with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.

The Bank is in the process of assessing the impact that IFRS 9 (Additions) could have on the financial statements.

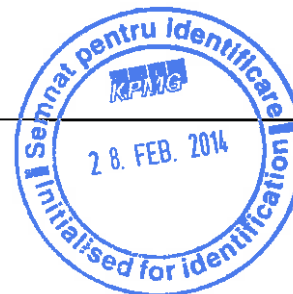
#### **5. RISK MANAGEMENT**

##### **(a) Introduction**

This note provides details of the Bank's exposure to risk and describes the methods used by management to control the risks. The most important types of financial risk to which the Bank is exposed are credit risk, liquidity risk, market risk (interest rate risk, currency risk, counterparty risk). The bank is also exposed to reputational risk, strategic risk, operational risk and risk related to taxation.

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification,





## **5. RISK MANAGEMENT (CONTINUED)**

### **(A) Introduction (continued)**

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 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 the last responsible for identifying and controlling risks, yet there are separate and independent bodies responsible for managing and monitoring risks. The Bank conducts its entire business on the principles of corporate governance. The Board of Directors and the Management Committee are independent and separate structures.

#### **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.

#### **Credit Committee**

Credit Committee (CC) is a permanent decisional committee, acting within delegations and competencies established by the Board of Directors. Credit Committee is the highest deliberative body in lending activities - within the limits set by the Board of Directors of the Bank and except the competence of the Asset Quality Committee - and has the right to sub-delegation.

#### **Assets Quality Committee**

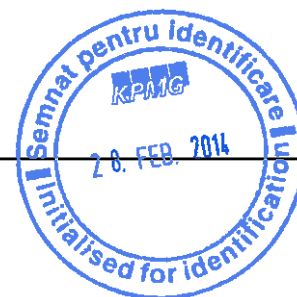
Assets Quality Committee ("AQC") is a permanent decisional committee, acting within delegations and competencies established by the Board of Directors, aiming on taking measures to prevent and reduce losses stemming from lending activity. AQC is the highest deliberative body in all other aspects of crediting that is not in the competence of the loan and has the right to sub-delegation.

#### **Financial Risk Committee**

The main objective of the Financial Risk Committee is to protect the Bank's own funds and their allocation, to align the Bank's assets and liabilities taking into account the pricing structure and maturity profile in accordance with law, rules and regulations of the National Bank of Romania, internal Bank's structures and its parent company as they were adopted by the Bank. Financial Risk Committee ensures continuous monitoring and control of the Bank's exposure to market risk, liquidity risk and interest rate risk, risk related to shares, property risk and currency risk.

#### **Operational Risk Committee**

Operational Risk Committee proposes approves and verifies aspects of operational risk issuing opinions where is required by law, by parent company or by corporate bodies. Regarding operational risk issues, the main objective of the Committee is to assist the Board of Directors in reviewing the overall operational risk profile of the Bank. Operational risk is the risk of loss due to inadequacy or error process, human resources and internal systems or due to external events. Operational risk also includes legal risk and compliance risk (if associated with legal or administrative sanctions). Legal compliance risk component is also included in the category of operational risk.



#### **4. RISK MANAGEMENT (continued)**

##### **Credit risk identification system**

Credit risk is defined as the current or future risk to earnings and capital adversely affected as a result of failure by the debtor of its contractual obligations or failure in meeting the objectives.

Credit risk identification, monitoring, control and administration are activities performed both at the level of the territorial units and Head Office.

The main purpose of the monitoring process of the credit portfolio is to supervise its quality by an early identification (either manual or automatic) of those risk factors, negative symptoms or detrimental events which may affect the creditworthiness of the counterparty, its debt repayment capacity and, as the case may be, the value of the guarantees/ collaterals/ their enforceability.

The frequency of monitoring activities shall be determined depending on the risk profile of the counterparty, the availability and accuracy of information.

The persons assigned to the task within the territorial units and/or the specialized staff of the structures with competencies in credit management, have the obligation to analyze and watch the manner in which loan drawings are used, the compliance with the conditions considered in their approval, throughout the loan period, monitoring the reimbursing modality, as well as the status of the reimbursement sources etc. and immediately notifying of any anomaly to the Head Office competent structures, in line with the specific provisions implemented by the Bank.

The monitoring process consists of three different streams:

- Daily monitoring (identification of risk exposures);
- Periodic monitoring activities (at least once a month);
- Portfolio monitoring.

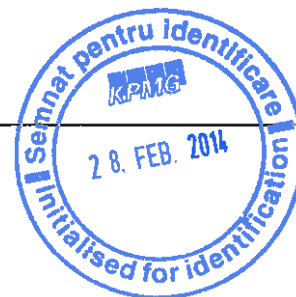
##### **Daily Monitoring**

During the last quarter of 2012, the Bank implemented a specific process dedicated to the identification and adequate management of exposures with increased level of risk, which is carried out with a support of a specific IT application called "Clients with risk".

The daily relationship with the counterparty and the continuous support provided by the early warning system (supported by the IT application "Clients with risk") implemented by the Bank are the basis of the identification of risky exposures in the Banca Comerciala Intesa Sanpaolo Romania S.A. portfolio. The commercial units that manage the crediting relationship with the counterparties are responsible for the detection of negative events (negative symptoms/ detrimental events).

Potential problems or future critical situations can only be detected by a regular and systematic monitoring of daily transactions and by knowledge of the client, as well as by a detailed analysis of the most frequent symptoms which indicate an abnormality.

When negative symptoms or detrimental events are identified, a detailed counterparty analysis is necessary for the above mentioned clients that could result in the classification of the counterparty exposure to "problem" or "nonperforming" category, as per stipulations of the dedicated process for risky and nonperforming exposures management.



## **5. RISK MANAGEMENT (continued)**

### **(b) Credit risk (continued)**

Portfolio performance evaluation is done on a daily basis (using information from the previous day), based on negative symptoms detectable in the Bank's database and information available in the morning through the Credit Risk Bureau. Based on this evaluation, customers are classified into two categories, namely, high risk or low risk based on the score obtained by correlating all available information on internal and external database.

This evaluation process materializes into concrete action customized as automatic notification, based on email, of the persons involved in connection with measures that need to be taken.

#### **Periodic monitoring**

Based on the results of the monitoring and control activities carried out concerning creditworthiness of the client, his payment behaviour, as recorded in specific documents implemented by the competent structures of the Bank, the commercial units make proposals of measures, which are submitted to the approval of the hierarchical superior and/or to other competent authorities in this respect. After their approval, the measures established shall be communicated in writing to the counterparty with a view to their application.

This phase of the monitoring process is the responsibility of the Risk Management Department and it is conducted under specific regulations developed by this structure.

The monitoring activities of the Bank portfolio take into consideration at least:

- ✓ The quality of the Bank's portfolio of assets (special attention is paid to the portfolio of nonperforming loans);
- ✓ The qualitative evolution of the portfolio of assets in comparison to the approved budget and business plan;
- ✓ The concentration risk (depending on the type of product, field of activity, market, currency for granting credit facilities, the group of clients interrelated etc).
- ✓ Determining the necessary allowance for impairment for identified related to loans risks

#### **Collection and workout process**

The main target of the collection and recovery process is to ensure a proper and timely management of those counterparties which, due to their characteristics or external reasons, may present various degrees of financial and/or economic difficulties with subsequent potential/ actual deterioration of their creditworthiness.

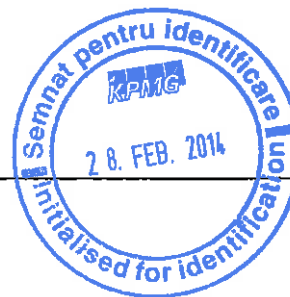
During the collection and recovery process, the following main steps were identified:

##### **a) „Soft” collection activities**

This phase includes all those actions/interventions in client service that:

1. Records outstanding payments to the Bank, and interventions aim to maintain/ restore it to “performing”
2. Encounter financial/economic difficulties, even if payments to Bank are performed according to agreed graphics, interventions regarding the increase in the counterparty's risk level.

This type of collection activity aim to identify solutions to overcome, if necessary, the difficulties met by the counterparties, issued by commercial units that manage the counterparty relationship, and may benefit from the Credit/Credit Recovery Department.



## **5. RISK MANAGEMENT (continued)**

### **a) „Soft” collection activities (continued)**

An effective collection process involves managing counterparties based on activities/strategies, enabling:

1. Homogenous and coherent management of exposures with similar/comparable risk profile;
2. Optimization for necessary time to renegotiate the contractual terms stipulated in the relationship with the counterparty;
3. Structured monitoring of the portfolio regarding the efficient testing of the strategies applied;
4. Better monitoring of resort structures from the Central Bank towards the commercial units.

The most relevant activities that involve this phase are:

1. Contacting the counterparty (by phone, via e-mail, text etc) as soon as the exposure is identified as a risk.
2. Contacting the client (if the outstanding is not paid in a reasonable period of time, the debtor will be notified regarding all the relevant aspects).

### **b) Action plan**

If after the preliminary activities performed, (phone calls, notifications, visits etc) the situation of the counterparty does not become regular, and if based on the information received from the counterparty it results that new regularization methods are required, then all commercial units will define an action plan, with the following purposes:

1. Payment of the outstanding amount towards the Bank (short term objective) and
2. Preventing the outstanding situation, by implementing medium/long term objectives.

In this regard, 4 main stages were identified in managing risk exposures:

- Counterparty assessment,
- Action plan proposal;
- Approval and implementation of the action plan
- Monitoring.

### **c) Recovery activities („hard collection”)**

The main methods to recover the receivables resulting from the lending activity are:

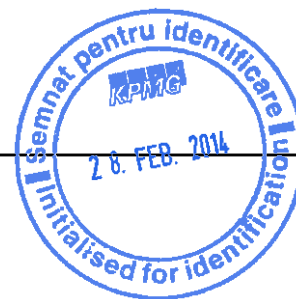
1. Extrajudicial recovery
2. Judicial recovery.

Both methods are usually activated when the debtor's worthiness is seriously and irreversibly damaged, the purpose being to identify the best strategy for recovering the exposure.

The process may include:

- Restructuring the counterparty's credit exposure (replacement of the exposure),
- Amicably recovery by identifying the potential sources of repayment (usually others than the ones sustained by the debtor's economic-financial performance), that may involve the debtor, and also the co-debtors, guarantees, third parties.
- Enforcement recovery by all means, including over the guarantees issued in the Bank's favor.
- Recovery by including the receivables in a portfolio offered for sale to third parties.
- Moving the assets in the receivables account, followed by selling the assets or transferring the assets to other entities;
- Recovery during the insolvency procedure.





## **5. RISK MANAGEMENT (continued)**

### **(b) Riscul de credit (continuare)**

The Bank has defined the following methods of achieving the replacement operations:

- **Loans rescheduling:** the method by which the Bank modifies the intermediary maturity and/or the payment of one/or more loan rates, without exceeding the initial loan period.
- **Loans rescheduling - prolongation:** the method by which the Bank changes the maturity and/or the payment of one/or more rates, by exceeding the initial period of the loan and/or by classifying the loan in a different category (medium/long term).
- **Loan refinancing:** the Bank grants a new cash credit facility to reimburse the the partial/complete loan/loans owned by the applicant/counterparty.
- **Conversion of the revolving loans in non revolving loans,** a method characterized by eliminating the revolving character of the loan and by switching to a medium or long term product.

The main methods of extrajudicial recovery offered by the Bank are:

- Payment convention
- Novation
- Subrogation
- Recovery assignment
- Taking over the debt
- Payment
- Amicably valorification of the guarantees and/or the debtor's assets

When any amicable method of recovering the exposure is ineffective, the Credit Recovery Department analyses and applies the decision of the competent authority to initiate legal procedures against the debtor/third parties, that represent the last solution for the Bank to recover the receivables.

The loan files regarding the exposures classified as „Doubtful” (debtors in legal procedures or insolvent) are transferred to the Credit Recovery Department for the process of recovery.

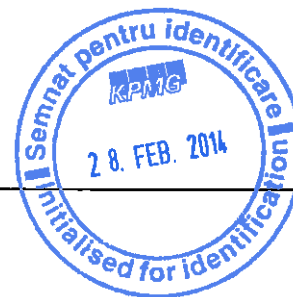
In these situations, the Commercial Units have a supporting role, by providing any information/assistance required by the Credit Recovery Department in defining and implementing the action/strategy plan approved by the Competent Bodies.

Counterparty's creditworthiness assessment is performed, which could result in the classification of the counterparty exposure to “problem” or “nonperforming” category thus allowing evaluating the best strategy in order to:

- minimize the risk of losses for credit facilities which are still performing;
- maximize the recovery of outstanding exposure for nonperforming loans.

The Credit Recovery Department supervise, and monitor the whole process in order to ensure the efficiency of the defined/approved strategies.

The Bank adopted starting 2012 the following rules for classification of its debtors in accordance with IFRS standards as endorsed by the European Union and aligned with main shareholder requirements and the Bank of Italy:



## **5. RISK MANAGEMENT (continued)**

### **(b) Credit risk (continued)**

- **Nonperforming Loans.** This definition applies to exposures that fall under the following classification:
  - **Doubtful:** Balance and off-balance sheet exposures (loans, letters of guarantees, derivatives etc.) to borrowers being effectively insolvent (although not yet legally) or in comparable status, regardless of any loss forecasts made by the Bank. Irrespective, therefore, of whether any (real/tangible or personal) guarantees that may have been established to cover the exposures.
  - **Substandard:** Balance and off-balance sheet exposures (loans, letters of guarantees, derivatives etc.) to borrowers experiencing temporary objective financial or economic difficulties that are likely to be overcome in a reasonable period of time. Irrespective of whether any (real/tangible or personal) guarantees that have been established to cover the exposures.
  - **Restructured:** Balance and off-balance sheet exposures (loans, letters of guarantees, derivatives etc.) where the Bank (or a pool of banks) renegotiates the original terms of a debt due to deterioration of the creditworthiness of the debtor (for example by granting a payment moratorium or by decreasing the debt or the interests). If such renegotiation results in a loss, the exposure will be classified as restructured.
  - **Past due:** Balance and off-balance sheet exposures (loans, letters of guarantees, derivatives, etc) other than those classified as doubtful, substandard or restructured that, as at reporting date, are past due for over 90 days.
- **Performing loans.** Balance and off-balance sheet exposures (loans, securities, derivatives etc.) other than those classified as doubtful, substandard, restructured or past due.

Performing loans could be divided in two sub-categories, respectively:

- *Performing –Standard:* This refers to all the exposures without any anomalies attached, or with anomalies that do not require management in accordance with the principles defined for the classification of Problem Loans. From a portfolio management point of view, these exposures fall under the responsibility of the commercial structure responsible and are managed in accordance with normal/ordinary credit granting and monitoring processes.
- *Performing (watch list).* It refers to the exposure granted to customers (private, corporate, other entities etc) which, due to inherent characteristics or because of external factors, show signs of varying degrees of difficulty, with possible deterioration of the credit quality.

Performing Loans include credit with potential problems that have not yet incurred, but could lead to breach of contract unless timely resolved.

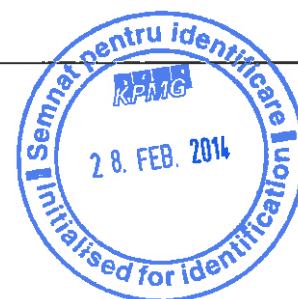
With reference to legal entities, this status generally includes those exposures for which rescheduling/renegotiation either was proposed or is being proposed in order to reorganise the company and recover the balance.

### **Impairment methodology**

The Bank reviewed in 2013 the methodologies for determining IFRS collective provision and has assigned clear roles and responsibilities for the individual impairment allowance.

