INTESA SANPAOLO ROMANIA SA

FINANCIAL STATEMENTS

prepared in accordance with
International Financial Reporting Standards

31 December 2009

INTESA SANPAOLO ROMANIA SA
FINANCIAL STATEMENTS
Prepared in Accordance with International Financial Reporting Standards
31 December 2009

CONTENTS **PAGE**

Ernst & Young Assurance Services SRL
Premium Plaza Building, 3rd Floor
63-69 Dr. Felix Iacob Street, District 1
011033 Bucharest, Romania
Tel: +40 (0)21 402 4000
Fax: +40 (0)21 410 7046
www.ey.com

INDEPENDENT AUDITOR'S REPORT

To the shareholders of INTESA SANPAOLO ROMANIA S.A.

1 We have audited the accompanying financial statements of INTESA SANPAOLO ROMANIA S.A. (the "Bank"), which comprise the statement of financial position as at 31 December 2009, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

6 In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ernst & Young

Ernst and Young Assurance Services SRL

Bucharest, Romania

2 March 2010

INTESA SANPAOLO ROMANIA SA
INCOME STATEMENT
for the year ended 31 December 2009
(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2009	2008
Interest and similar income	3	245,353,341	209,923,290
Interest and similar expense	4	(112,932,628)	(98,284,582)
Net interest income		**132,420,713**	**111,638,708**
Fee and commission income	5	21,370,224	23,449,710
Fee and commission expense	5	(2,429,611)	(1,980,858)
Net fee and commission income	**5**	**18,940,613**	**21,468,852**
Net trading income	6	16,174,799	13,291,122
Other operating income	7	3,861,775	3,636,418
Total operating income		**171,397,900**	**150,035,100**
Credit loss expense	8	(36,420,096)	(22,626,480)
Net income from other financial transaction	9	794,862	306,718
Net Operating Income		**135,772,666**	**127,715,338**
Personnel expenses	10	(59,341,388)	(51,520,270)
Depreciation of property and equipment	18	(10,707,005)	(6,502,348)
Amortisation of intangible assets	19	(4,240,483)	(2,667,978)
Other operating expenses	11	(61,145,226)	(49,304,697)
Total operating expenses		(135,434,102)	(109,995,293)
Profit before tax		**338,564**	**17,720,045**
Income tax expense	12	(21,826)	(2,268,705)
Profit for the year		**316,738**	**15,451,340**
Attributable to:			
Equity holders of the parent		**316,738**	**15,451,340**
Non-controlling interest		-	-

The financial statements on pages 2 to 85 were approved and signed on behalf of the Board of Directors on 2 March 2010 by:

INTESA SANPAOLO ROMANIA S.A.

Nicola Calabrò
General Manager

Catello De Simone
Chief Financial Officer

The accompanying notes on pages 7 to 85 form an integral part of these financial statements.

INTESA SANPAOLO ROMANIA SA
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009
(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2009	2008
Profit for the year		**316,738**	**15,451,340**
Other comprehensive income			
Net gain/(loss) on available-for-sale financial assets		952,791	(1,193,032)
Income tax relating to components of other comprehensive income		(152,447)	190,885
Other comprehensive income for the year, net of tax		**800,344**	**(1,002,147)**
Total comprehensive income for the year, net of tax		**1,117,082**	**14,449,193**
Attributable to:			
Equity holders of the parent		**1,117,082**	**14,449,193**
Non-controlling interest		-	-

The accompanying notes on pages 7 to 85 form an integral part of these financial statements.

INTESA SANPAOLO ROMANIA SA
STATEMENT OF FINANCIAL POSITION
at 31 December 2009
(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2009	2008 Restated	As at 1 January 2008 Restated
ASSETS				
Cash and balance with Central Banks	13	400,722,279	817,065,239	523,807,798
Due from banks	14	18,722,711	6,568,825	26,920,781
Derivative financial instruments	15	609,740	1,439,748	240,127
Loans and advances to customers	16	2,330,900,544	1,833,747,005	1,126,416,052
Financial investments available-for-sale	17	154,348,038	11,621,691	24,722,002
Equity investments in Intesa Leasing IFN	17	2,400,612	-	-
Property and equipment	18	110,821,048	101,911,855	75,090,031
Intangible assets	19	12,085,728	9,579,855	4,245,194
Other assets	20	25,016,914	15,356,003	12,215,543
TOTAL ASSETS		**3,055,627,614**	**2,797,290,221**	**1,793,657,528**
LIABILITIES AND EQUITY				
Due to banks	21	421,429,121	582,100,363	301,239,193
Due to customers	22	1,090,217,284	631,098,880	644,060,069
Other borrowed funds	23	975,960,375	1,004,578,748	652,537,188
Current income tax liabilities		28,667	675,393	837,837
Deferred income tax liabilities		2,593,501	1,661,758	291,578
Provisions	24	9,784,691	16,045,650	15,106,692
Other liabilities	25	10,566,559	14,270,571	13,778,848
TOTAL LIABILITIES		**2,511,426,629**	**2,254,206,317**	**1,627,851,405**
EQUITY				
Share capital	26	291,285,910	291,285,910	180,174,800
Share premium		251,628,890	251,628,890	-
Retained earnings		(16,102,537)	(16,190,373)	(31,356,970)
Available-for-sale reserve	27	205,491	(594,853)	407,293
Other reserves	27	17,183,231	16,954,330	16,581,000
		544,200,985	**543,083,904**	**165,806,123**
Minority interest		-	-	-
TOTAL EQUITY		**544,200,985**	**543,083,904**	**165,806,123**
TOTAL LIABILITIES AND EQUITY		**3,055,627,614**	**2,797,290,221**	**1,793,657,528**

The financial statements on pages 2 to 85 were approved and signed on behalf of the Board of Directors on 2 March 2010 by:

Nicola Calabrò
General Manager

Catello De Simone
Chief Financial Officer

The accompanying notes on pages 7 to 85 form an integral part of these financial statements.

INTESA SANPAOLO ROMANIA SA
STATEMENT OF CASH FLOWS
for the year ended 31 December 2009
(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2009	2008 Restated
Cash flows from operating activities			
Profit before taxation		338,564	17,720,045
Adjustments for:			
Change in operating assets	28	(505,984,442)	(711,671,034)
Change in operating liabilities	28	347,782,253	365,384,219
Non-cash items included in profit before tax	28	8,531,448	10,386,713
Net gain on investing activities	17	(605,211)	(203,271)-
Income tax paid		-	(836,384)
Net cash flow from operating activities		**(149,937,388)**	**(319,219,712)**
Investing activities			
Purchase of property, equipment and intangible assets	18	(19,701,161)	(33,585,827)
Proceeds from sale of property and equipment	18	127,123	-
Purchase of intangible assets	19	(6,746,356)	(8,002,743)
Purchase of financial investments	17	(251,507,731)	-
Proceeds from sale of financial investments	17	110,000,000	11,684,736
Acquisition of subsidiaries, net of cash acquired	17	(2,400,612)	-
Dividends received		563,050	465,031
Net cash flows from/(used in) investing activities		**(169,665,687)**	**(29,438,803)**
Financing activities			
Proceeds from other borrowed funds		-	258,824,000
Repayment of other borrowed funds		(84,586,000)	-
Proceeds from issue of share capital		-	362,740,000
Net cash flows (used in)/from financial activities		**(84,586,000)**	**621,564,000**
Net Increase in cash and cash equivalents		(404,189,075)	272,905,485
Cash and cash equivalent at 1 January		823,634,064	550,728,579
Cash and cash equivalents at 31 December	**28**	**419,444,990**	**823,634,065**
Operational cash flow from interest			
Interest paid		74,633,133	53,776,748
Interest received		157,266,671	147,057,003