As such, performing loans are collectively assessed based on groups of assets with similar characteristics, as follows:

- a) Size
  - Companies
  - Small and medium enterprises



**5. RISK MANAGEMENT (continued)**

**(b) Credit risk (continued)**

- Economic entities and micro entities
- Retail
- b) Days past due, at the reporting date
  - 0 , for customers with days past due equal to 0 days
  - 1 , for customers with days past due between 1 and 15 days included
  - 2 , for customers with days past due between 16 and 30 days included
  - 3 , for customers with days past due between 31 and 60 days included
  - 4 , for customers with days past due between 61 and 90 days included
  - 5, for customers with days past due higher than 90 days.
- c) Customer type
  - Private individuals
  - Legal entities
- d) Activity
  - Agriculture,
  - Commerce,
  - Industry,
  - Real estate,
  - Services and
  - Other activities
- e) Product type
  - Mortgage/Real Estate,
  - Consumer Loans,
  - Revolving, Non Revolving,
  - Agricultural Loans,
  - Investment loans and other,
  - Letters of Guarantee/Letters of Credit,
  - Others

Nonperforming loans are individually assessed case by case or based on a portfolio approach, as follows:

- Past Due: the exposures classified with this status, independently of the amount, will be subject to monthly individual assessment on portfolio basis (flat-rate adjustments) in accordance with the tables provided by the Risk Management Department, on the basis of the historical series of status changes and recoveries.
- Substandard: the exposures within a defined threshold will be subject to monthly individual assessment on portfolio basis (flat rate adjustments) in accordance with the tables provided by the Risk Management Department, on the basis of the historical series of status changes and recoveries.

The threshold value is established at EUR 75,000 and may be reviewed from time to time by the AQC, together with the Bank's Loan and Risk Management departments. In any event such threshold will not exceed that established by the Parent Company.

The exposures above the pre-established threshold are subject to an individual evaluation performed by the Credit Recovery Department in accordance with the prevailing management prerogatives and after discussion with the commercial unit, and decided by the same credit function or higher decision-making bodies, in accordance with prevailing management prerogatives. The recovery forecasts are made at classification, and subsequently every 6 (six) months, and in any case, for any relevant event that may occur during the period (i.e. significant changes of the financing period etc).

The assessments are based on an attentive and in-depth qualitative and quantitative analysis:

**5. RISK MANAGEMENT (continued)**

**(b) Credit risk (continued)**

- (i) of the economic, asset and financial situation of the counterparty in addition to
- (ii) exogenous factors such as trends in the reference sector.

An analytical assessment is made for each individual credit on the basis of the risk implied by the technical form of the outstanding, the degree of dependence on any mitigating factors, and if significant, the financial effects of the time realistically estimated as necessary for its recovery.

A recovery forecast is made on the basis of the evaluation of the significance of the guarantees/collaterals in place, the type of utilisation, the counterparty's solvency and its current and prospective profitability.

- Restructured: the same criteria used for the individual evaluation of substandard loans are generally applied to restructured loans since the risk of failing to fulfil the obligations continues to exist, despite the renegotiation through restructuring agreements.

- Doubtful: all the positions classified as doubtful, both under management of the Credit Recovery Department or under external management are valued using the individual assessment.

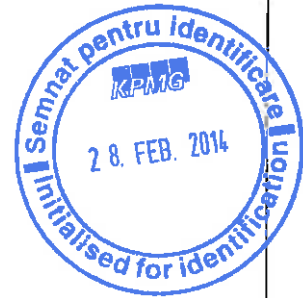


**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
as at and for the year ended 31 December 2013  
*(all amounts are presented in RON, unless otherwise stated)*

**5. RISK MANAGEMENT (continued)**

(b) Credit risk (continued)

	Loans to customers		Placements with banks		Available for sale financial instruments		Loan commitments and letters of guarantee	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<b>Total net exposure</b>	3,444,819,875	3,549,268,781	875,326,006	779,215,560	526,911,857	494,571,470	1,080,256,175	1,299,263,397
<u>Non-performing loans, individually impaired:</u>								
Doubtful	1,234,938,528	1,004,961,878	-	-	-	-	1,253,981	756,321
Substandard	194,015,891	273,659,713	-	-	-	-	8,714,612	1,771,009
Restructured exposure	2,665,317	3,262,807	-	-	-	-	-	-
Past due	9,705,815	27,013,805	-	-	-	-	21,175	30,845
<b>Gross exposure</b>	<b>1,441,325,551</b>	<b>1,308,938,203</b>					<b>9,989,768</b>	<b>2,558,176</b>
Impairment allowance	(828,964,583)	(602,945,193)	-	-	-	-	(7,046,583)	(727,291)
<b>Net exposure</b>	<b>612,360,968</b>	<b>705,993,010</b>					<b>2,943,186</b>	<b>1,830,884</b>
<i>out of which rescheduled as defined by NBR</i>	198,930,895	253,467,740	-	-	-	-	-	-
<u>Collectively impaired loans</u>								
Performing – Standard	2,646,565,485	2,670,738,348	-	-	-	-	1,029,549,024	1,005,642,752
Doubtful credits – Watch List	256,098,199	238,792,622	-	-	-	-	40,717,383	48,840,781
<b>Gross exposure</b>	<b>2,902,663,684</b>	<b>2,909,530,970</b>					<b>1,070,266,406</b>	<b>1,054,483,533</b>
Impairment allowance	(70,204,777)	(66,255,199)	-	-	-	-	(4,367,552)	(3,392,744)
<b>Net exposure</b>	<b>2,832,458,907</b>	<b>2,843,275,771</b>					<b>1,065,898,854</b>	<b>1,051,090,789</b>
<i>out of which rescheduled as defined by NBR</i>	144,031,545	161,333,984	-	-	-	-	-	-
<u>Past due, performing loans</u>								
< 30 days	164,253,388	200,005,914	-	-	-	-	-	-
31 - 60 days	45,117,949	58,302,234	-	-	-	-	-	-
61 - 90 days	46,425,160	55,214,148	-	-	-	-	-	-
>91 days	14,265,570	19,401,527	-	-	-	-	-	-
<b>Net exposure</b>	<b>270,062,067</b>	<b>332,923,823</b>						
<i>Out of which rescheduled, at net value</i>	18,719,725	22,159,318	-	-	-	-	-	-



**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
as at and for the year ended 31 December 2013  
*(all amounts are presented in RON, unless otherwise stated)*

**4. RISK MANAGEMENT (continued)**

**(b) Credit risk (continued)**

	Loans to customers		Placements with banks		Available for sale financial instruments		Loan commitments and letters of guarantee	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<u>Performing loans with no overdue</u>								
Performing – Standard	2,478,602,467	2,457,096,720	875,326,006	779,215,560	526,911,857	494,571,470	1,029,549,024	1,005,642,752
Doubtful loans – Watch List	83,794,372	53,255,228	-	-	-	-	40,717,383	48,840,781
Total performing loans	<u>2,562,396,840</u>	<u>2,510,351,948</u>	<u>875,326,006</u>	<u>779,215,560</u>	<u>526,911,857</u>	<u>494,571,470</u>	<u>1,070,266,406</u>	<u>1,054,483,533</u>
<i>out of which rescheduled as defined by NBR</i>	125,311,820	139,174,666						

**Impaired loans and advances**

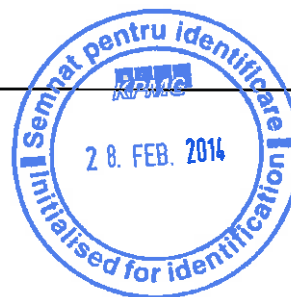
The Bank classified loans and advances as being impaired where there is proper evidence that a loss event has occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the asset.

**Overdue and not-individually impaired exposures**

Overdue and not-impaired exposures are those exposures for which there is interest and instalment overdue and payment rates, for which the Bank believes that there is no sufficient evidence to lead to prominence them as nonperforming because of the delay in number of days, of the outstanding amount towards the total exposure and economic and financial situation of the client.





**5. RISK MANAGEMENT (continued)****(b) Credit risk (continued)****Collaterals held and other techniques to reduce credit risk**

	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Performing loans</b>		
Mortgages	3,436,547,713	3,375,784,837
Pledge on equipments	411,407,274	384,391,552
Pledge on goods, merchandize etc.	171,725,156	222,177,938
Other express, irrevocable and unconditional personal guarantees issued by FNGCIMM SA	95,157,943	96,961,092
Guarantees received from the public institutions of Romania – credits - 0% level of risk, “prima casa”	130,752,375	80,006,615
Pledge on vehicles	83,685,579	57,643,256
Letters of guarantee	221,760,062	47,990,436
Other express, irrevocable and unconditional personal guarantees issued by FGC of Romania	39,407,780	38,616,491
Pledge – collateral deposits	53,628,188	16,942,650
<b>Total</b>	<b>4,644,072,070</b>	<b>4,320,514,867</b>

	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Non-performing loans</b>		
Mortgages	1,158,359,455	1,151,184,919
Pledge on equipments	75,911,076	46,353,512
Pledge on goods, merchandize etc.	45,152,814	63,656,782
Other express, irrevocable and unconditional personal guarantees issued by FNGCIMM SA	48,825,428	15,677,832
Guarantees received from the public institutions of Romania – credits - 0% level of risk, “prima casa”	224,823	-
Pledge on vehicles	10,778,117	4,372,942
Letters of guarantee	-	2,657,221
Other express, irrevocable and unconditional personal guarantees issued by FGC of Romania	5,154,249	3,417,036
Pledge – collateral deposits	539,829	1,000,074
<b>Total</b>	<b>1,344,945,791</b>	<b>1,288,320,318</b>

**5. RISK MANAGEMENT(continued)**

**(b) Credit risk (continued)**

**Loans secured by mortgages**

The table below stratifies credit exposures on mortgages and advances to retail customers and corporate on loan-to-value intervals (LTV). LTV is calculated as the ratio of the gross amount of the loan - or committed amount for loan commitments - and the collateral value. Gross amounts exclude any adjustments for impairment.

Evaluation of collaterals excludes any adjustments for obtaining and selling of collateral. Collateral values presented below for mortgage loans are based on the value of revaluated collateral in accordance with market changes.

	<u>Loan to value rate (LTV)</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
<b>Corporate</b>	50%	150,117,911	173,285,860
	51% -70%	172,938,282	173,444,013
	71% - 90%	71,578,489	186,955,328
	91% - 100%	110,853,336	83,658,364
	>100%	954,374,169	302,377,147
	<b>Total</b>		<b>1,459,862,187</b>

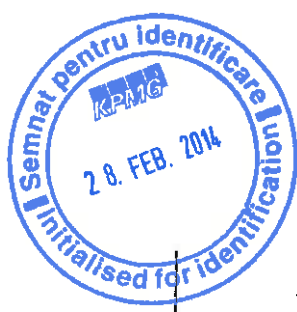
	<u>Loan to value rate (LTV)</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
<b>Retail</b>	50%	49,259,541	26,577,285
	51% -70%	155,669,864	37,166,923
	71% - 90%	28,371,866	146,424,159
	91% - 100%	22,753,288	13,279,710
	>100%	313,444,979	168,602,953
	<b>Total</b>		<b>569,499,538</b>

In addition to assessing the quality of corporate customers, the Bank revaluates with a frequency of once a year, respectively once every 3 years for residential mortgage collaterals.





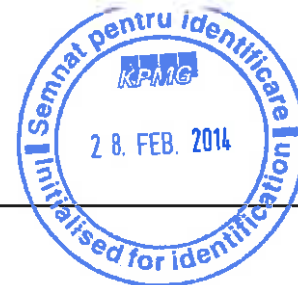
**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
as at and for the year ended 31 December 2013  
*(all amounts are presented in RON, unless otherwise stated)*



**5. RISK MANAGEMENT (continued)**

**(b) Credit risk (continued)**

Concentration by sector	Loans and advances to customers		Placements with banks		Available for sale financial instruments	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Agriculture	335,240,050	363,713,852	-	-	-	-
Other activities	20,032,861	17,644,884	-	-	-	-
Commerce	455,129,522	548,310,649	-	-	-	-
Constructions	286,074,309	343,800,120	-	-	-	-
Processing and conservation	36,852,242	42,391,413	-	-	-	-
Manufacturing(gas, electric energy)	138,174,248	91,614,652	-	-	-	-
Extraction (oil, gravel)	14,254,405	12,454,733	-	-	-	-
Furniture, shoes, equipment manufacturing	508,179,485	487,681,526	-	-	-	-
Other industrial activities	120,948,997	132,419,973	-	-	-	-
Transportation	68,072,699	80,966,290	-	-	-	-
Hotels	75,483,038	81,891,092	-	-	-	-
Real estate	228,115,966	246,018,734	-	-	-	-
Leasing	3,887,751	60,266,967	-	-	-	-
Car and ships repairs	4,938,059	5,873,192	-	-	-	-
Other services	246,900,237	259,983,818	-	-	-	-
Individuals	902,536,009	774,236,886	-	-	-	-
Banks	-	-	875,326,006	779,215,560	-	-
State	-	-	-	-	526,911,857	494,571,470
<b>Total net exposure</b>	<b>3,444,819,875</b>	<b>3,549,268,781</b>	<b>875,326,006</b>	<b>779,215,560</b>	<b>526,911,857</b>	<b>472,084,920</b>



## 5. RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

The portfolio, of securities which is held and classified as available for sale is described below.

	<u>31 December 2013</u>	<u>31 December 2012</u>
Government securities and treasury bills:		
Rating BBB+ and lower	526,911,857	494,571,470

The table below describes the exposures arising from financial derivatives. Overall transactions with the derivatives of the Group are fully secured by cash.

31 December 2013	Banking institutions		Notional	Other Fair value
	Notional	Fair value		
Financial derivatives acquired	461,174,858	44,000	176,076,907	75,217
Financial derivatives sold	462,302,501	40,100	175,643,431	130
<b>31 December 2012</b>				
Financial derivatives acquired	123,462,322	61,165	228,067,610	254,714
Financial derivatives sold	428,454,295	253,232	91,567,585	113,236

### (c) Eurozone country risk

Regarding the country risk, according to the Group's indications, the eurozone countries do not apply to continuous monitoring. During 2013, the exposure towards Cyprus was additionally monitored. On 31.12.2013 and 31.12.2012 the Bank has no exposure to debtors from Cyprus.

### (d) Liquidity risk

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 management

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 270,000,000 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

**5. RISK MANAGEMENT (continued)**

**(d) Liquidity risk**

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 consideration to stress factors relating to both the market in general and specifically to the Bank.

**Liquidity risk exposures**

The key ratio used by the Bank for the management of Liquidity Risk is the ratio between net liquid assets and customer accounts. For this purpose net liquid assets are considered as cash and cash equivalents, securities for which there is an active and liquid market less any deposits from banks, debt securities, loans and other liabilities due the following month.

Rate of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

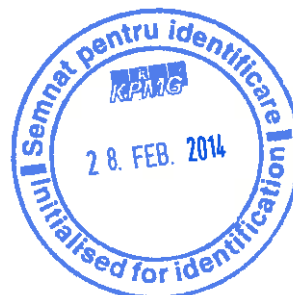
	<b>2013</b>	<b>2012</b>
As at 31 December	42.71%	51.87%
Average for the period	37.41%	42.39%
Maximum of the period	52.87%	57.65%
Minimum of the period	26.83%	28.12%

Level of liquidity ratios calculated according to National Bank of Romania requirements are given below as follows:

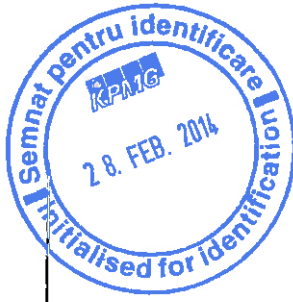
	<b>2013</b>				
	<b>&lt;=1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>&gt;12 months</b>
As at 31 December	1.57	5.79	7.00	7.01	2.90
Maximum for the period	1.57	6.39	12.80	7.01	2.90
Minimum for the period	1.20	2.81	2.97	3.49	2.35

	<b>2012</b>				
	<b>&lt;=1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>&gt;12 months</b>
As at 31 December	1.23	1.89	4.66	3.54	2.66
Maximum for the period	1.57	8.07	14.99	16.59	2.66
Minimum for the period	1.19	1.75	2.4	3.54	1.98



**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
as at and for the year ended 31 December 2013  
*(all amounts are presented in RON, unless otherwise stated)*



**5. RISK MANAGEMENT (continued)**

**(c) Liquidity risk (continued)**

**Analysis of financial assets and liabilities by remaining contractual maturities**

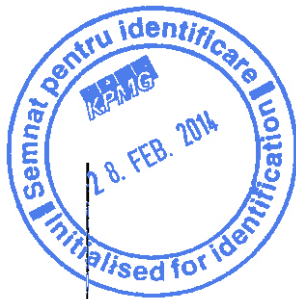
31 December 2013	Book value	<1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years
Derivative assets	119,217	119,217	-	-	-	-
Cash, balances with the Central Bank	812,098,874	812,098,874	-	-	-	-
Loans and advances to banks	144,559,284	144,559,284	-	-	-	-
Loans and advances to customers	3,444,819,875	429,845,836	352,761,981	775,102,011	918,544,859	968,565,188
Treasury bills	526,911,854	526,911,857	-	-	-	-
Other assets	12,359,106	12,359,106	-	-	-	-
<b>Total assets</b>	<b>4,940,868,210</b>	<b>1,925,894,174</b>	<b>352,761,981</b>	<b>775,102,011</b>	<b>918,544,859</b>	<b>968,565,188</b>

31 decembrie 2013	Book value	<1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years
Derivative liabilities	40,230	40,230	-	-	-	-
Deposits from banks	1,121,594,025	91,118,859	44,964,724	229,147,842	328,573,791	427,788,809
Deposits from customers	3,159,091,716	1,439,816,902	743,809,124	840,701,974	129,187,253	5,576,463
Subordinated debts	31,445,115	-	-	-	31,445,115	-
Other liabilities	27,224,912	27,224,912	-	-	-	-
<b>Total liabilities</b>	<b>4,339,395,998</b>	<b>1,558,197,041</b>	<b>788,777,710</b>	<b>1,069,849,816</b>	<b>489,206,159</b>	<b>433,365,272</b>
<b>Net position</b>	<b>601,472,214</b>	<b>367,662,138</b>	<b>(435,980,735)</b>	<b>(294,747,805)</b>	<b>429,338,700</b>	<b>535,199,916</b>

**Future interest related to financial liabilities**

	Total	<1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years
Deposits and loans from banks	208,067,073	16,903,473	8,341,413	42,509,250	60,953,772	79,359,165
Deposits from clients	24,998,946	11,389,193	5,883,655	6,650,094	1,021,893	44,111

**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
as at and for the year ended 31 December 2013  
*(all amounts are presented in RON, unless otherwise stated)*



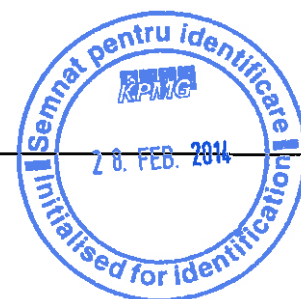
**5. RISK MANAGEMENT (continued)**  
**(c) Liquidity risk (continued)**

31 December 2012	Book value	<1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years
Derivative assets	315,880	310,181	5,699	-	-	-
Cash, balances with the Central Bank	807,395,944	807,395,944	-	-	-	-
Loans and advances to banks	47,551,813	47,551,813	-	-	-	-
Loans and advances to customers	3,549,268,781	627,703,024	226,915,895	919,493,572	865,077,162	910,079,128
Treasury bills	494,571,470	494,571,470	-	-	-	-
Other assets	17,157,099	17,157,099	-	-	-	-
<b>Total assets</b>	<b>4,916,260,987</b>	<b>1,994,689,531</b>	<b>226,921,594</b>	<b>919,493,572</b>	<b>865,077,162</b>	<b>910,079,128</b>

31 decembrie 2012	Valoare contabila	<1 luna	1-3 luni	3 luni - 1an	1-5 ani	> 5 ani
Derivative liabilities	366,468	263,902	102,566	-	-	-
Deposits from banks	1,612,005,664	372,577,459	266,543,700	382,045,970	590,838,535	-
Deposits from customers	2,496,387,038	1,583,610,070	327,882,696	561,705,991	18,370,146	4,818,135
Subordinated debts	31,055,582	-	-	-	31,055,582	-
Other liabilities	17,291,354	17,291,354	-	-	-	-
<b>Total liabilities</b>	<b>4,157,106,106</b>	<b>1,973,742,785</b>	<b>594,528,962</b>	<b>943,751,961</b>	<b>640,264,263</b>	<b>4,818,135</b>
<b>Net position</b>	<b>759,154,881</b>	<b>20,946,746</b>	<b>(367,607,368)</b>	<b>(24,258,389)</b>	<b>224,812,899</b>	<b>905,260,993</b>

**Future interest related to financial liabilities**

	Total	<1 luna	1-3 luni	3 luni - 1an	1-5 ani	> 5ani
Deposits and loans from banks	110,759,331	25,115,576	17,967,804	25,753,852	41,922,099	-
Deposits from clients	23,090,908	14,647,967	3,032,827	5,195,629	169,919	44,566



## 5. RISK MANAGEMENT (continued)

### d) 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. Interest rate risk exposure related to activities out of the trading portfolio. Interest rate risk arises from the possibility that changes in interest rates affect future cash flows or fair values of financial instruments. Bank has set limits on interest rate differences in the banking portfolio. In accordance with Bank policies, positions are monitored on a regular basis and daily gaps are checked.

The following table shows the interest rate risk of the Bank based on sensitivity ratio to interest rate for + / - 50 basis points, respectively + / - 100 basis points, both for 2012 and 2013.

	+100 basis pt.	-100 basis pt.	+50 basis pt.	-50 basis pt.
<i>Sensitivity of projected net interest income (in RON)</i>				
2013				
At 31 December	8,866,903	-6,387,034	4,432,473	-4,390,414
Average for the period	7,824,504	-5,698,196	3,910,981	-3,681,003
Maximum for the period	12,220,349	-3,346,525	6,108,758	-2,086,981
Minimum for the period	4,575,054	-9,440,452	2,286,944	-5,861,722
2012				
At 31 December	9,009,352	-4,613,322	4,518,226	-3,407,502
Average for the period	5,313,896	-3,787,750	2,667,149	-2,427,707
Maximum for the period	9,115,925	-1,529,339	4,570,865	-1,403,308
Minimum for the period	2,767,580	-7,363,713	1,393,368	-3,602,402

The table below presents annual interest rates obtained or provided by the Bank for the interest bearing assets and liabilities during the financial year 2013 (in percentages):

	2013		USD		EUR	
	RON		Range		Range	
	Min	Max	Min	Max	Min	Max
<b>Assets</b>						
Current accounts with the National Bank of Romania	0.59	1.3	-	-	0.36	0.56
Placements with banks	1	6.5	-	-	-	-
Loans and advances to customers	3,92	17,92	4,27	4,27	4,92	7,07
<b>Liabilities</b>						
Deposits from banks	0.2	5.9	0.25	0.25	0.05	1.4
Subordinated debts	-	-	-	-	1.202	1.270
Borrowings from banks	-	-	-	-	0.463	4.629



**5. RISK MANAGEMENT (continued)**

**d) Market risk (continued)**

The table below presents annual interest rates obtained or provided by the Bank for the interest bearing assets and liabilities during the financial year 2012 (in percentages):

	2012		USD		EUR	
	RON		Range		Range	
	of interest rates		of interest rates		of interest rates	
	Min	Max	Min	Max	Min	Max
<b>Assets</b>						
Current accounts with the National Bank of Romania	0.93	1.43	0.24	0.5	0.56	0.78
Placements with banks	1.25	9	0.5	0.5	-	-
Loans and advances to customers	3	23	3.75	5.49	2.69	11.99
<b>Liabilities</b>						
Deposits from customers	1	8.5	1	3.95	0.11	5.25
Deposits from banks	0.5	7.3	0.6	0.75	0.06	3.04
Subordinated debts	-	-	-	-	1.878	3.235
Borrowings from banks	-	-	-	-	0.472	5.982

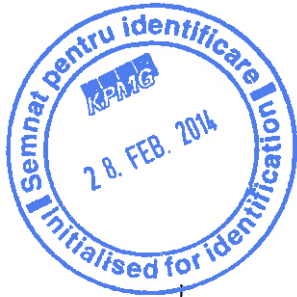


5. RISK MANAGEMENT (continued)

d) Market risk (continued)

The table below represents the statement of cash flows (notional and future interest) relating to interest bearing assets and liabilities allocated to time bands depending on the time of re-pricing. If assets / liabilities bearing variable interest are awarded on the basis of notional proper time period re-pricing and cash flows resulting from the application of spread are distributed on time to maturity bands according to the repayment schedule. If assets / liabilities bearing fixed interest and notional interest flows are spread over time bands according to the repayment schedule.

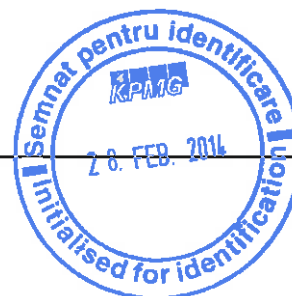
31 December 2013	Exposure	Overnight	< 3 months	3-12 months	1-5 years	> 5 years
Cash and current accounts with central bank	810,501,938	810,501,938	-	-	-	-
Loans and advances to banks	29,652,569	-	29,652,569	-	-	-
Loans and advances to customers	4,038,208,621	31,808	3,119,757,702	92,731,812	352,349,346	473,337,953
Securities	559,519,700	-	11,419,500	207,026,500	341,073,700	-
<b>Total assets</b>	<b>5,437,882,828</b>	<b>810,533,746</b>	<b>3,160,829,771</b>	<b>299,758,312</b>	<b>693,423,046</b>	<b>473,337,953</b>
Deposits and borrowings from banks	1,260,172,197	-	1,004,149,527	110,294,369	118,110,859	27,617,441
Deposits from customers	3,161,853,629	813,244,920	1,362,412,514	878,446,828	107,749,367	-
<b>Total liabilities</b>	<b>4,422,025,826</b>	<b>813,244,920</b>	<b>2,366,562,041</b>	<b>988,741,197</b>	<b>225,860,226</b>	<b>27,617,441</b>
<b>Net position</b>	<b>1,015,857,002</b>	<b>(2,711,174)</b>	<b>794,267,730</b>	<b>(688,982,885)</b>	<b>467,562,820</b>	<b>445,720,512</b>
<b>31 December 2012</b>						
Cash and current accounts with central bank	1,131,978,666	1,131,978,666	-	-	-	-
Loans and advances to banks	47,623,245	-	47,623,245	-	-	-
Loans and advances to customers	3,829,342,216	102,954	3,054,266,330	90,694,527	278,149,673	406,128,732
Securities	526,153,624	-	186,498,380	194,001,014	145,654,230	-
<b>Total assets</b>	<b>5,535,097,751</b>	<b>1,132,081,620</b>	<b>3,288,387,955</b>	<b>284,695,541</b>	<b>423,803,903</b>	<b>406,128,732</b>
Deposits and borrowings from banks	1,619,121,077	-	1,266,984,054	315,041,590	37,095,433	-
Deposits from customers	2,542,257,960	10,837,584	1,921,096,707	592,749,033	12,756,501	4,818,135
<b>Total liabilities</b>	<b>4,161,379,037</b>	<b>10,837,584</b>	<b>3,188,080,761</b>	<b>907,790,623</b>	<b>49,851,934</b>	<b>4,818,135</b>
<b>Net position</b>	<b>1,373,718,714</b>	<b>1,121,244,036</b>	<b>100,307,194</b>	<b>(623,095,082)</b>	<b>373,951,969</b>	<b>401,310,597</b>



**BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA**  
**NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 31 December 2013

(all amounts are presented in RON, unless otherwise stated)

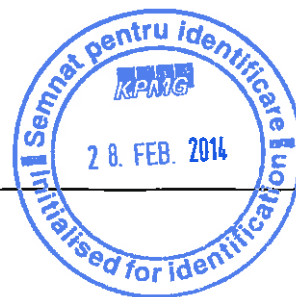


**5. RISK MANAGEMENT (continued)**

**d) Market risk (continued)**

The Bank's policy is to maintain foreign currency position in balance covering the operational needs resulted from the ordinary activities of bank's customers. The Bank monitors on a daily frequency total foreign currency position of the Bank and VaR. At the reporting date, net currency exposures are as follows:

<b>31 December 2013</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and current accounts with banks	360,859,623	446,125,938	3,073,451	2,039,862	812,098,874
Placements with banks	114,267,028	21,877,436	5,903,334	2,511,575	144,559,284
Investment securities	526,911,857	-	-	-	526,911,857
Loans and advances to customers	1,075,904,086	2,350,178,914	8,602,642	10,134,233	3,444,819,875
<b>Total assets</b>	<b>2,077,942,594</b>	<b>2,818,182,198</b>	<b>17,579,427</b>	<b>14,685,670</b>	<b>4,928,389,890</b>
<b>Liabilities</b>					
Deposits from banks	88,873,940	96,455,698	182.009	37.753	185.549.400
Borrowings from banks	-	936,044,625	-	-	936.044.625
Subordinated debts	-	31,445,115	-	-	31.445.115
Deposits from customers	1,499,080,974	1,602,707,181	53.971.303	3.332.258	3.159.091.716
<b>Total liabilities</b>	<b>1,587,954,914</b>	<b>2,666,652,619</b>	<b>54.153.312</b>	<b>3.370.011</b>	<b>4.312.130.855</b>
<b>Net Foreign Currency position</b>	<b>489,987,680</b>	<b>151.529.669</b>	<b>-36.573.885</b>	<b>11.315.661</b>	<b>616.259.124</b>
<b>31 December 2012</b>					
<b>Assets</b>					
Cash and current accounts with banks	291.711.475	511.454.026	2.525.594	1.704.849	807.395.944
Placements with banks	25.700.400	19.360.689	643.808	1.846.916	47.551.813
Investment securities	471.945.197	22.626.273	-	-	494.571.470
Loans and advances to customers	1.096.426.506	2.429.626.412	9.404.295	13.811.568	3.549.268.781
<b>Total assets</b>	<b>1.885.783.578</b>	<b>2.983.067.400</b>	<b>12.573.697</b>	<b>17.363.333</b>	<b>4.898.788.008</b>
<b>Liabilities</b>					
Deposits from banks	199.236.908	362.593.827	352.538	13.222.519	575.405.792
Borrowings from banks	-	1.036.599.873	-	-	1.036.599.873
Subordinated debts	-	31.055.582	-	-	31.055.582
Deposits from customers	1.089.106.908	1.344.663.594	59.536.071	3.080.466	2.496.387.039
<b>Total liabilities</b>	<b>1.288.343.816</b>	<b>2.774.912.876</b>	<b>59.888.609</b>	<b>16.302.985</b>	<b>4.139.448.286</b>
<b>Net Foreign Currency position</b>	<b>597.439.762</b>	<b>208.154.524</b>	<b>-47.314.912</b>	<b>1.060.348</b>	<b>759.339.722</b>



## 5. RISK MANAGEMENT (continued)

### d) Market risk (continued)

**Value at risk**, represents a control tool of the foreign exchange position by revealing the maximum amount of loss the Bank may book, taking into consideration the current exchange position and the potential profit and loss generated by this 1 year period. The intervention period considered is 1 day. The maximum permissible limit is equivalent to EUR 100,000 with a sub-limit of EUR 80,000.