INTESA SANPAOLO ROMANIA SA
STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
for the year ended 31 December 2009
(All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

		Attributable to equity holders of the Bank							
	Note	Share Capital	Share Premium	Retained earnings	AFS reserves	Other reserves	Total	Minority interest	Total Equity
Balance at 1 January 2008		**180,174,800**	**-**	**(31,356,970)**	**407,293**	**16,581,000**	**165,806,123**	**-**	**165,806,123**
Profit for the year		-	-	15,451,340		-	-	-	15,451,340
Total comprehensive income		-	-	88,587	(1,002,147)	-	(913,560)	-	(913,560)
Increase		111,111,110	251,628,890	-	-	-	362,740,000	-	362,740,000
Transfer		-	-	(373,330)	-	373,330	-	-	-
Balance at 31 December 2008		**291,285,910**	**251,628,890**	**(16,190,373)**	**(594,853)**	**16,954,330**	**543,083,904**	**-**	**543,083,904**
Balance at 1 January 2009		**291,285,910**	**251,628,890**	**(16,190,373)**	**(594,853)**	**16,954,330**	**543,083,904**	**-**	**543,083,904**
Profit for the year		-	-	316,737	-	-	316,737	-	316,737
Total comprehensive income					800,344	-	800,344	-	800,344
Increase		-	-	-	-	-	-	-	-
Transfer		-	-	(228,901)	-	228,901	-	-	-
Balance at 31 December 2009		**291,285,910**	**251,628,890**	**(16,102,537)**	**205,491**	**17,183,231**	**544,200,985**	**-**	**544,200,985**

The accompanying notes on pages 7 to 85 form an integral part of these financial statements.

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

1. INTESA SANPAOLO ROMANIA SA AND ITS OPERATIONS

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

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

As at 31 December 2009 the Bank had 39 branches and 57 representative offices (2008: 39 branches and 53 representative offices).

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

As at31 December 2009 the number of employees was on average 865 (2008: 693).

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

As at 31 December 2009 the Board of Directors of the Bank comprised the following members:

1. Giovanni Ravasio	president
2. Riccardo Parasporo	member*
3. Daniele Bordina	member
4. Nicola Calabró	member*
5. Adriana Saitta	member
6. Beata Kissne Foldi	member
7. Paolo Sarcinelli	member

*) Members of the Executive Committee

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations issued by the International Accounting Standards Board ("IASB").

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

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

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

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

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

2.2. Significant accounting judgments and estimates

In the process of applying the Bank's recognition and measurement accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the balance sheet. The most significant use of judgments and estimates are as follows:

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of derivatives

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

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

(c) Provision for litigations

The Bank follows the guidance of IFRS for recording the provisions for contingencies. Provisions are recorded when the Bank has a present obligation (legal or constructive) as a result of a past event, there is a probable cash outflow from the Bank and the cash flow can be reliably estimated. In assessing the probability of the cash outflow the Bank assesses the conditions existing at balance sheet date and uses the judgment and advice of internal and external lawyers which represent the Bank in legal court cases. If the conditions are no longer met, the Bank reverses the provisions. In assessing the probable cash outflows the Bank also involves its legal advisers and formal documentation from the legal files. The amount of provision is also computed with reference to the timing of expected outflow. Where the timing is over 1 year, the Bank records the provision at their present value discounted at the Bank's cost of funds rate.

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

(d) Taxation

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

As at 31 December 2009, Management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax positions will be sustained.

2.3. Change in accounting policies and estimates

The accounting policies adopted in the preparation of the financial statements are consistent with those used in the previous financial year except for the change in the accounting policy in respect of deferred commissions on letters of guarantee and margins on irrevocable loans and the adoption of new Standards and Interpretations, noted below.

- **IFRS 1, "First-time Adoption of International Financial Reporting Standards" and IAS 27, "Consolidated and Separate Financial Statements" (Amended), (*effective for annual periods beginning on or after 1 January 2009*).**
  The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. This change did not have any impact on the financial position or performance of the Bank.

- ***IFRS 2 'Share Based Payment' - Vesting Conditions and Cancellations (*effective for annual periods beginning on or after 1 January 2009)**
  The amendment clarifies two issues: The definition of 'vesting condition', introducing the term 'non-vesting condition' for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

- **IFRS 7, "Financial Instruments: Disclosures" (Amended), (*effective for annual periods beginning on or after 1 January 2009).***
  The amendment requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: a) Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1). (b) Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2) (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). This information must be given by class of financial instrument. The amendment also revises specified minimum liquidity risk disclosures. The fair value disclosures are presented in Notes 15 and 17, and the liquidity risk disclosures are not significantly impacted by these amendments.

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

- ***IFRS 8, Operating Segments (effective for financial years beginning on or after 1 January* 2009*)***
  IFRS 8 replaces IAS 14 *Segment Reporting* and adopts a management approach to segment reporting. The information reported is that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Bank did not include any disclosure related to operating segments in the financial statements as these are not required.

- **IAS 1 *Presentation of Financial Statements (Revised)***
  The IASB issued revised IAS 1 *Presentation of Financial Statements* in September 2007 which is effective for annual periods beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. Therefore, the statements of changes in equity include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces a statement of comprehensive income: presenting all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Bank made the necessary changes to the presentation of its financial statements and has elected to present two statements.

- **IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  This amendment clarifies that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

- **IAS 10, "Events after the Reporting Period" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  This amendment clarifies that dividends declared after the end of the reporting period are not obligations. The Bank was not affected by this amendment.

- **IAS 16, "Property, Plant and Equipment" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  Replaces the term 'net selling price' with 'fair value less costs to sell', regarding the recoverable amount, to be consistent with IFRS 5 and IAS 36 Impairment of Assets. Items of property, plant & equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds on sale are subsequently shown as revenue. IAS 7 Statement of cash flows is also revised, to require cash payments to manufacture or acquire such items to be classified as cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also shown as cash flows from operating activities. The Financial Statements of the Bank were not significantly impacted by this amendment.

- **IAS 18, "Revenue" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  This amendment replaces the term 'direct costs' with 'transaction costs' as defined in IAS 39.

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

- **IAS 19, "Employee Benefits" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  Revises the definition of 'past service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment. Revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation. Revises the definition of 'short-term' and 'other long term' employee benefits to focus on the point in time at which the liability is due to be settled. Deletes the reference to the recognition of contingent liabilities to ensure consistency with IAS 37 Provisions Contingent Liabilities and Contingent Assets. IAS 37 does not allow for the recognition of contingent liabilities.
  The Bank has currently no Employee Benefits plans.

- **AS 20, "Accounting for Government Grants and Disclosure of Government Assistance" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  Loans granted with no or low interest rates are not exempt from the requirement to impute interest. Interest is imputed on loans granted with below-market interest rates, thereby being consistent with IAS 39. The difference between the amount received and the discounted amount is accounted for as a government grant. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

- **IAS 23 *Borrowing Costs (Revised)***
  The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The amendment revises the definition of borrowing costs to consolidate the types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method as described in IAS 39. No changes have been made for borrowing costs incurred to this date that have been expensed.