Year	VaR 2013	FX VaR eq EUR
2013	31 December	26.830
2013	Average daily	8.347
2013	Max	53.128
2013	Min	1.023

Year	VaR 2012	FX VaR eq EUR
2012	31 December	24.639
2012	Average daily	23.811
2012	Max	524.852
2012	Min	779

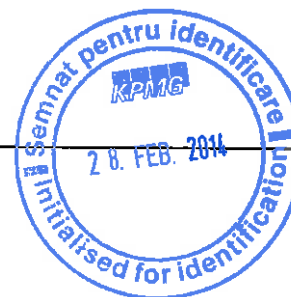
### (e) Operational Risk

Operational risk is the risk of loss resulting 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.

The Board of Directors has delegated the responsibility of operational risk to Operational Risk Committee, which is responsible for the development and implementation of controls to deal with operational risk. This responsibility is supported by the development of general Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with legal regulations;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced by the bank, and the adequacy of controls and procedures to address the risks identified;
- reporting requirements of operational losses and proposed remedial action;
- development of emergency plans;
- training and professional development;
- ethical and business standards, and
- mitigation, including insurance even this is effective.

Compliance with Group standards is supported by a program of periodic reviews undertaken by Internal Audit. Internal audit results are discussed in Operational Risk Committee and the Audit Committee, and management of the Bank.



## 5. RISK MANAGEMENT (continued)

### (f) Taxation risk

The Romanian tax legislation provides for detailed and complex rules and has suffered various changes in the recent years. Interpretation of the text and practical implementation procedures of tax legislation could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Bank's treatment. Furthermore, the recent conversion to IFRS of the Romanian banks raised additional tax implications that are not yet fully clarified in the legislation and might generate potential tax risks.

The Romanian Government has a number of agencies that are authorized to conduct audits of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Bank will continue to be subject to regular controls as new laws and regulations are issued.

### (g) 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.

Regulatory capital	Actual 2013	**Required 2013	Actual 2012	**Required 2012
*Total capital	<u>388,356,362</u>	<u>261,220,990</u>	<u>513,547,769</u>	<u>260,441,890</u>
Risk weighted assets	<u>3,265,262,373</u>		<u>3,255,523,629</u>	
Tier 1 capital ratio	11.89%		15.77%	

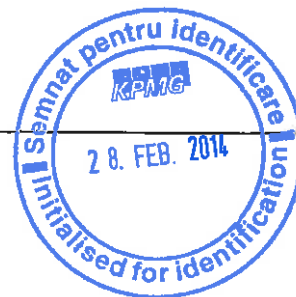
Regulatory capital consists of tier 1 capital, which comprises share capital, share premium, retained earnings including current year profit, legal reserves net of taxes and deductions for items such as intangible assets, holdings in other credit and financial institutions amounting to more than 10%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

\*The Capital is calculated according to the National Bank of Romania 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.





## **5. RISK MANAGEMENT (CONTINUED)**

### **(h) Operational environment**

In 2013, the macroeconomic environment registered a positive trend. The GBP related to 2012 registered a growth of only 0.6% while the GBP as per 2013 increased with 3.5% due to the positive impact of the agricultural sector. The forecast for the next year indicate a 2.2% increase in the GBP, the economy being sustained by external demand and by the gradual recovery of the internal demand. Moreover, the inflation rate registered a downward in 2013, with an annual rate of 1.55%, hovering between the target of NBR of 1.5% - 3.5%, due to a good agricultural year and a VAT reduction at bakery sector. The foreign direct investment registered an increasing trend, with a value of EUR 2.71 billion, growing with 26.8% as compared to 2012. The most representative part of the foreign direct investment were the borrowings between groups, in amount of EUR 0.94 billion, given the support of foreign banks to local subsidiaries. The current account deficit was adjusted in 2013 as compared to 2012, reducing its amount from EUR 5.8 billion in 2012, to EUR 1.5 billion in 2013. The amount of external debt in 2013 was EUR 96.44 billion, significantly improved as compared to 2012, when the external debt registered EUR 99.68 billion, the trend being influenced by the reimbursement from the International Monetary Fund and of the non-residents deposits which decreased from EUR 7.75 billion to EUR 6.45 billion at the end of 2013 (*Source: market data, Bank's analysis*).

Management believes that all necessary measures to support the sustainability and growth of the Bank in the current business by:

- Constant monitoring of liquidity positions and excessive dependence on categories of sources;
- Short-term forecasting of net liquidity positions;
- Obtaining shareholders' engagement on their continued support for the Bank's operations in Romania;
- Review the terms and conditions of funding agreements and consideration of the imposed obligations implications and risks identified such as maturity dates, or any other terms or clauses that may have been violated or may be violated near future.

#### *Exposures to high risk eurozone countries*

In 2013 credit risk concerns were maintained in respect of several euro-zone countries, determining suppositions regarding the long term sustainability of the euro zone. The worsening of recession for several countries, the economic and political consequences, determined by the fiscal measures, as well as the measures of the governments and the uncertainties regarding the continuity of several financial institutions of these countries determined an increase in the yield volatilities of government bonds. Recently, some measures taken by the Central European Bank and the European Commission had positive effects on the trust of the markets. However, the situation of these countries is sensitive. As at 31 December 2013 and 31 December 2012 the Bank did not record exposures to high risk eurozone countries.

## **6. USE OF ESTIMATES AND JUDGMENTS**

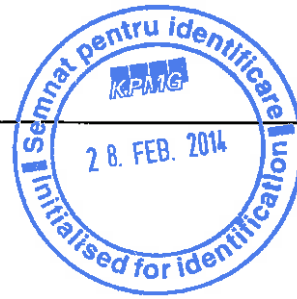
The Bank makes estimates and assumptions which impact the reported amount of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Use of judgments and estimates has the greatest importance:

### **a) Impairment**

Assets accounted for at amortized cost are evaluated for impairment on a basis described in Note 4 letter (j) (vii).





## **6. USE OF ESTIMATES AND JUDGMENTS (continued)**

### **a) Impairment (continued)**

The specific component of the total allowances for impairment applies of financial assets assessed individually for impairment and is based upon Bank's best estimate of the present value of cash flows that are expected to be received. In estimating these cash flows, the Bank makes judgments about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Committee on Quality Assets.

The Bank reviews its loans and advances individually significant at each of reporting date, to assess whether to record an impairment loss in the income statement. In particular, management's assessments are

needed for coordinating estimating future cash flows when determining the impairment loss. These estimates are based on assumptions about several factors and actual results may differ, resulting in future changes of adjustments.

Individual assessment is required in all cases where there is objective evidence of impairment. For loans recognized at amortized value (cost amortized) the loss is measured as the difference between the exposure (at amortized cost) and net present value of future cash flows discounted at the effective interest rate.

Collective assessment is mandatory in all cases where there were no objective evidence of impairment identified is achieved by a group of financial assets after similar credit risk characteristics and their evaluation using historical loss rates associated with information on loss experience in these groups of active and relevant observable data.

A collective component of the total allowances for impairment applies is established as follows:

- Individual adjustments for impairments identified in homogeneous groups of loans and other receivables that are not individually analyzed to determine the level of impairment because they are not individually significant;
- Collective adjustments for losses incurred but unidentified, loans and receivables, whether or not individually significant, for which there were no individual adjustments for impairment.

Collective adjustment for homogeneous groups of loans is determined using statistical methods and estimation of the adjustment is made on the basis of historical data on default behavior of borrowers and history / forecast of losses for impaired positions combined so to reflect the terms of product structure, their economic effects on the reporting date.

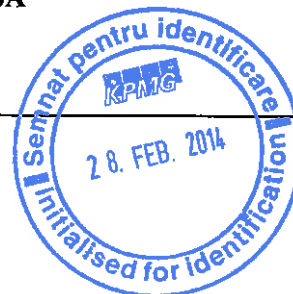
Collective adjustment for significant active groups, but have not been individually assessed for impairment applies refers to the loan portfolio expected loss.

In assessing collective impairment adjustment, the Bank takes into account factors such as credit quality, portfolio size, concentration levels and economic factors.

In order to estimate the necessary adjustment, hypotheses are developed to define how expected losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. Accuracy in determining the total adjustments for impairment applies depends, therefore, estimates of future cash flows of counterparties individually assessed and the assumptions and parameters used in determining collective adjustments.

Adjustments for impairment applied for loans and receivables are presented in more detail in Note 15.

Investments in equity instruments of participation and were valued at their book value, since it was not possible to determine an impairment test or assessment to market value / fair value.



## **6. USE OF ESTIMATES AND JUDGMENTS (continued)**

### **a) Impairment (continued)**

Assessment to determine whether an investment in sovereign debt (see Note 4 (b)) is impaired can be very complex, but only because the bank holds investments in government securities Romanian, test them for impairment applies is excluded. To evaluate these instruments, please see point b) fair value.

The loan impairment assessment considers the visible effects on current market conditions on the individual/ collective assessment of loans and advances to customers' impairment. The Bank has estimated the impairment loss provision for loans and advances to customers based on the internal methodology harmonized with Group policies and assessed that no further provision for impairment losses are required except as already provided for in the financial statements. Because of the uncertainties on the local financial markets regarding assets valuation and operating environment of the borrowers, that Bank's estimate could be revised after the date of the approval of the financial statements.

### **b) Fair value**

Where the fair values of assets and liabilities cannot be measured on active markets, because of their specialisation, low volume of transactions, the fair values are determined using valuation techniques which include financial and mathematical models. The inputs for the models are derived from existing markets when possible and when not, judgement is needed to establish fair values. The judgements refer to liquidity and input values.

Determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in note 4 (j) (vi).

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques which contain variable information obtained from market perceptible. When using valuation techniques (e.g. models) to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them.

All models are adjusted to ensure that outputs reflect actual data and comparative market prices. To the extent that this is practical, models use only perceptible information, however, areas such as credit risk (both own and counterparty), fluctuations and correlations require management attention to be estimated. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

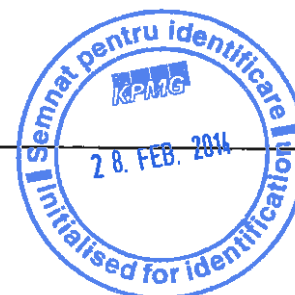
The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly - i.e. as prices - or indirectly - i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.



**6. USE OF ESTIMATES AND JUDGMENTS (continued)**

**b) Fair value (continued)**

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques used refers to the net present value and discounted cash flows. Assumptions and input parameters used in valuation techniques include risk-free rate and the reference interest and exchange rates.

The Bank uses widely recognized valuation models for determining the fair value of financial instruments simple (interest rate instruments and foreign exchange instruments) that use only observable market data and require a little reasoning to estimate. Observable prices and model input parameters are provided by dedicated structure within the Bank.

For the treasury bills, the Bank uses to official listings nationwide through a single dedicated system, this is also the depository of such securities issued in dematerialized form in the Romanian national market.

All financial instruments recorded at fair value are classified into three categories as follows:

Level 1 - Quoted market prices

Level 2 - Valuation techniques (noticed on the market)

Level 3 - Valuation techniques (market unnoticed)

On 31 December 2013, the Bank owned the following financial instruments measured at fair value:

<u>Assets measured at fair value</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Derivatives	119,221	-	119,221	-
Securities available for sale	526,621,698	-	526,621,698	-
<b>Liabilities measured at fair value</b>	<b>Total</b>	<b>Nivelul 1</b>	<b>Nivelul 2</b>	<b>Nivelul 3</b>
Derivatives	40,235	-	40,235	-

**At 31 December 2012:**

<u>Assets measured at fair value</u>	<u>Total</u>	<u>Nivelul 1</u>	<u>Nivelul 2</u>	<u>Nivelul 3</u>
Derivatives	315,880	-	315,880	-
Securities, available for sale	494,292,331	-	494,292,331	-
<b>Liabilities measured at fair value</b>	<b>Total</b>	<b>Nivelul 1</b>	<b>Nivelul 2</b>	<b>Nivelul 3</b>
Derivatives	366,468	-	366,468	-

In 2013 and 2012 there were no transfers between Level 1 fair value measurements and Level 2.

**6. USE OF ESTIMATES AND JUDGMENTS (continued)**

**b) Fair value (continued)**

**Financial assets and liabilities**

Please find below a comparison by class of the carrying amounts and fair values of financial instruments that banks are not recorded 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 paragraphs describe the methodologies and assumptions used to determine fair values of those financial instruments that are not already recorded at fair value in the financial statements:

*Assets for which fair value approximates accounting value*

For financial assets and liabilities that are due in the short term (under one year), it is assumed that the carrying amounts approximate their fair value. This assumption applies to term deposits and savings accounts without a specific maturity.

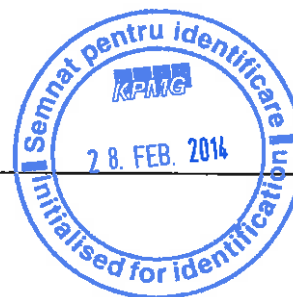
The fair value of financial assets and liabilities with fixed rate at amortized cost are estimated by comparing market interest rates after they were first recognized with current market rates for similar financial instruments.

The following table summarizes the carrying amounts and fair values of those assets and liabilities that are not listed in the bank's balance sheet at their fair value.

**31 December 2013**

	Level 1	Level 2	Level 3	Fair value	Book value
<b>Financial assets</b>					
Cash, current accounts with the central bank	-	-	812,098,874	812,098,874	812,098,874
Placements with banks	-	-	144,555,491	144,555,491	144,559,284
Loans and advances to customers	-	-	3,551,246,745	3,551,246,745	3,444,819,875
<b>Total</b>	-	-	<b>4,507,901,110</b>	<b>4,507,901,110</b>	<b>4,401,478,033</b>
<b>Financial liabilities</b>					
Deposits from banks	-	-	183,038,144	183,038,144	185,549,400
Deposits to customers	-	-	3,123,440,708	3,123,440,708	3,159,091,716
Borrowings from banks and subordinate debts	-	-	1,048,463,791	1,048,463,791	967,489,740
<b>Total</b>	-	-	<b>4,354,942,643</b>	<b>4,354,942,643</b>	<b>4,312,130,856</b>





## 7. NET INTEREST INCOME

	2013	2012
<b>Interest income:</b>		
Not impaired loans	230,564,549	253,543,811
Impaired loans	57,558,001	56,669,526
Unwinding interest	-47,919,577	-47,017,695
Current accounts and deposits with banks	5,859,793	8,677,071
Financial investments – available for sale	27,068,372	31,876,252
<b>Total interest income</b>	<b>273,131,138</b>	<b>303,748,965</b>
<b>Interest expense:</b>		
Deposits from customers	-91,058,873	-97,138,039
Deposits from banks	-5,374,703	-13,352,284
Borrowings from banks	-26,486,006	-34,312,806
Subordinated loans	-384,635	-1,275,599
Repurchase agreements	-895,359	-1,012,748
<b>Total interest expense</b>	<b>-124,199,578</b>	<b>-147,091,476</b>
<b>Net interest income</b>	<b>148,931,560</b>	<b>156,657,489</b>

The interest income regarding the impaired loans are RON 9,638,424 ( 31 December 2012: RON 9,651,831).

## 8. NET FEE AND COMMISSION INCOME

	2013	2012
<b>Fee and commission income</b>		
Income from transactions fees	25,850,423	22,243,274
Income from commissions on loans	10,694,009	8,397,448
Other commission income	27,557	49,135
<b>Total fee and commission income</b>	<b>36,571,988</b>	<b>30,689,857</b>
<b>Fee and commission expense</b>		
Cheltuieli cu comisioane referitoare la tranzactii	-5,678,664	-6,082,377
Commissions paid to the Loan Guarantee Funds	-5,202,651	-1,260,236
Inter-banking transactions fees	-136,724	-200,568
Fees for cash acquisition	-601,422	-1,514,408
<b>Total fee and commission expense</b>	<b>-11,619,460</b>	<b>-9,057,589</b>
<b>Net fee and commission income</b>	<b>24,952,528</b>	<b>21,632,268</b>



**BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**As at and for the year ended 31 December 2013**

*(all amounts are presented in RON, unless otherwise stated)*

**9. NET TRADING INCOME**

	<u>2013</u>	<u>2012</u>
Gain from foreign exchange differences	327,833	18,334,160
Revenue from transactions with foreign exchange derivatives	26,437,387	10,502,287
	<u>26,765,220</u>	<u>28,836,447</u>

**10. OTHER REVENUE FROM SALE OF AVAILABLE FOR SALE FINANCIAL INSTRUMENTS**

	<u>2013</u>	<u>2012</u>
Gains on sale of available-for-sale securities	8,649,735	1,079,490
Net loss on sale of available-for-sale securities	-437,416	-35,344
	<u>8,212,319</u>	<u>1,044,146</u>

**11. PERSONNEL EXPENSES**

	<u>2013</u>	<u>2012</u>
Wages and salaries	53,520,432	59,297,043
Compulsory social security contributions	15,259,382	15,625,816
Other personnel expenses	1,233,467	1,676,317
	<u>70,013,281</u>	<u>76,599,176</u>

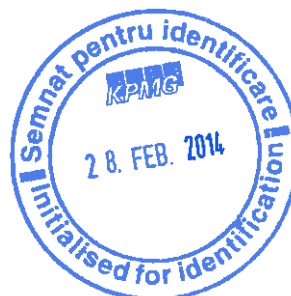
Other personnel expenses include meal tickets.

**Share-based payment**

In 2012 the Bank purchased a total of 39,014 shares Intesa Sanpaolo SPA Italia which has to be assigned for managers as remuneration according to the policy and rules approved by the Group.

Until the final allocation of shares to managers, the Bank will own the shares.

According to the group policy the cost of shares was covered by the Bank through a provision booked for staff bonuses. At 31 December 2013, the market value of these shares was RON 313,888 (31 December 2012: 169.569 RON).





**BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at and for the year ended 31 December 2013**  
*(all amounts are presented in RON, unless otherwise stated)*

**12. OTHER OPERATING EXPENSES**

	<u>2013</u>	<u>2012</u>
Administrative expenses	39,881,220	43,817,990
Local taxes expenses	3,104,770	2,949,695
Software licensing	3,949,608	4,629,510
Advertising and marketing	1,470,810	1,577,823
Bank Deposits Guarantee fund expenses	6,649,404	4,522,952
Consultancy and professional services	951,614	2,842,008
Others	104,273	154,284
	<u><b>56,111,699</b></u>	<u><b>60,494,262</b></u>

Administrative expenses are detailed below:

	<u>2013</u>	<u>2012</u>
Rental expenses	18,345,832	21,701,366
Inventories and consumables	98,943	344,144
Heating, electricity and others	3,308,577	3,215,661
IT & C expenses	1,746,700	1,773,480
Postage, telephone and other expenses	2,219,256	2,832,082
Travel expenses	1,822,059	1,680,000
Security services expenses	1,237,535	1,627,128
Expenditure on staff trainings	170,689	123,287
Insurance expenses	403,157	424,710
Cleaning service expenses	1,140,661	1,090,674
Card service expenses	2,041,752	2,115,310
Protocol expenses	617,442	683,438
Legal service expenses	187,244	870,538
Expense with forms, stationery and other printed material	1,688,161	1,436,410
Transportation services	891,387	1,055,837
Others	3,961,825	2,843,925
	<u><b>39,881,220</b></u>	<u><b>43,817,990</b></u>

A result of a detailed analysis of operating results and the achievement of operational performance targets over the past two years have been closed 14 units (from which 10 units during 2013 and other 4 units during 2012) which failed to and meet performance targets and / or losses obtained after approval from the Board of Directors of the Bank.

The Bank recorded provisions covering the total costs for closure of these units. The costs of closing these branches include penalties paid to owners for unilateral termination of leases, lease improvements of the object written off.



**12. INCOME TAX REVENUE**

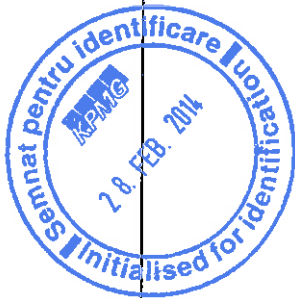
	2013	2012
<b>Expense / (income) with current tax</b>	-	-
<b>Expense / (income) with deferred tax</b>		
Allowance for impairment on loans to customers	66,247,527	6,538,217
Tax credit for losses	-67,241,168	-1,893,781
Deductible/taxable temporary differences	993,641	-4,691,771
<b>Deferred tax revenue</b>	-	-47,335
<b>Total income tax</b>	-	-47,335

Reconciliation of effective tax rate:

	2013		2012	
<b>Loss before tax</b>		<b>-165,384,385</b>		<b>-105,497,153</b>
Theoretical taxation at statutory rate	16.00%	-26,461,502	16.00%	-16,879,545
Tax exempt income	-34.99%	57,875,350	-2.28%	2,408,182
Fiscal depreciation	0.04%	-59,298	0.43%	-458,628
Non-taxable income	7.73%	-12,779,565	7.26%	-7,663,253
Non-deductible expenses	-8.70%	14,393,440	-9.84%	10,375,775
Temporary differences	0.10%	158,983	4.45%	-4,691,771
(De)recognition of tax losses	-19.84%	-32,809,443	-15.98%	16,861,905
<b>Income tax</b>		<b>-</b>	<b>0.04%</b>	<b>-47,335</b>



**BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at and for the year ended 31 December 2013  
*(all amounts are presented in RON, unless otherwise stated)*

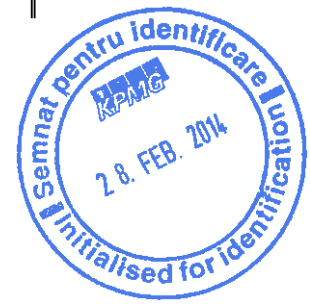


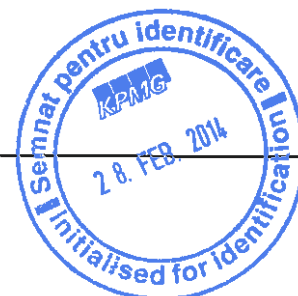
**13. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

RON	Note	Designated at fair value	Held to - maturity	Loans and receivables	Other amortised cost	Total carrying amount
<b>31 December 2013</b>						
<b>ASSETS</b>						
	12	-	812,098,874	-	-	812,098,874
Cash and cash equivalents						
	14	119,217	-	-	-	119,217
Derivatives assets held for risk management						
	13	-	144,559,284	-	-	144,559,284
Loans and advances to banks						
	15	-	3,444,819,875	-	-	3,444,819,875
Loans and advances to customers						
	16	-	-	526,911,857	-	526,911,857
Financial instruments available for sale						
	16	-	-	-	9,059,504	9,059,504
Equity Investments						
<b>TOTAL ASSETS</b>		<b>119,217</b>	<b>4,401,478,033</b>	<b>526,911,857</b>	<b>9,059,504</b>	<b>4,937,568,611</b>
<b>LIABILITIES</b>						
	14	40,230	-	-	-	40,230
Derivate liabilities held for risk management						
	22	-	-	-	185,549,400	185,549,400
Deposits from banks						
	24	-	-	-	936,044,625	936,044,625
Loans from banks						
	23	-	-	-	3,159,091,716	3,159,091,716
Deposits from customers						
	25	-	-	-	31,445,115	31,445,115
Subordinated liabilities						
<b>TOTAL LIABILITIES</b>		<b>40,230</b>	<b>-</b>	<b>-</b>	<b>4,312,130,856</b>	<b>4,312,171,086</b>

**BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at and for the year ended 31 December 2013  
*(all amounts are presented in RON, unless otherwise stated)*

RON	Note	Designated at fair value	Held to - maturity	Loans and receivables	Other amortised cost	Total carrying amount
<b>31 December 2012</b>						
<b>ASSETS</b>						
Cash and cash equivalents	12	-	807,098,874	-	-	807,098,874
Derivatives assets held for risk management	14	315,880	-	-	-	315,880
Loans and advances to banks	13	-	47,551,813	-	-	47,551,813
Loans and advances to customers	15	-	3,549,268,781	-	-	3,549,268,781
Financial instruments available for sale	16	-	-	494,571,470	-	494,571,470
Equity investments	16	-	-	-	8,915,186	8,915,186
<b>TOTAL ASSETS</b>		<b>315,880</b>	<b>3,597,627,692</b>	<b>494,571,470</b>	<b>8,915,186</b>	<b>4,101,430,228</b>
<b>LIABILITIES</b>						
Derivate liabilities held for risk management	14	366,468	-	-	-	366,468
Deposits from banks	22	-	-	-	575,405,791	575,405,791
Loans from banks	24	-	-	-	1,036,599,873	1,036,599,873
Deposits from customers	23	-	-	-	2,496,387,038	2,496,387,038
Subordinated liabilities	25	-	-	-	31,055,582	31,055,582
<b>TOTAL LIABILITIES</b>		<b>366,468</b>	<b>-</b>	<b>-</b>	<b>4,139,448,284</b>	<b>4,139,814,752</b>





#### 14. CASH AND BALANCES WITH CENTRAL BANK

	<u>31 December 2013</u>	<u>31 December 2012</u>
Cash	81,332,152	75,732,197
Current accounts at National Bank of Romania	730,766,722	731,663,747
	<u>812,098,874</u>	<u>807,395,944</u>

Current accounts include reserves in the National Bank of Romania. Minimum reserve level set by the National Bank of Romania for renewable attracted with the maturity of less than two years and for attracted sources with residual maturity greater than two years, which provide contractual clauses relating to refunds, withdrawals, transfer of 15% was anticipated sources deposits in lei and 20% of bank currency as well at 31 December 2013 as 31 December 2012. The Bank may use the minimum reserve requirement in daily operational activities, subject to specified levels for average monthly balances.

In 2013, interest rates ranged between 1.30% and 0.59% (2012: between 1.43% and 0.93%) for reserves kept in RON and remained between 0.56% and 0.36% (2012: between 0.79% and 0.58%) for reserves kept in EUR. In 2013, interest rates for term deposits in RON at National Bank of Romania were: between 1% and 2.25% (2012: 1.25%).

#### 16. PLACEMENTS WITH BANKS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Current accounts	34,497,409	27,548,480
Overnight deposits and term deposits	110,061,875	20,003,333
<b>Total placements with banks</b>	<u>144,559,284</u>	<u>47,551,813</u>

In 2013, interest on bank deposits ranged between 1.10% and 6.50% for RON (2012: between 1.25% and 9.00%) and there were no placements with banks in other currencies during the year. Placements with banks are not pledged in favor of third parties.

#### 17. DERIVATIVES HELD FOR RISK MANAGEMENT

The fair values of derivatives held are presented below:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Currency swaps	44,003	40,100	61,165	253,232
Currency forwards	75,214	130	254,715	113,236
<b>Total</b>	<u>119,217</u>	<u>40,230</u>	<u>315,880</u>	<u>366,468</u>

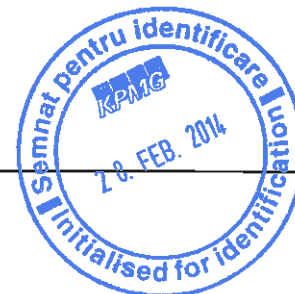
**BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at and for the year ended 31 December 2013  
*(all amounts are presented in RON, unless otherwise stated)*



**18. LOANS AND ADVANCES TO CUSTOMERS**

	31 December 2013		31 December 2012			
	Gross Value	Impairment allowance	Net value	Gross Value	Impairment allowance	Net value
<b>Retail loans</b>						
Consumer loans collateralized by mortgage	366,112,289	-20,445,384	345,666,905	383,322,265	-14,996,991	368,325,274
Equipments loans	1,287,983	-136,902	1,151,081	1,666,370	-1,298	1,665,072
Loans for real estate investments	546,501,133	-6,356,759	540,144,374	388,546,803	-4,052,275	384,494,528
Cash loans	15,966,214	-704,824	15,261,390	15,081,040	-245,740	14,835,300
Other loans to customers	104,824	-27,880	76,944	62,199	-29,445	32,754
Commissions to recover	312,829	-77,515	235,314	208,070	-120,351	87,719
<b>Corporate loans</b>						
Loans to financial institutions	36,723,536	-906,116	35,817,420	8,018,638	-4,675,014	3,343,624
Consumer loans	-	-	-	5,288	-165	5,123
Equipments loans	311,895,359	-72,707,921	239,187,438	330,937,121	-57,995,397	272,941,724
Loans for real estate investments	965,629,049	-240,447,954	725,181,095	945,500,874	-170,951,352	774,549,522
Cash loans	1,514,848,606	-429,156,852	1,085,691,754	1,553,599,228	-318,639,298	1,234,959,930
Loans resulted from novation contracts	32,536,994	-7,860,779	24,676,215	-	-	-
Other loans to customers	546,898,616	-116,802,108	430,096,508	585,921,702	-93,173,763	492,747,939
Commissions to recover	5,171,803	-3,538,364	1,633,437	5,599,575	-4,319,303	1,280,272
<b>Total</b>	<b>4,343,989,235</b>	<b>-899,169,360</b>	<b>3,444,819,875</b>	<b>4,218,469,173</b>	<b>-669,200,392</b>	<b>3,549,268,781</b>





**18. LOANS AND ADVANCES TO CUSTOMERS (continued)**

	<u>2013</u>	<u>2012</u>
<b>Individual Provision</b>		
<b>At 1 January</b>	<b>602,945,194</b>	<b>409,043,492</b>
Charge for the year	385,008,714	357,568,408
Releases during the period	-161,031,303	-216,404,378
Write-offs – recoveries	-51,815,303	-2,580,311
Adjustments for interest on impaired loans	47,919,577	47,017,695
Effect of exchange rate	5,937,704	8,300,287
<b>At 31 December</b>	<b>828,964,583</b>	<b>602,945,194</b>
<b>Collective Provision</b>		
<b>At 1 January</b>	<b>66,255,198</b>	<b>52,178,351</b>
Charge for the year	114,358,414	146,137,199
Releases during the period	-110,871,661	-132,694,048
Differences from exchange rates	462,825	633,696
<b>At 31 December</b>	<b>70,204,777</b>	<b>66,255,198</b>

**19. SECURITIES AVAILABLE FOR SALE**

	<u>31 December 2013</u>	<u>31 December 2012</u>
Debt securities	526,621,698	494,292,331
Equity investments, available for sale	290,159	279,139
<b>Total</b>	<b>526,911,857</b>	<b>494,571,470</b>

**(a) Debt securities**

Debt securities comprise treasury bills, bonds denominated in RON issued by Ministry of Public Finance of Romania. All securities were free of charge at 31 December 2013.