- **IAS 27 "Consolidated and Separate Financial Statements" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

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

- **IAS 28, "Investment in Associates" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  If an associate is accounted for at fair value in accordance with IAS 39 (as it is exempt from the requirements of IAS 28), only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. An investment in an associate is a single asset for the purpose of conducting the impairment test – including any reversal of impairment. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance. Any impairment is reversed if the recoverable amount of the associate increases. If early adopted, an entity must also adopt the amendment above, and the amendments to paragraph 3 of IFRS 7 Financial Instruments: Disclosures, paragraph 1 of IAS 31 Joint Ventures and paragraph 4 of IAS 32 Financial Instruments: Presentation at the same time. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

- **IAS 29, "Financial Reporting in Hyperinflationary Economies" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  This amendment revises the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

- **IAS 31, "Interest in Joint ventures" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  This amendment clarifies that if a joint venture is accounted for at fair value, in accordance with IAS 39 (as it is exempt from the requirements of IAS 31), only the requirements of IAS 31 to disclose the commitments of the venture and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses will apply. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

- **IAS 34, "Interim Financial Reporting" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  This amendment clarifies that earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

- **IAS 36, "Impairment of assets" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  This amendment clarifies that when discounted cash flows are used to estimate 'fair value less costs to sell', the same disclosure is required as when discounted cash flows are used to estimate 'value in use'.. The adoption of this amendment did not have a significant impact on the financial position or performance of the Bank.

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

- **IAS 38, "Intangible Assets" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  Expenditure on advertising and promotional activities is recognized as an expense when the entity either has the right to access the goods or has received the services.
  It deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.
  A prepayment may only be recognized in the event that payment has been made in advance to obtaining right of access to goods or receipt of services.
  The adoption of this amendment did not have a significant impact on the financial position or performance of the Bank.

- **IAS 39, "Financial instruments recognition and measurement" (Amended),** effective for annual periods beginning on or after 1 January 2009. Clarifies that changes in circumstances relating to derivatives – specifically derivatives designated or de-designated as hedging instruments after initial recognition – are not reclassifications. Thus, a derivative may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Similarly, when financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of IFRS 4 Insurance Contracts, this is a change in circumstance, not a reclassification. Requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting. The adoption of this amendment did not have a significant impact on the financial position or performance of the Bank.

- **IAS 40, "Investment property" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  Revises the scope (and the scope of IAS 16) such that property that is being constructed or developed for future use as an investment property is classified as investment property. If an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.
  Revises the conditions for a voluntary change in accounting policy to be consistent with IAS 8.
  Clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.
  The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

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

- **IAS 41, "Agriculture" (Amended), effective for annual periods beginning on or after 1 January 2009.**
  Replaces the term 'point-of-sale costs' with 'costs to sell'. Revises the example of produce from trees in a plantation forest from 'logs' to 'felled trees'.
  Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.
  Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Rather, cash flows that are expected to be generated in the 'most relevant market' are taken into account.
  The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

- **IFRIC *13: Customer Loyalty Programmes***
  This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation did not have any impact on the
  Bank's financial statements.

- **IFRIC *15: Agreements for the Construction of Real Estate***
  This Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue' and, accordingly, when revenue from such construction should be recognised. IFRIC 15 is not relevant to the group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

- **IFRIC *16: Hedges of a Net Investment in a foreign operation***
  This interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risk that qualifies for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how the entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. IFRIC 16 had no impact on the financial statements because the group has no investments in foreign operations.

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

- **IFRIC 17, "Distributions of Non-cash Assets to Owners", effective for annual periods beginning on or after 1 July, 2009.**
  IFRIC 17 clarifies the following issues, namely:
  - a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity;
  - an entity should measure the dividend payable at the fair value of the net assets to be distributed;
  - an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss; and
  - an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

  IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions. It is to be applied prospectively and earlier application is permitted. This interpretation did not have any impact on the Bank's financial statements.

- **IFRIC 18, "Transfers of Assets from Customers", effective for financial years beginning on or after 1 July 2009** and is to be applied prospectively. However, limited retrospective application is permitted. This Interpretation is of particular relevance for the utility sector as it clarifies the accounting for agreements where an entity receives an item of PP&E (or cash to construct such an item) from a customer and this equipment in turn is used to connect a customer to the network or to provide ongoing access to supply of goods/services. This interpretation did not have any impact on the Bank's financial statements.

- **IAS 39, "Financial Instruments: Recognition and Measurement" and IFRIC 9, "Reassessment of embedded derivatives" (Amended)**, (*effective for annual periods ending on or after 30 June 2009).*
  The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from the host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be based on circumstances that existed on the later of the date the entity first came party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured the entire hybrid instrument can remain classified at fair value through profit and loss. This amendment had no impact on the Bank's financial statements.

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

- **IFRS *3 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 July 2009)***
  A revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements were issued by IASB on 10 January 2008. IFRS 3R introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). IAS 27R requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give rise to a gain or loss.
  Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.
  The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- **IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" (Amended), effective for annual periods beginning on or after 1 July 2009.**
  The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale, under IFRS 5, even when the entity will retain a non-controlling interest in the subsidiary after the sale. To be applied prospectively from the date at which the company first applied IFRS 5. Therefore, any investments in subsidiaries classified as held for sale since IFRS 5 was applied will need to be re-evaluated. Early application is permitted. If early adopted, IAS 27 (as amended in January 2008) must also be adopted from that date.

Change in deferral method for commissions from Letters of Guarantee issued, Letters of Credit issue and unused credit line amounts.

The Bank has changed the method for the deferral of commissions for Letter of Guarantees issued, for Letters of Credit issued and for unused credit line amounts. These commissions have been deferred using the effective interest rate method during the previous financial periods. The method used changed during 2009, as the straight-line method has been considered to better reflect the underlying transactions. The commission income from these commissions is not considered as interest income but as fee and commission income, due to the change in method.

Following this change in policy in "Income Statement" for the year 2008 the following modifications were made: in position "Interest and similar income" the initial value of 210,759.900 RON was changed to 209,923,290 RON (this position now contains only the impact of deferred commissions for Loans and advances to customers.)
The initial value of 22,613,100 RON in position "Fee and Commission Income" was changed to 23,449,711 RON (this position now contains the impact of deferred commissions for Letters of Guarantee and margins on irrevocable loan lines.)

The effect of the change in method of deferral is quantified in "Balance Sheet" as at 31.12.2008 in the "Loans and advances to customers" position – the initial value was 1,831,624,164 RON and the present value is 1,833,747,005. Deferred commissions for Letters of Guarantee and margins on irrevocable loan lines were moved from "Loans and advances to customers" position to "Other Liabilities" position, from an initial value of 28,193,380 RON to a present value of 30,316,221 RON.

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

2.4. Future changes in accounting policies

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2010 or later periods but which the Bank has not early adopted, as follows:

- **IFRIC 17 Distributions of Non-cash Assets to Owners**
  This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Bank does not expect IFRIC 17 to have an impact on the financial statements as the Bank has not made any non-cash distributions to shareholders in the past.

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

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

- **IFRS 3 Business Combinations (Revised) and IAS 27 and Separate Financial Statements (Amended)**
  The revision and amendment is effective for annual periods beginning on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Bank does not expect that this amendment will have an impact on the financial position or performance of the Bank.

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

- **IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items**
  The amendment is effective for annual periods beginning on or after 1 July 2009.The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Bank does not expect that this amendment will have an impact on the financial position or performance of the Bank.

- **IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Bank does not expect that this amendment will have an impact on the financial position or performance of the Bank.

- **IFRS 2 Bank Cash-settled Share-based Payment Transactions (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2010. This amendment clarifies the accounting for Bank cash-settled share-based payment transactions and how such transactions should be arranged in the individual financial statements of the subsidiary. This interpretation has not yet been endorsed by the EU. The Bank does not expect that this amendment will have an impact on the financial position or performance of the Bank.

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

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

- **IFRS 1 Additional Exemptions for First-time Adopters (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2010. This interpretation has not yet been endorsed by the EU. The Bank does not expect that this amendment will have an impact on the financial position or performance of the Bank.