Investments in shares available for sale, owned by the Bank, are detailed below:

<b>Investment</b>	<b>Country of incorporation</b>	<b>Nature of business</b>	<b>Shareholding</b>	
			<u>31 December 2013</u>	<u>31 December 2012</u>
Sibex Sibiu Stock Exchange	Romania	Commodity exchange	26,880	26,880
Romanian Clearing House	Romania	Clearing house BMFMS	40,500	40,500
TransFonD	Romania	Settlement and clearing inter-banking transfer	193,803	193,803
Credit bureau	Romania		28,976	17,956
<b>Total</b>			<b>290,159</b>	<b>279,139</b>

**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**as at and for the year ended 31 December 2013**  
*(all amounts are presented in RON, unless otherwise stated)*

---

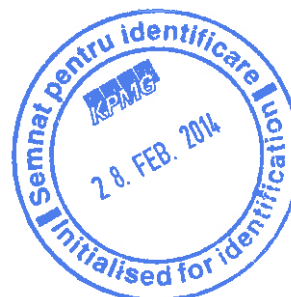
**19. SECURITIES AVAILABLE FOR SALE (continued)**

**(b) Equity investments**

	<u>31 December 2013</u>	<u>31 December 2012</u>
Intesa Sanpaolo Leasing IFN S.A. (i)	8,745,616	8,745,616
Intesa Sanpaolo SPA (ii)	313,88	169,570
<b>Total</b>	<u>9,059,504</u>	<u>8,915,186</u>

(i) Banca Comerciala Intesa Sanpaolo Romania holds 99.49% of the share capital of INTESA SANPAOLO LEASING ROMANIA I.F.N S.A., a Romanian company located at S-PARK BUCURESTI str. TIPOGRAFILOR no. 11-15, registered at the Romanian Registry of Commerce under J40/14030/2005 fiscal number RO17863812.

(ii) During 2012, Banca CR Firenze Romania S.A acquired a number of 39,014 shares from Intesa Sanpaolo SPA, with a value of RON 169,570. At the end of 2013, the shares were revaluated according to stock prices, registering at 31 December 2013 a value of RON 313,888.



**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**as at and for the year ended 31 December 2013**  
*(all amounts are presented in RON, unless otherwise stated)*

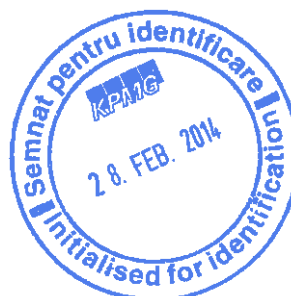
**20. PROPERTY AND EQUIPMENT**

	<b>Land and buildings</b>	<b>Computer Hardware</b>	<b>Other assets</b>	<b>Total</b>
<b>Costs:</b>				
At 1 January 2012	114,051,583	12,285,938	30,701,583	157,039,104
Additions	59,221	1,289,054	916,900	2,265,175
Disposals	-7,228,359	-1,718,848	-2,302,817	-11,250,024
<b>At 31 December 2012</b>	<b>106,882,445</b>	<b>11,856,144</b>	<b>29,315,666</b>	<b>148,054,255</b>
At 1 January 2013	106,882,445	11,856,144	29,315,666	148,054,255
Additions	121,974	1,783,148	95,446	2,000,568
Disposals	-3,319,115	-320,912	-3,445,790	-7,085,817
<b>At 31 December 2013</b>	<b>103,685,304</b>	<b>13,318,380</b>	<b>25,965,322</b>	<b>142,969,006</b>
<b>Amortizare:</b>				
At 1 January 2012	23,171,388	9,437,539	16,698,705	49,307,632
Disposals	-1,473,608	-1,549,747	-870,338	-3,893,693
Depreciation charge for the year	4,299,737	1,919,100	2,586,293	8,805,130
Impairment losses	4,825,029	-	-	4,825,029
<b>At 31 December 2012</b>	<b>30,822,546</b>	<b>9,806,892</b>	<b>18,414,660</b>	<b>59,044,098</b>
At 1 January 2013	30,822,546	9,806,892	18,414,660	59,044,098
Disposals	-2,379,706	-319,219	-3,058,974	-5,757,899
Depreciation charge for the year	3,587,674	1,756,000	2,544,301	7,887,975
Impairment losses	-	-	-	-
<b>At 31 December 2013</b>	<b>32,030,514</b>	<b>11,243,674</b>	<b>17,899,987</b>	<b>61,174,175</b>
<b>Net book value:</b>				
<b>At 31 December 2012</b>	<b>76,059,899</b>	<b>2,049,252</b>	<b>10,901,006</b>	<b>89,010,157</b>
<b>At 31 December 2013</b>	<b>71,654,790</b>	<b>2,074,706</b>	<b>8,065,335</b>	<b>81,794,831</b>

Other assets include motor vehicles, furniture and fittings, household equipment, air conditioning equipment.

All tangible assets are unencumbered and are secured to the net carrying amount at the concluding date of the insurance.

Gross value of property and equipment fully depreciated and still in use is RON 18,421,482 (31 December 2012: RON 19,070,080).



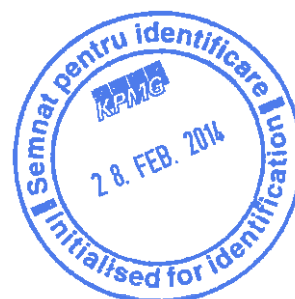
**21. INTANGIBLE ASSETS**

	<b>Computer software</b>	<b>Other intangible assets</b>	<b>TOTAL</b>
<b>Costs:</b>			
At 1 January 2012	32,260,229	11,769	32,271,998
Additions	7,514,037	-	7,514,037
Disposals	-1,007,282	-	-1,007,282
<b>At 31 December 2012</b>	<b>38,766,984</b>	<b>11,769</b>	<b>38,778,753</b>
At 1 January 2013	38,766,984	11,769	38,778,753
Additions	15,328,551	-	15,328,551
Disposals	-260,317	-1,013	-261,330
<b>At 31 December 2013</b>	<b>53,835,218</b>	<b>10,756</b>	<b>53,845,974</b>
<b>A:</b>			
At 1 January 2012	22,335,994	11,769	22,347,763
Disposals	-1,007,255	-	-1,007,255
Amortization charge for the year	4,332,734	-	4,332,734
<b>At 31 December 2012</b>	<b>25,661,473</b>	<b>11,769</b>	<b>25,673,242</b>
At 1 January 2013	25,661,473	11,769	25,673,242
Disposals	-248,341	-1,013	-249,354
Amortization charge for the year	5,257,372	-	5,257,372
<b>At 31 December 2013</b>	<b>30,670,504</b>	<b>10,756</b>	<b>30,681,260</b>
<b>Net book value:</b>			
<b>At 31 December 2012</b>	<b>13,105,511</b>	<b>-</b>	<b>13,105,511</b>
<b>At 31 December 2013</b>	<b>23,164,714</b>	<b>-</b>	<b>23,164,714</b>

Intangible assets include licenses for the software used by the Bank.

The increase of intangible assets during 2013 is mostly related to the new acquisition software program in amount of RON 11,213,022.

The remaining average amortization period is 2.5 years.



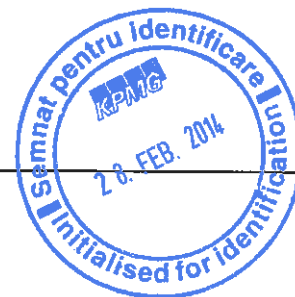
**22. INVESTMENT PROPERTY**

	<b>Amount</b>
<b>Cost</b>	
At 1 January 2012	31,724,013
Additions	2,865,708
Disposals	-
<b>At 31 December 2012</b>	<u><u>34,589,721</u></u>
At 1 January 2013	<b>34,589,721</b>
Additions	15,474
Disposals	-
<b>At 31 December 2013</b>	<u><u>34,605,195</u></u>
<b>Depreciation and impairment:</b>	
At 1 January 2012	
	6,069,768
Impairment	5,150,951
Depreciation charge for the year	900,521
<b>At 31 December 2012</b>	<u><u>12,121,240</u></u>
At 1 January 2013	
	12,121,240
Impairment	-
Depreciation charge for the year	655,912
<b>At 31 December 2013</b>	<u><u>12,777,152</u></u>
<b>Net book value:</b>	
<b>At 31 December 2012</b>	<u><u>22,468,481</u></u>
<b>At 31 December 2013</b>	<u><u>21,828,043</u></u>

Investment property is held by the Bank following the takeover of assets held as collaterals for non performing loans. Their fair value is based on a valuation performed by ANEVAR experts.

<b>At 1 January 2013</b>	<u><u>22.468.481</u></u>
Additions	15.474
Disposals	-
Depreciation charge for the year	-655.912
<b>At 31 December 2013</b>	<u><u>21.828.043</u></u>



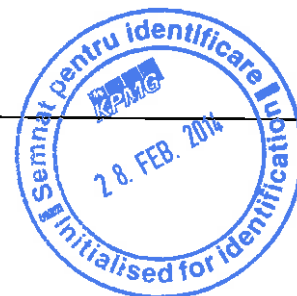


### 23. DEFERRED TAX

Current tax is calculated by applying the rate of 16% (2012: 16%). Deferred income taxes are calculated based on all temporary differences under the liability method using a tax rate of 16% (2012: 16%). Assets and liabilities related to deferred tax are attributable to the following items:

	2013			31 December		
	Balance at 1 January	Recognized in the income statement	Recognized in the comprehensive income statement	Net	Asset	Liability
Allowance for impairment on loans and advances to customers	-66,247,527	66,247,527	-	-	-	-
Fair value of securities available for sale	-151,984	-	-578,073	-730,057	-	-730,057
Fiscal credit for losses	76,514,925	-67,241,168	-	9,273,757	9,273,757	-
Deductible temporary differences	5,644,177	993,642	-	6,637,819	6,637,819	-
<b>Assets related to deferred tax</b>	<b>15,911,575</b>	<b>-</b>	<b>-</b>	<b>15,911,575</b>	<b>15,911,576</b>	<b>-</b>
<b>Liabilities related to deferred tax</b>	<b>-151,984</b>	<b>-</b>	<b>-578,073</b>	<b>-730,057</b>	<b>-</b>	<b>-730,057</b>
	2012			31 December		
	Balance at 1 January	Recognized in the income statement	Recognized in the comprehensive income statement	Net	Asset	Liability
Allowance for impairment on loans and advances to customers	-59,709,311	-6,538,216	-	-66,247,527	-66,247,527	-
Fair value of securities available for sale	4,632	-	-151,984	-151,984	-	-151,984
Fiscal credit for losses	74,621,146	1,893,779	-	76,514,925	76,514,925	-
Deductible temporary differences	952,406	4,691,771	-	5,644,177	5,644,177	-
<b>Assets related to deferred tax</b>	<b>15,864,874</b>	<b>-47,334</b>	<b>-</b>	<b>15,911,575</b>	<b>15,911,576</b>	<b>-</b>
<b>Liabilities related to deferred tax</b>	<b>-</b>	<b>-</b>	<b>-151,984</b>	<b>-151,984</b>	<b>-</b>	<b>-151,984</b>





### 23. DEFERRED TAX (continued)

The decrease of fiscal credit of RON 67,241,168 is due to the following:

- Distribution of the net gain resulted from the difference between the IFRS specific impairment allowance on loans and advances to customers and the prudential provision for loans and advances to customers as at 31 December 2011 and
- The possibility of recovery of assets representing deferred tax was evaluated by the Bank in accordance with the budget for 2014 – 2015 in which the tax loss recovery it is estimated of only RON 57,960,981 from the amount of RON 437,764,293, the total tax loss registered by the Bank at 31 December 2013.

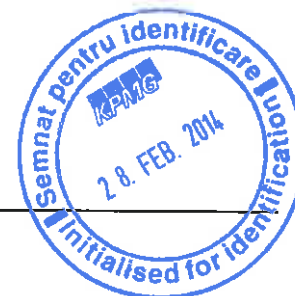
Also, following the clarifications introduced in the tax legislation, the deferred tax recorded on 1 January 2012 related to the difference between the carrying amount and the tax base of the Bank's loan and advances to customers portfolio was cancelled as it is considered to be of a permanent nature and therefore, not tax deductible in the future. Reversal of deferred tax generated non-taxable income of RON 66,247,527.

According to the Fiscal Code, starting with 2009, the annual tax loss can be reported and recovered from income tax derived in the next seven consecutive years. Detail of the limitation period tax loss for the bank which recognize deferred tax is presented below:

<u>Fiscal loss</u>	<u>Expiry year</u>
RON	
115,004,886	2017
206,994,236	2018
115,765,171	2019

### 24. OTHER ASSETS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Deposits paid for rent, electricity	1,805,717	1,814,809
Expenses paid in advance	2,409,428	1,773,210
Sundry debtors	6,210,211	5,838,972
Advances paid to suppliers	101,420	1,917,158
Inventory	672,752	688,366
Foreign currency spots	-	4,155,336
Other	1,159,577	969,248
<b>Total</b>	<b><u>12,359,105</u></b>	<b><u>17,157,099</u></b>



## 25. DEPOSITS FROM BANKS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Sight deposits	11,794,094	154,023,069
Term deposits	164,442,541	295,556,649
Amounts in transit	9,312,764	18,068,388
Repurchase agreements	-	107,757,685
<b>Total</b>	<u><b>185,549,400</b></u>	<u><b>575,405,791</b></u>

The main part of term deposits from customers were in RON and EURO. Interest rate during the year 2013 for term deposits ranged between 1.00% and 4.97% for RON (2012: between 1.00% and 6.60%) for deposits in EUR ranged between 0.35% and 3.10% (2012: between 0.35% and 3.04%). Between 31 December 2012 - 7 January 2013 were performed repurchase agreements with the National Bank of Romania with an interest rate of 5.25%. Amount redeemed at maturity was RON 107,851,959.

## 26. DEPOSITS FROM CUSTOMERS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Current accounts	443,367,836	328,954,911
Sight deposits	340,090,657	260,951,670
Term deposits	2,298,920,400	1,858,122,486
Collateral deposits	76,712,823	48,357,971
<b>Total</b>	<u><b>3,159,091,716</b></u>	<u><b>2,496,387,038</b></u>

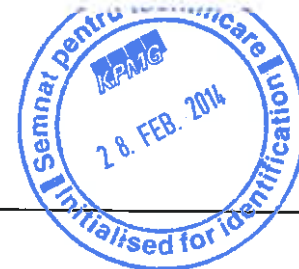
## 27. BORROWINGS FROM BANKS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Loans from Intesa Sanpaolo Group	868,738,743	1,036,599,873
Loans from European Investment Bank	67,305,882	0
<b>Total</b>	<u><b>936,044,625</b></u>	<u><b>1,036,599,873</b></u>

The amount from Intesa Sanpaolo Group at 31 December 2013 comprises borrowings received from Societe Europeene de Banque SA Luxemburg and Cassa di Risparmio di Firenze. Total amount granted is EUR 193,000,000 (2012: EUR 233,000,000). During 2013, additional to the borrowings received from the Group, the Bank also received a borrowing from the European Investment Bank in amount of EUR 15,000,000.

There are no restrictions to demand early reimbursement.

The first loan was received on 29 June 2007 in the amount of EUR 20,000,000 is repayable in one installment on 29 June 2015.



## **27. BORROWINGS FROM BANKS (continued)**

The second loan was received on 29 June 2007, in the amount of EUR 20,000,000 is repayable in one installment on 27 June 2014.

The third loan was received on 23 October 2008, in amount of EUR 20,000,000 is repayable in one installment on 19 October 2018.

The fourth loan was received on 27 October 2008, in amount of EUR 20,000,000 is repayable in one installment on 19 October 2018.

The fifth loan was received on 31 January 2011, in amount of EUR 50,000,000 is repayable in one installment on 28 February 2013.

The sixth loan was received on 26 August 2011, in amount of EUR 20,000,000 is repayable in one installment on 26 August 2014.