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

In April 2009 the IASB issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2009. This annual improvements project has not yet been endorsed by the EU.

- **IFRS 2 Share-based Payment,** effective for annual periods beginning on or after 1 July 2009. Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2 even though they are out of scope of IFRS 3 (revised). If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations,** effective for annual periods beginning on or after 1 January 2010. Clarifies that the disclosures required in respect of non-current assets and disposal Banks classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

- **IFRS 8 Operating Segment Information,** effective for annual periods beginning on or after 1 January 2010. Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- **IAS 1 Presentation of Financial Statements,** effective for annual periods beginning on or after 1 January 2010. The terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- **IAS 7 Statement of Cash Flows,** effective for annual periods beginning on or after 1 January 2010. Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement.

- **IAS 17 Leases,** effective for annual periods beginning on or after 1 January 2009. The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains.

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

- **IAS 36 Impairment of Assets,** effective for annual periods beginning on or after 1 January 2010. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

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

- **IAS 38 Intangible Assets**, effective for annual periods beginning on or after 1 July 2009. Clarifies that if an intangible asset acquired in business combination is identifiable only with another intangible asset, the acquirer may recognise the Bank of intangible assets as a single asset provided the individual assets have similar useful lives. Also, clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

- **IAS 39 Financial Instruments: Recognition and Measurement,** effective for annual periods beginning on or after 1 January 2010. The amendment clarifies that:

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

- **IFRIC 9 Reassessment of Embedded Derivatives,** effective for annual periods beginning on or after 1 July 2009. The Board amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or business under common control or the formation of a joint venture. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

- **IFRIC 16 Hedges of a Net Investment in a Foreign Operation,** effective for annual periods beginning on or after 1 July 2009. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Bank, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

2.5. Comparatives

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

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

2.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Foreign currency translation

(a) Functional and presentation currency

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

(b) Transaction and balances

Transactions denominated in foreign currency are translated into the functional currency at the official exchange rate ruling at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of income at the time of settlement using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are expressed in RON as at the balance sheet date. At 31 December 2009 the exchange rate used for translating foreign currency balances was USD 1 = 2,9361 (2008:USD 1 = RON 2.8342)and EUR 1 = 4,2282 (2008: EUR 1 = RON 3.9852). Foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the statement of income for the year.

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

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

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

2. Financial assets

(a) Classification

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

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

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

(ii) Loans and receivables

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

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

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank sells other than an insignificant amount of HTM assets, the entire category would be tainted and reclassified as available for sale. During 2009 and 2008 the Bank did not held any HTM securities in its portfolio.

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

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

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

(b) Recognition, de-recognition and initial measurement

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

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

(c) Subsequent measurement

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

(d) Fair value measurement principles

The fair values of quoted investments in active markets are based on current bid prices for the treasury bills denominated in RON and for the Eurobonds. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and discounted cash flow analysis.

3. Offsetting financial instruments

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

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

4. Derivative financial instruments and hedge accounting

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

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

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

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank did not designate any derivative transaction as a hedging instrument during the years 2009 and 2008 and did not use hedge accounting. The fair value gain or loss has been recognized by the Bank through profit or loss.

5. Interest income and expense

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

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

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

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

6. Fee and commission income

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

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

7. Dividends

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

8. Impairment of financial assets

(a) Assets carried at amortized cost

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

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

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

The estimated period between a loss occurring and its identification is vary between two months and three months and are determined by the Risk Management Department.

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

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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

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

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

Credit risk

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

Credit risk measurement

(a) Loans and advances

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

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

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

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

Bank's internal ratings scale	
Bank's rating	**Description of the grade**
Standard	Performing
Under observation	Performing
Substandard	Performing
Doubtfull	Performing
Loss	Performing
Non performing	Default

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

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

(b) Debt securities and other bills

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

Risk limit control and mitigation policies

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

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

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

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

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

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

• Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable, commercial effects;
- Charges over financial instruments such as debt securities and equities.

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

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivatives

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

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

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

(c) Master netting arrangements

The Bank does not operate any master netting arrangements..

(d) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

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

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

Impairment and provisioning policies

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

The impairment provision shown in the balance sheet at year-end is derived from each of the six internal rating grades. However, the majority of the impairment provision comes from the bottom grading referred as Non performing. The table below shows the percentage of the Bank's on- and off-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

	Bank's rating			
	2009		2008	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Standard	8,84%	4,00%	16,45%	3,75%
Under Observation	23,01%	6,99%	16,67%	1,77%
Substandard	40,63%	17,84%	25,11%	3,78%
Doubtful	11,03%	5,39%	12,59%	3,07%
Loss	13,45%	10,70%	19,78%	9,19%
Non performing (individually impaired)	3,04%	55,08%	9,40%	78,43%
	100%	3,20%	100%	2.10%

(b) Assets classified as available for sale

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

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

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

9. Intangible assets

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

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

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

10. Property and equipment

Cost

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

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

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

Depreciation

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

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

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

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

11. Impairment of non-financial assets

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

12. Assets held for sale

Assets held for sale represent foreclosed assets obtained through execution of bad loans collaterals and are initially recorded at fair value and subsequently measured at lower of its carrying amount and fair value less costs to sell. Gains and losses on disposal of assets held for sale are calculated as the difference between the amount received and the carrying value of the asset. A gain would be disclosed under other operating income and a loss under operating expenses in the income statement.

13. Operational Leasing

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

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

14. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition: cash; non-restricted balances with central banks, including minimum mandatory reserves; treasury bills and other eligible bills; loans and advances to banks and short-term government securities.

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

15. Provisions

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

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

16. Financial guarantees contracts

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

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

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

17. Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments and letters of credit. Specific provisions are raised against other credit related commitments when the Bank has a present obligation as a result of a past event, when it is probable that there will be an outflow of resources and when the outflow can be reliably measured.

18. Pension obligations and other post retirement benefits

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. Substantially all employees of the Bank are members of the State pension plan which is a defined contribution plan. The Bank has no obligation besides the payment of the contributions.

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

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

19. Income taxes

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

20. Borrowings

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

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

3. INTEREST AND SIMILAR INCOME

	2009	2008
Loans and advances to customers	182,087,169	170,810,516
Interest income accrued on impaired loans	14,555,685	5,890,827
Current accounts and deposits to banks	25,218,590	12,764,941
Financial investment – available-for-sale	9,995,999	1,238,697
Interest from result of funding swap	13,495,898	19,218,309
	245,353,341	**209,923,290**

4. INTEREST AND SIMILAR EXPENSE

	2009	2008
Due to customers	64,497,098	30,511,564
Due to banks	12,319,932	27,043,275
Other borrowed funds	34,531,440	40,729,743
Repo transaction	1,584,158	-
	112,932,628	**98,284,582**

5. NET FEE AND COMMISSION INCOME

	2009	2008
Fee and commission income		
Transactions related fee and commission income	15,801,978	16,115,105
Credit related fee and commission income	5,568,246	7,334,605
	21,370,224	**23,449,710**
Fee and commission expense		
Transactions with banks	2,009,026	1,551,055
Fee for cash purchase	391,004	429,607
Other fees paid	29,581	196
	2,429,611	**1,980,858**

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

6. NET TRADING INCOME

	2009	2008
Foreign exchange		
- Gain\(Loss) from trading	1,172,199	(1,057,988)
- Gain\(Loss) from dealing transaction	15,152,260	14,215,331
Interest rate swaps	(149,660)	133,779
	16,174,799	**13,291,122**

7. OTHER OPERATING INCOME

	2009	2008
Dividend income	563,049	489,530
Release of provision for litigation	2,221,973	1,440,800
Gain from sale of tangible assets	127,123	10,267
Gain from sale of other assets	-	1,292,866
Recovery of collection expenses	403,946	995
Rent income	100,919	-
Other income	444,765	401,960
	3,861,775	**3,636,418**

8. CREDIT LOSS EXPENSE

	2009	2008
Corporate lending	4,454,218	1,278,541
Small/medium business lending	30,786,652	20,831,386
Consumer lending	946,445	438,567
Residential mortgages	232,781	77,986
	36,420,096	**22,626,480**

9. NET INCOME FROM OTHER FINANCIAL TRANSACTION

	2009	2008
Guarantees issued	1,004,601	278,613
Unused irrevocable credit limit	(209,739)	28,105
	794,862	**306,718**

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

10. PERSONNEL EXPENSES

	2009	2008
Wages and salaries	46,300,987	39,920,789
Social security costs	11,335,676	10,419,395
Other expenses	1,704,725	1,180,086
	59,341,388	**51,520,270**

Other personnel expenses include meal tickets.

11. OTHER OPERATING EXPENSES

	2009	2008
Administrative expenses	47,880,750	35,078,956
Loss on sale of property and equipment	84,962	261,759
Expenses with local tax and due	2,204,060	1,409,574
Software expenses	3,197,244	2,138,356
Advertising and marketing	5,003,940	7,883,652
Guarantee fund expenses	1,220,968	634,161
Professional expenses	729,233	816,154
Other	824,069	1,082,085
	61,145,226	**49,304,697**

Administrative expenses

The administrative expenses are detailed below:

	2009	2008
Rental expenses	26,819,209	13,547,143
Inventory objects	696,761	1,006,036
Light, heating and other	2,504,441	1,688,361
IT Communications	1,588,286	1,473,273
Postal, telephone and other	2,131,791	1,620,371
Travel costs	2,571,002	2,730,601
Security	3,020,557	1,968,415
Personnel training	491,501	1,129,727
Insurance expenses	768,959	609,179
Cleaning	1,165,003	653,536
Services for card	381,467	1,472,187
Protocol	654,055	833,433
Legal expenses	312,029	424,001
Forms, stationery and printed matters	1,610,824	1,216,483
Transportation	923,605	810,332
Other	2,241,260	3,895,878
	47,880,750	**35,078,956**

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

12. INCOME TAX EXPENSE

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

	2009	2008
Current tax	(909,917)	744,365
Deferred tax charge	931,743	1,525,340
	21,826	**2,268,705**

	2009	2008
Profit before tax	**338,564**	**17,720,045**
Theoretical tax charge at the applicable statutory rate	54,170	2,835,207
Tax effect on items which are not deductible:		
Non-deductible expenses	9,445,822	2,914,784
Income which is exempt of taxation	(12,326,264)	(3,841,287)
Income tax expense	**21,826**	**2,268,705**

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

Current income tax is calculated applying a rate of 16% (2008: 16%). Deferred income taxes are calculated on all temporary differences under the liability method using a profit tax rate of 16% (2008: 16%).

Deferred income tax assets and liabilities are attributable to the following items:

	Statement of financial position			**Income statement**	
	2009	**2008**	**As at 1 January 2008 Restated**	**2009**	**2008**
Tax effects of deductible temporary differences					
Impairment allowance for loans and advance to customers	(14,623,488)	(3,370,009)	(2,231,262)	(11,253,479)	(1,138,747)
IAS 29 restatement of fixed assets	534,761	601,170	(62,880)	(66,410)	664,050
Derivate Financial Instruments	-	(82,155)	(74,574)	82,155	(7,581)
Deferred commission	-	1,189,235	1,148,382	(1,189,235)	40,854
Other provisions	-	-	1,083,916		(1,083,916)
Fiscal credit for loss	11,495,226	-	-	11,495,226	-
Deferred tax (liability)/(expense)/income	**(2,593,501)**	**(1,661,758)**	**(136,418)**	**(931,743)**	**(1,525,340)**

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

13. CASH AND BALANCES WITH CENTRAL BANK

	2009	2008	As at 1 January 2008 Restated
Cash on hand	58,874,122	58,226,300	30,672,039
Current account with the Central Bank	341,848,157	758,838,939	493,135,759
	400,722,279	**817,065,239**	**523,807,798**

Current accounts include the mandatory reserves with the National Bank of Romania. During 2009, the interest ranged from 5.60% to 3.36% (2008: from 2.50% to 5.60%) for reserves held in RON and was between 2.80% and 1.26% (2008: from 1.35% to 2.75%) for reserves held in EUR. The interest rates for term deposits with the National Bank of Romania ranged during 2009 from 6.00% to 4.50% (2008: 8.00% to 8.00%).

14. DUE FROM BANKS

	2009	2008	As at 1 January 2008 Restated
Current accounts	6,719,545	6,568,825	6,903,514
Overnight deposits and term deposits	12,003,166	-	20,017,267
Total due from banks	**18,722,711**	**6,568,825**	**26,920,781**

In 2009, interest on placements with banks ranged from 4.50% to 20% for RON (2008: from 5.00% to 44.00%), from 0.15% to 5.50% for EUR (2008: from 3.00% to 6.35%) and there were no placements with banks in USD during the year.

15. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Forward contracts

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

Swaps

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

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

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

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

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

	Contract/notional amount	Fair values	
		Assets	Liabilities
At 31 December 2009			
Derivatives held for trading			
Currency swaps	85,519,945	414,415	474,722
Foreign exchange derivatives	110,535,294	195,325	128,878
Interest rate swaps	8,456,400	-	242,831
Total recognized derivative	**204,511,639**	**609,740**	**846,431**
At 31 December 2008			
Derivatives held for trading			
Currency swaps	328,309,950	715,882	3,227,576
Foreign exchange derivatives	208,054,070	723,866	491,426
Interest rate swaps	7,970,400	-	55,952
Total recognized derivative	**544,334,420**	**1,439,748**	**3,774,954**

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

The Bank has changed the presentation of the categories disclosed in the note, as it was considered that this presentation does reflect better the transactions. The previous presentation was based on the currency type. However, the net fair value of the derivative financial instruments did not change.

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

16. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of customer

	2009	2008	As at 1 January 2008 Restated
Corporate lending	358,719,931	163,510,872	76,873,006
Small/medium business lending	1,743,565,352	1,490,374,229	898,808,305
Consumer lending	206,056,994	176,672,991	36,917,708
Residential mortgages	95,379,794	42,435,136	128,709,557
Subordinated loans	4,228,200	-	-
TOTAL gross exposure	**2,407,950,271**	**1,872,993,229**	**1,141,308,576**
Less: allowance for impairment losses	(77,049,727)	(39,246,224)	(14,892,525)
TOTAL	**2,330,900,544**	**1,833,747,005**	**1,126,416,051**

The subordinated loan has been granted to Intesa Sanpaolo Leasing.