The seventh loan was received on 17 October 2011, in amount of EUR 30,000,000 is repayable in one installment on 17 October 2017.

The eighth loan was received on 17 December 2013, in amount of EUR 10,000,000 is repayable in one installment on 17 December 2018.

The ninth loan was received on 30 October 2007 from Banca CR Firenze in amount of EUR 3,000,000 is repayable in one installment on 17 October 2017.

Weighted average interest rate for these loans is 2.54% p.a. (2012: 2.83 % p.a.)

## **28. SUBORDONATED LOANS**

	<u>31 December 2013</u>	<u>31 December 2012</u>
Subscribed loan from Cassa di risparmio di Firenze	31,445,115	31,055,5821
<b>Total</b>	<u>31,445,115</u>	<u>31,055,582</u>

The subscribed loan from Cassa di Risparmio di Firenze was received on 7 May 2007 in the amount of EUR 7,000,000 and has the maturity on 27 April 2017.

In case of insolvency of the debtor, creditor claims arising from subordinated loan agreement will take precedence over any other creditor of the debtor and will have priority only to the shareholders of the debtor.

**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
as at and for the year ended 31 December 2013  
*(all amounts are presented in RON, unless otherwise stated)*

**29. PROVISIONS**

	<u>31 December 2013</u>	<u>31 December 2012</u>
Provision for risk and charges	2,226,023	2,039,076
Provision for litigation	3,513,785	1,730,000
Provision for letters of guarantee off balance sheet exposure	11,414,135	4,120,035
Provisions for personnel expenses	8,650,903	11,479,214
<b>Total</b>	<u><b>26,804,845</b></u>	<u><b>19,368,325</b></u>

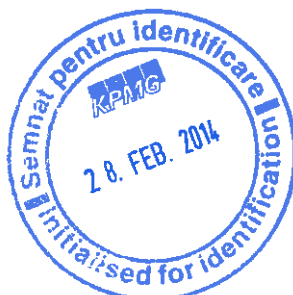
Provision for risk and charges includes the provision made for audit services (RON 610,270) the provision made for additional building taxes and related penalties possibly owed to local tax authorities budgets, starting with year 2009 and until year 2014, the prescription date (RON 1,200,000) and provision for other expenses (RON 415,753).

The movement in provisions during 2013 is as follows:

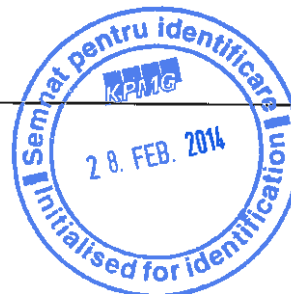
	<u>Letters of guarantees</u>	<u>Litigation</u>	<u>Personnel</u>	<u>Others</u>	<u>Total</u>
<b>At 1 January</b>	<b>4,120,035</b>	<b>1,730,000</b>	<b>11,479,214</b>	<b>2,039,076</b>	<b>19,368,325</b>
Arising during the year	18,876,558	1,772,277	2,096,214	1,422,707	24,167,756
Utilized	-11,613,604	-5,000	-4,920,608	-1,235,760	-17,774,972
Unused amounts reversed		-	-	-	-
Exchange rate differences	31,145	16,508	-3,917	-	43,736
<b>At 31 December</b>	<u><b>11,414,134</b></u>	<u><b>3,513,785</b></u>	<u><b>8,650,903</b></u>	<u><b>2,226,023</b></u>	<u><b>25,804,845</b></u>

**30. OTHER LIABILITIES**

	<u>31 December 2013</u>	<u>31 December 2012</u>
Taxes due to the State Budget	2,201,742	1,238,820
Salary to be paid	5,821,785	6,715,381
Expense accruals	454,657	534,599
Commission for LG's	5,120,547	3,461,872
Open spot foreign currency position	2,474,313	-
MoneyGram creditors	2,841,942	2,125,917
Other liabilities	8,309,928	3,214,765
<b>Total</b>	<u><b>27,224,914</b></u>	<u><b>17,291,354</b></u>



**BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
as at and for the year ended 31 December 2013  
*(all amounts are presented in RON, unless otherwise stated)*



**31. SHARE CAPITAL AND RESERVES**

**SHARE CAPITAL**

	<u>31 December 2013</u>	<u>31 December 2012</u>
Registered share capital	886,639,410	886,639,410
Share capital premiums	251,628,890	251,628,890
Restatement in accordance with IAS 29	40,174,800	40,174,800
<b>Total share capital and share premium</b>	<u><b>1,178,443,100</b></u>	<u><b>1,149,002,165</b></u>

Movement in the number of shares is shown in the table below:

	<b>2013</b>	<b>2012</b>
	<b>(RON)</b>	<b>(RON)</b>
Number of shares owned by Intesa Sanpaolo group		
At the beginning of the period	88,663,941	81,411,111
Issue of new shares	-	-
Shares issued at the merger	-	7,252,830
<b>At the end of the period</b>	<u><b>88,663,941</b></u>	<u><b>88,663,941</b></u>

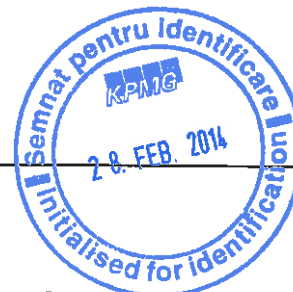
After the merger during 2012, there are issued a number of 7,252,830 shares at the value of 10/share, so at 31 December 2013 the share capital of the Bank from the merger is represented by 88,663,941 shares with a nominal value of 10/share. During 2013, the share capital did not change. All issued shares are fully paid and confers the right to one vote each.

Shareholding structure as of 31 December, 2013 is shown in the table below:

<b>Shareholder</b>	<b>31 December 2013</b>	
	<b>Number of shares</b>	<b>%</b>
Intesa Sanpaolo S.p.A Italia	81,096,905	91.47
Intesa Sanpaolo Holding	314,211	0.35
Cassa di Risparmio di Firenze	7,252,825	8.18
<b>Total</b>	<u><b>88,663,941</b></u>	<u><b>100.00</b></u>

**RESERVES**

	<b>Available-for-sale reserve</b>	<b>Statutory reserve</b>	<b>Other capital reserve</b>	<b>Total</b>
<b>At 1 January 2012</b>	-24,325	15,723,724	13,035,658	28,735,057
Increase	-	-	-1,408,411	-1,408,411
Net gains (losses) on available-for-sale financial assets	822,240	-	-	822,240
<b>At 31 December 2012</b>	<u><b>797,915</b></u>	<u><b>15,723,724</b></u>	<u><b>11,627,247</b></u>	<u><b>28,148,886</b></u>
<b>At 1 January 2013</b>	<b>797,915</b>	<b>15,723,724</b>	<b>11,627,247</b>	<b>28,148,886</b>
Increase	-	-	-	-
Net gains (losses) on available-for-sale financial assets	3,034,881	-	-	3,034,881
<b>At 31 December 2013</b>	<u><b>3,832,796</b></u>	<u><b>15,723,724</b></u>	<u><b>11,627,247</b></u>	<u><b>31,183,767</b></u>



### 31. SHARE CAPITAL AND RESERVES (continued)

The other capital reserve at 31 December 2013 includes: general reserve for credit risk (RON 829,845) and funds for general banking risks (RON 10,162,589) and other reserves (RON 634,813). General reserve for general banking risks was set beginning with financial year of 2004 until the end of financial year 2007, the accounting profit determined before the deduction of income tax - gross profit in shares and limits provided by law. General credit risk reserve was established up to 2% of the outstanding loans by the end of fiscal year 2003.

### 32. CASH AND CASH EQUIVALENTS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Cash	81,332,153	75,732,197
Current account to National Bank of Romania	730,766,722	731,663,747
Current accounts	34,497,409	27,548,479
Overnight deposits and term deposits	<u>110,061,875</u>	<u>20,003,334</u>
<b>Total</b>	<u><b>956,658,158</b></u>	<u><b>854,947,757</b></u>

Current accounts with central banks include mandatory reserve deposits. These are available to the Bank for daily operations, with the condition that the Bank to maintain minimum required by law for monthly average.

### 33. COMMITMENTS AND CONTINGENCIES

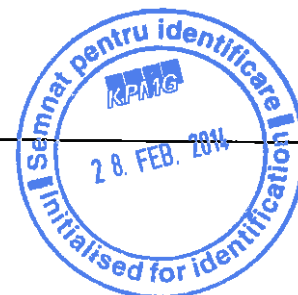
The Bank issues guarantees and letters of credit on behalf of its customers. The market and credit risk on these financial instruments, as well as the operating risk is similar to that arising from granting of loans. In the event of a claim on the Bank as a result of a customer's default on a guarantee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

	<u>31 December 2013</u>	<u>31 December 2012</u>
Letters of guarantee issued for non-banking clients	477,276,897	454,019,935
Unused loan facilities and letters of credit	394,998,176	361,572,453
Letters of guarantee issued for other banks	<u>207,981,102</u>	<u>241,449,322</u>
<b>Total</b>	<u><b>1,080,166,175</b></u>	<u><b>1,057,041,709</b></u>

Letters of guarantee include letters of guarantee in amount of RON 51,342,701 (31 December 2012: RON 71,179,661) issued for the credit risk regarding the loans granted by Intesa Sanpaolo Ireland, Banca Koper, Intesa Mediocredito SPA Milano and Intesa Sanpaolo Spa to Romanian customers.





### 33. COMMITMENTS AND CONTINGENCIES (continued)

The future operating lease payments committed are disclosed below:

	<u>31 December</u> 2013	<u>31 December</u> 2012
No later than 1 year	14,986,243	16,939,342
Later than 1 year and no later than 5 years	39,764,261	34,754,336
Later than 5 years	13,900,127	12,519,051

The rentals which the Bank has to pay in the next years are according to the contracts for the rented spaces where some units of the Bank develop their activity (branches and agencies).

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

	<u>31 December</u> 2013	<u>31 December</u> 2012
No later than 1 year	350,577	527,373
Later than 1 year and no later than 5 years	473,988	1,037,010
Later than 5 years	161,449	580,351

### 34. 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 91.47 % of the ordinary shares.

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.

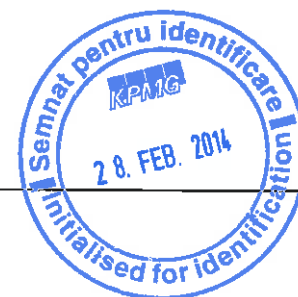
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Through the business activities are conducted certain banking transactions with related parties.

These include loans, deposits and foreign currency transactions, acquisition of other services.

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 personnel of the Bank

	<b>Balance as</b> <b>at 31</b> <b>December</b> <b>2013</b>	<b>Income</b> <b>2013</b>	<b>Balance as at</b> <b>31 December</b> <b>2012</b>	<b>Income</b> <b>2012</b>
Key management personnel of the Bank:				
Current account	124,375	4,312	406,487	4,932
Deposits	1,553,423	63,934	4,257,285	89,142



### 34. RELATED PARTY TRANSACTIONS (CONTINUED)

The transactions with “key management personnel” represent only transactions related to current accounts and deposits, excluding any other benefits. The remuneration of key management personnel for the year ended 31 December 2013 was of RON 1,654,316 (2012: RON 2,716,245)

#### Transactions with other related parties

Besides transactions regarding “key management personnel”, the Bank performs transactions with entities which significantly influence the Bank.

In the table below, there are presented the balances and the related interests during the year:

Entities with significant influence on the Bank:	Interest from related parties	Interest to related parties	Amounts owned by related parties	Amounts owned to related parties
			Balance at 31 December	Balance at 31 December
2013	6,644	28,986,728	20,470,057	1,006,408,494
2012	10,512	45,695,145	11,716,147	1,452,328,648

Intesa Sanpaolo Leasing Romania IFN SA:	Interest from related parties	Interest due to related parties	Amounts due from related parties	Amounts due to related parties
			31 December	31 December
2013	2,396,005	143,347	4,465,510	25,233,688
2012	2,198,543	11,652	56,093,271	368,121

#### 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 2013 the Bank didn't book a provision for doubtful debts relating to amounts owed by related parties. (2012: Nil).

### 35. SUBSEQUENT EVENTS

There are no events subsequent to the the balance sheet date

**ADMINISTRATORS' REPORT  
ON THE ACTIVITY OF BANCA INTESA SANPAOLO ROMANIA SA  
FOR THE YEAR 2013**

**BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA** (the „Bank”) is member of the Intesa Sanpaolo international banking group, resulting from the merger of the bank Intesa with Sanpaolo IMI, two major Italian banks sharing the same values: *growth*, a *better serving* of their clients' needs, *the development* of the trading companies and the country *wealth*.

Intesa Sanpaolo is a leading euro-zone banking group, with a capitalization of euro 32.7 bln as at 31 January 2014 and intends to increase the European banking sector value by means of specific benchmarking techniques.

Intesa Sanpaolo is leader in Italy in all activity sectors (retail, corporate and wealth management), serving 11.1 mln customers, by means of approximately 4,800 territorial units countrywide, reaching at least 13% market share in most regions.

Intesa Sanpaolo has a selective presence in Central and Eastern Europe, in Middle East and North Africa by means of approximately 1,400 territorial units and 8,4 mln customers of the controlled banks in 12 countries in the aforementioned areas.

It also has an international network specialized in corporate customers support, operating in 29 countries, especially in the Middle East and North Africa and in the areas recording higher dynamics of Italian companies, such as the United States, Russia, China and India (source: [www.group.intesasanpaolo.com](http://www.group.intesasanpaolo.com)).

**The Board of Directors** of Banca Comerciala INTESA SANPAOLO ROMANIA S.A. with head office in Arad, Arad, Bulevardul Revoluției no. 88, postal code 310025, Arad, Romania, registered with the Trade Registry Office belonging to Arad Court under no. J02/82/1996, fiscal code no. 8145422, fiscal status RO, with a subscribed and paid-in share capital of 886.639.410 RON as at 31.12.2013, hereby presents the following management report on the activity carried out

throughout the year 2013, reflected in the Financial Statements as at 31.12.2013, prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.

The share capital is of 886,639,410 RON and the shareholding structure is as follows:

- Intesa Sanpaolo SpA, majority shareholder, holds 81.096.905 shares amounting RON 810.969.050, representing 91,47% of the share capital of the Bank;
- CASSA DI RISPARMIO DI FIRENZE SpA, holds 7.252.825 shares amounting RON 72.528.250, representing 8,18% of the capital;
- INTESA SANPAOLO HOLDING INTERNAȚIONAL S.A., holds 314.211 shares amounting RON 3.142.110, representing 0,35% of the capital.

The year 2013 was marked by an event with major impact for the Bank, namely the implementation of a new core banking IT system, AB-SOLUT®.

The implementation project unfolded throughout the entire year 2013 involving the entire Bank (each employee, regardless of the type of activity performed). Starting January 2014, Intesa Sanpaolo Bank beneficiates the entire platform AB-SOLUT®, allowing the Bank to provide its customers with a quicker response to their needs, significantly increasing the territorial network productivity by the automation of the work flow and practically removing manual operation errors. Once with the launching of this more flexible and customizable platform, the Bank will start a range of projects bringing more benefits to customers, both by the launching of new products and services, as well as by the improvement of the existing ones. The core-banking solution is developed by Asseco SEE România and represents the company's response to the performance and productivity requirements on the banking market. The Asseco products portfolio practically covers all the business areas in the financial services industry, and the staff training allows implementation of solutions that meet the most exigent demands.

At present, the AB-SOLUT® Core Banking platform is being used by 10 banks in Romania being the top-ranking banking system on the local market.

#### COMMERCIAL ANALYSIS

As at 31.12.2013, depending on the assets volume, the bank's market share in the banking system rose from 1.38% (in 2012) to 1.41 % downgrading one position in the banking system (from 15 in 2012 to 16), corresponding to peer group II.