(b) Analysis by sector

	2009	% of total	2008	% of total	As at 1 January 2008 Restated	% of total
Trade	587,190,729	24	498,482,928	27	299,111,046	26
Industry	587,247,289	24	392,282,659	21	288,295,862	25
Individuals	301,436,815	13	219,111,309	12	165,613,716	15
Services	469,667,071	20	390,332,224	21	215,158,884	19
Constructions	343,051,515	14	293,132,905	15	116,753,929	10
Agriculture	106,575,872	4	68,615,912	3	46,921,746	4
Other	12,780,980	1	11,035,291	1	9,453,393	1
	2,407,950,271	**100**	**1,872,993,229**	**100**	**1,141,308,576**	**100**
Less provision for impairment losses	(77,049,727)		(39,246,224)		(14,892,525)	
Total loans	**2,330,900,544**		**1,833,747,005**		**1,126,416,051**	

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

16. LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Allowance for loan losses

	Corporate lending	Small/medium business lending	Consumer Lending	Residential Mortgages	TOTAL
At 1 January 2009	**2,051,159**	**36,393,496**	**550,034**	**251,535**	**39,246,224**
Charge for the year	24,453,131	164,892,965	5,195,871	1,277,942	195,819,909
Recoveries (-)	(19,998,914)	(134,857,172)	(4,249,426)	(1,045,160)	(160,150,672)
Written off	-	750,858	-	-	750,858
Effect of exchange rate changes on provisions	162,777	1,177,217	34,899	8,515	1,383,408
At 31 December 2009	**6,668,153**	**68,357,364**	**1,531,378**	**492,832**	**77,049,727**
Individual impairment	-	4,389,543	16,949	-	4,406,492
Collective impairment	6,668,153	63,967,822	1,514,428	492,832	72,643,235
TOTAL	**6,668,153**	**68,357,364**	**1,531,378**	**492,832**	**77,049,727**

	Corporate lending	Small/medium business lending	Consumer Lending	Residential Mortgages	TOTAL
At 1 January 2008	**655,592**	**13,998,556**	**71,975**	**166,402**	**14,892,525**
Charge for the year	7,935,217	118,988,122	2,721,949	484,020	130,129,308
Recoveries (-)	(6,656,675)	(99,816,475)	(2,283,382)	(406,033)	(109,162,565)
Written off	-	1,659,739	-	-	1,659,739
Effect of exchange rate changes on provisions	117,025	1,563,554	39,492	7,146	1,727,217
At 31 December 2008	**2,051,159**	**36,393,496**	**550,034**	**251,535**	**39,246,224**
Individual impairment	-	(5,553,617)	19,313	-	(5,534,304)
Collective impairment	2,051,158	41,947,113	530,721	251,535	44,780,528
TOTAL	**2,051,158**	**36,393,496**	**550,034**	**251,535**	**39,246,224**

17. FINANCIAL INVESTMENT

(a) Available-for-sale investments

	2009	2008
Debt securities	154,092,458	11,366,111
AFS Equity investments	255,580	255,580
	154,348,038	**11,621,691**

	Available for sale
At 1 January 2009	**11,621,691**
Additions	251,507,731
Disposals	(110,000,000)
Net gains from changes in fair value	952,791
Effect of exchange rates	265,825
At 31 December 2009	**154,348,038**
At 1 January 2008 Restated	**24,499,459**
Additions	-
Disposals	(11,684,736)
Loss from changes in fair value	(1,193,032)
At 31 December 2008	**11,621,691**

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

The Bank has entered into economic hedge to mitigate the interest rate risk related to the Eurobonds redeemable on 2 July 2010 (with a nominal value of 2 million EUR), by a swap agreement with Intesa Sanpaolo S.p.A Torino, for same amount and maturity (see details in Note 15).

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

The fair value of Level 1 available-for-sale investments amounting to RON 8,781,624 RON includes Eurobonds quoted on the Luxembourg Stock Exchange.

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

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

17. FINANCIAL INVESTMENT (continued)

AFS Equity investments held by the Bank are detailed below and are stated at cost:

Investment	Country of incorporation	Nature of business	Shareholding 2009	2008
BMFMS	Romania	commodity exchange	0,12%	0,12%
Casa Română de Compensație	Romania	clearing house BMFMS	0.37%	0.37%
TransFonD	Romania	settlement and clearing inter-banking transfer	2.47%	2.47%
Biroul de Credit	Romania		0.23%	0.23%
SWIFT		Transfer of funds	<1%	<1%

(b) Equity investments

	2009	2008	As at 1 January 2008 Restated
Intesa Sanpaolo Leasing IFN	2,400,612	-	-

Intesa Sanpaolo Romania has bought 95% of the share capital of INTESA SANPAOLO LEASING ROMANIA I.F.N S.A., Romanian company located at Bulevardul Vasile Milea nr. 2H, et. 6, Sector 6, Bucharest, registered at the Romanian Registry of Commerce under J40/14030/2005 with fiscal number RO17863812.

The value of the acquisition was 570 000 EUR, out of which 510 000 EUR was paid to CIB Lizing Zrt for 340 shares with a nominal value of 1800 RON \share, and 60 000 EUR was paid to CIB Credit Zrt for 40 shares with a nominal value of 1800 RON \ share. After this transaction Intesa Sanpaolo Romania owns 95% of the share capital and voting rights of INTESA SANPAOLO LEASING ROMANIA I.F.N S.A., while 5% is still in the possession of CIB Lizing Zrt. This acquisition has been approved in the July, 29th 2009 meeting of the Board of Administration of Intesa Sanpaolo Romania. The value of this participation represents 0,51% of Intesa Sanpaolo Romania's own funds as at June, 30th 2009.

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

18. PROPERTY AND EQUIPMENT

	Land and buildings	Computer Hardware	Other assets	Total
Cost:				
At 1 January 2008 Restated	75,885,380	5,448,809	16,206,937	97,541,126
Additions	15,336,382	2,689,905	15,559,540	33,585,827
Disposals	-	(336,125)	(1,374,064)	(1,710,189)
At 31 December 2008	**91,221,762**	**7,802,589**	**30,392,413**	**129,416,764**
At 1 January 2009	91,221,762	7,802,589	30,392,413	129,416,764
Additions	12,928,124	1,296,864	5,476,173	19,701,161
Disposals	-	-	(484,685)	(484,685)
At 31 December 2009	**104,149,886**	**9,099,453**	**35,383,901**	**148,633,240**
Depreciation:				
At 1 January 2008	10,804,941	5,428,012	6,218,142	22,451,095
Disposals	-	(336,125)	(1,112,409)	(1,448,534)
Amortisation charge for the year	2,224,365	1,269,043	3,008,940	6,502,348
At 31 December 2008	**13,029,306**	**6,360,930**	**8,114,673**	**27,504,909**
At 1 January 2009	13,029,306	6,360,930	8,114,673	27,504,909
Disposals	-	-	(399,722)	(399,722)
Amortisation charge for the year	3,597,941	1,763,030	5,346,034	10,707,005
At 31 December 2009	**16,627,247**	**8,123,960**	**13,060,985**	**37,812,192**
Net book value:				
At 1 January 2008 Restated	**65,080,439**	**20,797**	**9,988,795**	**75,090,031**
At 31 December 2008	**78,192,456**	**1,441,659**	**22,277,740**	**101,911,855**
At 31 December 2009	**87,522,639**	**975,493**	**22,322,916**	**110,821,048**

Included within other assets are motor vehicles, furniture and fittings, household equipment, air conditioning equipment. Included in fixed assets are items adjusted for the hyperinflationary economy from prior to 1 January 2004. In year 2008 fixed assets in-progress were not included in the fixed asset position to which they belong.

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

19. INTANGIBLE ASSETS

	Computer software	Other intangible assets	TOTAL
Cost:			
At 1 January 2008 Restated	9,812,126	46,896	9,859,022
Additions	7,988,498	14,245	8,002,743
Disposals	(94,161)	(1,058)	(95,219)
At 31 December 2008	**17,706,463**	**60,083**	**17,766,546**
At 1 January 2009	17,706,463	60,083	17,766,546
Additions	6,744,614	1,742	6,746,356
Disposals	-	-	-
At 31 December 2009	**24,451,077**	**61,825**	**24,512,902**
Amortization:			
At 1 January 2008	5,569,001	44,827	5,613,828
Disposals	(94,057)	(1,058)	(95,115)
Amortisation charge for the year	2,666,219	1,759	2,667,978
At 31 December 2008	**8,141,163**	**45,528**	**8,186,691**
At 1 January 2009	8,141,163	45,528	8,168,691
Disposals	-	-	-
Amortisation charge for the year	4,232,800	7,683	4,240,483
At 31 December 2009	**12,373,964**	**53,210**	**12,427,174**
Net book value:			
At 1 January 2008 Restated	**4,243,125**	**2,069**	**4,245,194**
At 31 December 2008	**9,565,300**	**14,555**	**9,579,855**
At 31 December 2009	**12,077,113**	**8,615**	**12,085,728**

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

The remaining average amortisation period is 2,5 years

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

20. OTHER ASSETS

	2009	2008	As at 1 January 2008 Restated
Deposits paid for rent, electricity	2,009,053	1,594,897	67,553
Payment instruments to be settled	2,690,234	4,614,664	5,646,992
Expenses paid in advance	2,853,071	1,160,044	437,130
Sundry debtors	3,077,219	5,875,020	2,597,549
Collateral repossessed	12,048,568	-	1,013,906
Other amounts to be settled	1,333,755	-	-
Other	1,005,014	2,111,378	2,452,413
Total	**25,016,914**	**15,356,003**	**12,215,543**

Details on sundry debtors are presented below:

	2009	2008	As at 1 January 2008 Restated
Sundry debtors (gross)	3,078,212	5,876,013	5,908,651
Less provision for doubtful debtors	(993)	(993)	(3,311,102)
Other debtors (net)	**3,077,219**	**5,875,020**	**2,597,549**

The provision for sundry debtors was made for the receivable recorded by the Bank from a bankrupt company.

21. DUE TO BANKS

	2009	2008	As at 1 January 2008 Restated
Sight deposits	132,630,841	41,851,557	105,384,724
Term deposits	195,187,739	532,736,806	185,836,940
Items in course of collection	4,358,131	7,512,000	10,017,529
Repurchase agreements	89,252,410	-	-
	421,429,121	**582,100,363**	**301,239,193**

The interest rate during 2009 for term deposits ranged from 1% to 9,8% for RON (2008: from 3% to 30,0%) and from 0.5% to 3.1% for EUR (2008: from 2.40% to 6.95%).

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

22. DUE TO CUSTOMERS

	2009	2008	As at 1 January 2008 Restated
Current accounts	213,763,903	193,832,475	246,979,110
Deposits due to companies	325,390,668	162,135,258	208,734,039
Deposits due to individuals	505,874,473	246,223,516	152,029,931
Restricted deposits	45,188,240	28,907,631	36,316,989
Total	**1,090,217,284**	**631,098,880**	**644,060,069**

Included in restricted deposits were margin accounts for forward transactions outstanding as at 31 December 2009 in the amount of RON 2,868,668 (2008: 1,923,411).

The interest rate during 2009 for term deposits ranged from 1% to 15,6% for RON (2008: from 1% to 15,5%) and from 0.2% to 6.1% for EUR (2008: from 0.9% to 6.1%).

23. OTHER BORROWED FUNDS

	2009	2008	As at 1 January 2008 Restated
Loans from Intesa Sanpaolo Group	975,960,375	1,004,578,748	652,537,188

The amount from Intesa Sanpaolo Group comprises loans received from Intesa Sanpaolo Bank Ireland, Societe Europeenne de Banque SA Luxemburg and a subordinated loan granted by Intesa Sanpaolo Bank Ireland PLC. Total amount granted is EUR 215,000,000 (2008: EUR 235,000,000) and a subordinated loan of EUR 15,000,000 (2008: EUR 15,000,000).

The first loan was received on 29 June 2007 in the amount of EUR 20,000,000 with an interest of 0,977% is repayable in one tranche on 29 June 2015.

The second loan was received on 29 June 2007, in the amount of EUR 20,000,000 with an interest of 0,957% is repayable in one tranche on 27 June 2014.

The third loan was received on 1 August 2007 in the amount of EUR 10,000,000 with an interest of 0,852% and is repayable in one tranche on 26 July 2010.

The forth loan was received on 21 August 2007 in the amount of EUR 15,000,000 with an interest of 0,852% and is repayable in one tranche on 26 July 2010.

The fifth loan was received on 31 August 2007 in the amount of EUR 20,000,000 with an interest of 1,037% and is repayable in one tranche on 26 August 2011.

The sixth loan was received on 20 September 2007 in the amount of EUR 10,000,000 with an interest of 0,852% and is repayable in one tranche on 26 July 2010.

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

23. OTHER BORROWED FUNDS (continued)

The seventh loan was received on 15 November 2007 in the amount of EUR 20,000,000 with an interest of 1,234% and is repayable in one tranche on 8 November 2013.

The eighth loan was received on 24 December 2007 in the amount of EUR 30,000,000 with an interest of 1,598% and is repayable in one tranche on 17 December 2013.

The ninth loan was received on 17 October 2008 in the amount of EUR 30,000,000 with an interest of 4,32% and is repayable in one tranche on 17 October 2011..

The tenth loan was received on 23 October 2008 in the amount of EUR 20,000,000 with an interest of 4,735% and is repayable in one tranche on 20 October 2014.

The eleventh loan was received on 27 October 2008 in the amount of EUR 20,000,000 with an interest of 4,735% and is repayable in one tranche on 20 October 2014.

The subordinated loan from Intesa Sanpaolo Ireland was received on 17 October 2005 in amount of EUR 15,000,000 with an interest rate of 2,482% and is repayable on 14 April 2010.

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

24. PROVISIONS

	2009	2008	As at 1 January 2008 Restated
Provision for rebranding	-	2,532,933	3,000,000
Provision for risk and charges	323,000	1,291,653	723,525
Provision for litigation	906,350	3,128,323	4,569,123
Provision for letters of guarantee (Note 30)	2,672,893	3,467,755	3,774,473
Provisions for personnel expenses	5,882,448	5,624,986	3,039,571
Total	**9,784,691**	**16,045,650**	**15,106,692**

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

24. PROVISIONS (continued)

The movement in provisions during 2009 is as follows:

	LG's	Rebranding	Litigation	Personnel	Other	Total
At 1 January	3,467,755	2,532,933	3,128,323	5,624,986	1,291,653	16,045,650
Arising during the year	-	-	-	7,286,541	323,000	7,609,541
Utilized	(794,862)	(2,532,933)	(2,221,973)	(4,775,720)	(1,291,653)	(11,617,141)
Unused amounts reversed	-	-	-	(2,253,359)	-	(2,253,359)
At 31 December	**2,672,893**	**-**	**906,350**	**5,882,448**	**323,000**	**9,784,691**
Current (less than one year)	2,672,893	-	-	5,882,448	323,000	8,878,341
Non-current (more than one year)	-	-	906,350	-	-	906,350
At 31 December	**2,672,893**	**-**	**906,350**	**5,882,448**	**323,000**	**9,784,691**

25. OTHER LIABILITIES

	2009	2008	As at 1 January 2008 Restated
Taxes due to the State Budget	349,533	746,527	454,137
Salary to be paid	2,778,165	4,387,882	65
Expenses accruals	114,216	-	-
Commercial instruments	2,690,234	4,614,663	5,646,992
Commission for LG's	2,462,993	2,122,841	1,920,310
Foreign Exchange Position	1,980,726	1,965,394	502,601
Other liabilities	190,692	433,264	5,254,743
Total	**10,566,559**	**14,270,571**	**13,778,848**

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

26. SHARE CAPITAL

	2009	2008	As at 1 January 2008 Restated
Registered share capital	251,111,110	251,111,110	140,000,000
Restatement in accordance with IAS 29	40,174,800	40,174,800	40,174,800
Total share capital	**291,285,910**	**291,285,910**	**180,174,800**

The authorized and issued share capital as at 31 December 2009 comprises 25,111,111 shares (2008: 25,111,111 shares) with a nominal value of RON 10 each. All issued shares are fully paid and carry one vote.