# **INTESA SANPAOLO BANK**

## Romania

Throughout 2013, the Bank continued its territorial network improvement actions and consequently closed 10 territorial units (7 branches and 3 agencies) hence at the end of the year, the territorial network consisted of 44 branches, 32 agencies, namely a total of 76 units plus the head office, with a total of 823 employees.

The customers base recorded a descending trend both in terms of individuals and legal customers, reaching at the year-end a total of 79,464 (-18,332), out of which 65,905 individuals (-14,159) and 13,559 legal persons (-4,173).

The commercial offer of the Bank includes an exhaustive portfolio of financial and banking products and services addressed to both individuals and legal persons customers.

The commercial activity focused on the increase of the equipment degree (the number of products/client) and on clients retention, incensed by numerous products adjusting to all clients categories, regardless of their age and income.

### **ANALYSIS OF THE FINANCIAL PERFORMANCE AND POSITION**

For the presentation by comparison of the bank's results, for the previous year, the IFRS financial statements were used.

The main overall assessment elements for the Bank's activity in 2013 are as follows:

<b>Indicators:</b>	<b>RON/000</b>	<b>2013</b>	<b>2012</b>
- net loss		-165.384	-105.450
- Return on equity (ROE)		-22,76%	-11,86%
- Return on assets (ROA)		-3,25%	-2,08%
- Cost/ Income Ratio		66%	76%
- Solvency Indicator (Basel II)		11,89%	15,77%

By careful costs monitoring, the Bank managed to cut operational costs by 7%, but the economical difficulties, the contraction or cessation of the activity of companies contributed to the continuous decrease of the credits reimbursement capacity with direct consequences on the credits portfolio quality generating provisions volume increase by 34%, implicitly impacting profitability.

The Bank's results as at 31.12.2013 as compared to the previous year are as follows:

 **INTESA SANPAOLO BANK**  
Romania

	RON/000	2013	2012
Assets		5.092.627	5.065.672
Total debts		4.365.931	4.176.627
Total capitals and reserves		726.696	889.045
Total liabilities		5.092.627	5.065.672
Net loss		-165.384	-105.450

**Balance sheet assets** increased by 1% as compared to 2012, and below are the most relevant positions:

- Government bonds portfolio increased by 7%;
- Liquidities in cash and equivalent increased by 7%;
- Placements with other banks increased by 12%;
- credits and claims decreased by 3% following the increase of depreciation adjustments;
- tangible fix assets decreased by 7% as a result of the quashing of the refurbishments at the shut down rented locations.

**The Bank's liabilities** increased by 5% as compared to 2012, out of which the relevant positions recorded the following trends:

- customers deposits increased by 27%;
- debts towards credit institutions went down 30%;
- other positions went up 82%.

**Equities** went down due to the current year's loss.

The assets and liabilities of the bank as at 31.12.2013 compared to 2012:

RON/000	31 December 2013	31 December 2012
Cash and current account with central bank	812.099	807.396
Risk management Derivatives	119	316
Placements with banks	144.558	47.552
Securities available for sale	526.912	494.571
Loans and advances to customers	3.444.820	3.549.269
Equity investments	9.060	8.915
Tangible assets	103.623	111.479
Intangible assets	23.165	13.105
Deferred tax assets	15.912	15.912
Other assets	12.359	17.157
<b>Total assets</b>	<b>5.092.627</b>	<b>5.065.672</b>



 **INTESA SANPAOLO BANK**  
Romania

Deposits from banks	185.549	575.406
Borrowings from banks	936.045	1.036.600
Customers debts	3.159.092	2.496.387
Risk Management Derivatives	40	366
Subordinated loans	31.445	31.056
Provisions	25.805	19.368
Deferred tax liabilities	730	152
Other liabilities	27.225	17.291
<b>Total liabilities</b>	<b>4.365.931</b>	<b>4.176.626</b>
Share Capital	926.814	926.814
Share premium	251.629	251.629
Accumulated deficit	-482.931	-317.546
Reserves	31.184	28.149
<b>Total equity</b>	<b>726.696</b>	<b>889.046</b>
<b>Total liabilities and equity</b>	<b>5.092.627</b>	<b>5.065.672</b>

The highest weight in total assets is held by the loan portfolio also this year 68%,

Loans increased both in terms of gross value by RON 125,520 ths (3%), but decreased in terms of net value by RON 104,449 ths (3%) following the impairment adjustments increase by RON 229,969 ths (34%). The loans depreciation adjustments provide for a 21% coverage at the entire loans portfolio level.

The bank's loans activity was driven in 2013 mainly by real estate / mortgage loans. The loans to individuals increased by 17.6%, in spite of the restrictions within the Prima Casa program - EUR.

The bank's liquidities, including cash and liquidities with banks recorded a 20% increase as compared to 31,12,2012, representing 19% roughly in total balance, The most significant weight in this balance sheet position is held by the minimum legal reserve at NBR, originating in customers' deposits.

Financial securities and fix assets, classified AFS, rose by 6.54% as a result of securities purchase either on the primary market or on the secondary market,

Net tangible assets as at 31 December 2013, went down 7% as a result of amortization and quashing of refurbishments at the rented locations shut down following the bank's policy for improved business. This year no value depreciations were recorded on own premises.

The largest part of the tangible fix assets (88%) is represented by premises and land. Most premises have been built or modernized recently and are located all over the country,

 **INTESA SANPAOLO BANK**  
Romania

Claims on taxes are relative to the fiscal loss amounting RON 479,278 ths, mainly due to the high loans provisions of the past years.

**The balance sheet liabilities** consist of debts and equities,

Customers deposits boosted this year by 27% vs. 15% last year, in spite of the rather difficult market conditions.

The sources acquired from other banks, more precisely from the Group, record also this year a 30% decrease as a result of the resources increase on the local market,

**The equity** went down 18% as a result of the loss recorded at the end of 2013.

The P/L account has also been seriously damaged this year by the large volume of provisions, Loss increased by RON 59,935 ths (57%) vs 2012 but there will be a descending trend according to the budget projections for 2014,

The bank's participation in the share capital of Intesa Sanpaolo Leasing IFN has not changed, remaining RON 8,745 ths. The shareholding structure is as follows:

- Intesa Sanpaolo Romania S,A, holds 597 shares of 1,800 RON/share, representing 99,49% of the capital;
- CIB Lizing Zrt, holds 3 shares of 1,800 RON/share, representing 0,51% of the share capital,

To be noted that the Bank, from the accounting point of view, in Romania, is exempted from preparing publishable consolidated financial statements, falling within the scope of item 31 letter b, of the IFRS Accounting Regulations, approved by NBR Order no 27/2010, in the context of the cumulative compliance with the conditions at item 32 and 33 of such regulation,

Since the net assets of the company Intesa Sanpaolo Leasing IFN SA exceeds EUR 10 mln, they are consolidated at Group level using the global method, hence prepares IFRS financial statements.

From prudential point of view, the Bank is under obligation to prepare consolidated financial statements, complying with NBR Order no. 1/2011 approving the Methodological Norms on the preparation of the IFRS consolidated financial statements, required to credit institutions for prudential supervision purposes,

The National Bank of Romania confirmed this position in letter no, IV/2/17971/14,01,2010,

Intesa Sanpaolo Leasing Romania IFN SA concluded the year 2013 with the following results prepared in accordance with the Romanian Accounting Standards - Order of NBR 27/2011):


**INTESA SANPAOLO BANK**  
 Romania

	RON/000	31.12.2013	31.12.2012
- Assets		118.790	61.044
- Total debts		113.451	58.224
- Total capitals and reserves		5.339	2.820
- Total liabilities		118.790	61.044
- net Profit / (Loss)		827	-1.472

**The financial results of the Bank**

The net result of the financial year 2013 is RON 165,384 ths loss.

The bank's results as compared to the previous year are:

RON / 000	<u>31 December 2013</u>	<u>31 December 2012</u>
Net interest margin	148.932	156.657
Net commissions	24.952	21.632
Net trading income/ (expenses)	34.977	29.881
Other operating income	1.809	949
<b>Operating income</b>	<b>210.670</b>	<b>209.119</b>
Staff expenses	-70.013	-76.599
Amortization and depreciation of tangible, intangible assets and investment property related expenses	-13.801	-24.014
Other operational expenses	-56.112	-60.494
<b>Total operational expenses</b>	<b>-139.926</b>	<b>-161.107</b>
Impairment allowance on loans and advances to customers	-227.464	-154.607
Expenses from disposal of assets	-1.237	-345
Revenues/ (expenses) from other provisions	-7.427	1.444
<b>Loss before tax</b>	<b>-165.384</b>	<b>-105.450</b>
<b>Income tax revenue</b>		<b>47</b>
<b>Loss related to the financial year</b>	<b>-165.384</b>	<b>-105.450</b>

Interest margin decreased by 5% as compared to last year, under the influence of the decreases in interest rates in the inter-banking market.

Significant increase (15%) is recorded by the results from commissions, due to the increase of the cash management products (transactions in national currency and foreign currency), of the financing and guarantee commitments.

The adequate deploy of the monetary politics tools (exchange rate, interests, transactions with treasury bonds) according to the bank's needs, both in domestic currency, and in foreign currency, led to the increase by 17% of income from financial operations compared to 2012.

The highest weight in the operational expenses is represented again by the staff related expenses recording a descending trend: 5% last year and 9% this year.

Costs recorded a decrease of 7%, revealing better costs management and monitoring for certain specific activities: renegotiation of rent costs, reduction of telecommunications and mailing costs as well as of travels costs.

Operational results went up 47%, revealing a valid business model and the efficiency of the costs cuts measures.

Provisions expenses recorded this year increased by 47% as compared to last year, following the re-assessment of the forecasts of claims recovery from non-performing customers , both in terms of amounts as well as of the recovery required time.

2013 was another year marked by economical difficulties, by a level of population's trust in the economy among the lowest in the EU, a difficult market, lacking in appetite for new loans and with strong competition. Under such circumstances, the Bank attempted to come as close as possible to its customers, serve them as efficiently and rapidly as possible, without disregarding risk monitoring and management.

The Bank approaches risk in a prudent manner, complying with its long term strategy.

The risks management policies are set with a view to identifying and analyzing the risks the bank is exposed to, to setting the adequate control and risk limits and to monitoring the risks and the observance of the risk limits.

For better risks management, the Bank seeks consolidation and development of the Risk Management

Department, having the following main objectives:

- to provide efficient governance of significant risks;
- the development, maintenance and update of the risk governance framework;
- to ensure the supervision and provision of efficacy in the implementation of the policies, standards and practices in the field of risk management within the Bank;
- to ensure the management and development of the complex processes with a view to identifying, evaluating, monitoring and mitigating the risks that may impact the Bank's objectives;
- to make sure that the Bank structures comply with the risks control policies and procedures, with any other external and/or internal regulations applicable in the field.

It could be stated that the Bank has to face mainly the credit risk deriving from the default of SMEs as well as of the companies operating in the constructions and real estate sector. These sectors high non-performance rate corroborated with the limited possibilities of rendering valuable the collaterals - assets and properties- generated provisions increase and therefore credit risk cost. The high number of such cases required the bank's reorganization in such a way that specialized structures with adequate number of employees run by a dedicated executive (Chief Workout Officer) is able to manage nearly a third of the bank's portfolio, out of which 75% are insolvent.

The risks management system and policies are subject to periodical revision, in order to comprise the changes in the market conditions as well as in the products and services offered.

The credit risks analysis and the assessment functions for all business segments are entirely aggregated and represent a sole reference for the entire Bank.

The Bank is less exposed to other risks, also subject to constant monitoring:

- FX risk, is held under strict control also due to the non trading policy, the imbalances resulting strictly from other structural causes related to the bank's efficiency and clients operations,
- The liquidity risk is also under permanent monitoring and managed both by tracing the local funding sources from the population and companies and international institutions, All these, together with the Group extending the

funding lines and a liquid inter-banking market provide for the necessary liquidity comfort.

- the interest risk is derived also from structural causes arising mainly from short term liabilities (deposits) and mostly denominated in the local currency as well as the existence of medium and short term financing to customers denominated mostly in foreign currency. This generates in particular a currencies and maturities gap causing an interest risk generating limits trespassing during 2013; such gap was regulated and set in line with a new risk appetite,
- The counterparty risk related to banking institutions is monitored closely on a daily basis, the bank being involved in deposits placing activities within the thresholds approved by the group relying on credit analyses; such thresholds are subject to periodical revision and update,

In terms of its activity, Intesa Sanpaolo Romania is a universal bank serving both individuals ,companies and SMEs.

Following its past years strategy, Intesa Sanpaolo Romania continued in 2013 to support its customers in finding adequate solutions for their business development, both by constantly updating its products, and by rendering simpler the work flows with the bank.

By means of an exhaustive offer of commercial services (letters of credit, incasso, international guarantees, conditioned payment orders, stand-by letters of credit, cheques and guarantees) and Money Gram transfer services, Intesa makes available to its customers both a team of specialists and also a network of relationships with over 250 corresponding banks in 45 countries.

#### The Strategy for 2014

The main goals of the Bank for the year 2014 refer in particular to:

- Maintaining a conservative approach in granting credits;
- Intensifying the recovery activity on nonperforming loans;
- restoring the Bank's profitability
- market share increase
- Intensive commercial development by means of:



- enhancement and diversification of the customers base;
- Continuing to develop its offer of useful, innovating services, able to improve cross-selling;
- financing projects related to acquiring EU funds, for projects in the agriculture, energy, environment, infrastructure fields, etc.;
- Rendering the systems and processes more efficient,
- Consolidation of sensitive counterparts supervision;
- Improvement of the reporting systems for risks monitoring and risk strategy adjustment;
- The provision of added value services to the customers' business by adequate approaches and sophisticated offers (coverage instruments, structured financing)

#### ADDITIONAL INFORMATION

The data in the financial statements regarding the closure of the financial year 2013 consider the accounting organization and running in compliance with Law 82/1991 republished as subsequently amended and supplemented, NBR Order no, 27/2010 approving the IFRS Accounting Regulations, applicable to credit institutions as subsequently amended and supplemented.

The Bank meets the conditions stipulated by the law regarding the organization and accurate and up-to-date accounting , complying with the general accounting principles, in line with the accruals basis of accounting.

Operations are acknowledged when produced and are entered the accounting records chronologically, based on duly prepared documents,

Preventive financial control is currently deployed, organized in compliance with the legal regulations and procedures.

The payments to the state and local budgets and to the special funds were determined correctly and the payments were made pursuant to the legal stipulations.

The balance sheet entries match the synthetic accounts trial balance data and express the reality on the assets and liabilities set relying on the inventory.



# INTESA SANPAOLO BANK

Romania

We also mention that the income, expenses and financial results of 2013 are presented accurately in the profit and loss account.

The patrimony inventory was conducted complying with Accounting Law no, 82/1991 as subsequently amended and supplemented, with the Emergency Government Ordinance 99/2006 as subsequently amended and supplemented, with Order 2861/2009 as subsequently amended and supplemented, the inventory results being capitalized and reflected accurately in the balance sheet.

No events with potential impact on the financial statements for the year 2013 were recorded after the balance sheet date.

This Report was approved in the Board of Directors meeting held on the 27<sup>th</sup> of February 2014.

The Administrators of the Bank are:

1. Giovanni Ravasio – Chairman of the Board of Directors
2. Ezio Salvai - Administrator
3. Marina Tabacco – Administrator
4. Giampiero Trevisan - Administrator
5. Giulio Ponti - Administrator
6. Luca Finazzi – Administrator

***THE CHAIRMAN OF THE BOARD OF DIRECTORS***

**GIOVANNI RAVASIO**