The Bank issued 11,111,111 shares at a price of RON 32,6466 per share (total RON 362,740,000) The total nominal value RON 10 per share (total of RON 111,111,110) was allocated to registered share capital and the surplus to share premium. On 31.12.2009, the Bank had a subscribed and paid up share capital of RON 251,111,110.

The capital structure as at 31 December 2008 and 31 December 2009 is as follows:

Shareholder	2009		2008	
	Number of shares	%	Number of shares	%
Intesa Sanpaolo S.p.A Italia	24,921,567	99.25	24,921,567	99.25
Simest S.p.A Italy	189,544	0.75	189,544	0.75
Total	**25,111,111**	**100.00**	**25,111,111**	**100.00**

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

27. RESERVES

	Available-for-sale reserve	Statutory reserve	Other capital reserve	Total
At 1 January 2008 Restated	407,293	5,595,822	10,985,178	16,988,293
Transfer from retained profit	-	373,330	-	373,330
Net gains/(loss) on available-for-sale	(1,002,146)	-	-	(1,002,146)
At 31 December 2008	**(594,853)**	**5,969,152**	**10,985,178**	**16,359,477**
At 1 January 2009	(594,853)	5,969,152	10,985,178	16,359,477
Transfer from retained profit	-	228,901	-	228,901
Net gains/(loss) on available-for-sale	800,344	-	-	800,344
At 31 December 2009	**205,491**	**6,198,053**	**10,985,178**	**17,388,722**

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

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

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

28. ADDITIONAL CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2009	2008
Cash on hand	58,874,122	58,226,300
Current account with the Central Bank	341,848,157	758,838,939
Due from banks with maturity less than 3 months	18,722,711	6,568,826
Total	**419,444,990**	**823,634,065**

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

(b) Change in operating assets

	2009	2008
Net change in financial assets HFT	830,008	(1,199,621)
Net change in loans and advance to customers	(497,153,539)	(707,330,953)
Net change in other assets	(9,660,911)	(3,140,460)
Total	**(505,984,442)**	**(711,679,044)**

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

28. ADDITIONAL CASH FLOW INFORMATION (continued)

(c) Change in operating liabilities

	2009	2008
Net change in financial liabilities HFT	(2,928,523)	3,774,954
Net change in due to banks	(104,703,615)	374,078,731
Net change in due to customers	459,118,403	(12,961,189)
Net change in other liabilities	(3,704,012)	491,723
Total	**347,782,253**	**365,384,219**

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

	2009	2008
Depreciation of property and equipment	10,707,005	6,502,348
Amortisation of other intangible assets	4,240,483	2,667,978
Reversed provisions LG&LC	(794,862)	(306,718)
Provisions	(5,466,097)	1,245,676
Other non-monetary items	(155,081)	277,429
Total	**8,531,448**	**10,386,713**

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

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

As at 31 December 2009

	Less than 12 months	Over 12 months	Total
ASSETS			
Cash and balance with Central Banks	400,722,279	-	400,722,279
Due from banks	18,722,711	-	18,722,711
Loans and advances to customers	972,344,983	1,358,555,561	2,330,900,544
Derivative financial instruments	609,740	-	609,740
Financial investments available-for-sale	154,092,458	255,580	154,348,038
Equity investments	-	2,400,612	2,400,612
Intangible assets	-	12,085,728	12,085,728
Property and equipment	-	110,821,048	110,821,048
Deferred income tax assets	-	-	-
Other assets	25,016,914	-	25,016,914
TOTAL ASSETS	**1,571,509,085**	**1,484,118,529**	**3,055,627,614**
LIABILITIES AND EQUITY			
Due to banks	421,429,121	-	421,429,121
Due to customers	1,073,994,101	16,223,183	1,090,217,284
Derivative financial instruments	846,431	-	846,431
Other borrowed funds	148,190,137	827,770,239	975,960,375
Current income tax liabilities	28,667	-	28,667
Deferred income tax liabilities	2,593,501	-	2,593,501
Provisions	9,784,691	-	9,784,691
Other liabilities	10,566,559	-	10,566,559
TOTAL LIABILITIES	**1,667,433,208**	**843,993,422**	**2,511,426,629**
Net	**(95,924,122)**	**640,125,107**	**544,200,985**

As at 31 December 2008

	Less than 12 months	Over 12 months	Total
ASSETS			
Cash and balances with central bank	817,065,239	-	817,065,239
Due from banks	6,568,825	-	6,568,825
Loans and advances to customers	776,479,465	1,057,267,540	1,833,747,005
Derivative financial instruments	1,439,748	-	1,439,748
Financial investments available-for-sale	11,366,111	255,580	11,621,691
Intangibles assets	-	9,579,855	9,579,855
Property and equipment	-	101,911,855	101,911,855
Other assets	15,356,003	-	15,356,003
TOTAL ASSETS	**1,628,275,391**	**1,169,014,830**	**2,795,914,727**
LIABILITIES			
Due to banks	582,100,363	-	582,100,363
Due to customers	599,446,730	31,652,150	631,098,881
Derivative financial instruments	3,719,002	55,952	2,399,459
Other borrowed funds	79,711,158	924,867,590	1,004,578,748
Other liabilities	-	14,270,571	14,270,571
Provisions	-	16,045,650	16,045,650
Current income tax liabilities	675,393	-	675,393
Deferred income tax liabilities		1,661,758	1,661,758
TOTAL LIABILITIES	**1,265,652,646**	**988,553,671**	**2,252,830,822**
Net	**362,622,745**	**180,461,159**	**543,083,905**

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

30. 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:

	2009	2008
Letters of guarantee	238,929,131	256,871,470
Unused loan facilities and letters of credit	169,757,607	81,170,152
Letters of guarantee issued for other banks	80,546,732	74,074,269
Total	**489,233,470**	**412,115,891**

The letters of guarantee include letters of guarantee in amount of RON 173,726,703 (2008: 208,633,877) issued for credit risk in respect of loans granted by Intesa Sanpaolo S.p.A Vienna Branch, Intesa Sanpaolo Ireland, Banka Koper and Central European Int Bank to Romanian customers.

Provision for letters of guarantee

	2009	2008
As at 1 January	**3,467,755**	**3,774,473**
Charge for the year	1,797,322	922,900
Released during the year	(2,592,184)	(1,229,618)
As at 31 December	**2,672,893**	**3,467,755**

Capital commitments

As at 31 December 2009 the Bank had capital expenditure contracted for but not recognized in these financial statements of RON 25,514,025 (2008: 25,469,135). The Bank's management is confident that future net revenues and funding will be sufficient to cover these commitments. The future operating lease payments committed are disclosed below:

	2009	2008
No later than 1 year	25,514,025	25,469,135
Later than 1 year and no later than 5 years	61,133,097	84,049,554
Later than 5 years	2,754,558	4,806,808

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

	2009	2008
No later than 1 year	239,435	-
Later than 1 year and no later than 5 years	857,974	-
Later than 5 years	-	-

30. COMMITMENTS AND CONTINGENCIES

Tax Contingencies

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

As at 31 December 2009, Management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax positions will be sustained.

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

31. RELATED PARTY TRANSACTIONS

The bank is a member of the Intesa Sanpaolo Group. The Bank's immediate parent is Intesa Sanpaolo SpA, a bank incorporated in Italy, which directly owns 99.25 % of the ordinary shares.

The related parties considered for the reporting purposes comprise 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, Intesa Sanpaolo Athens Branch which are entities controlled by Intesa Sanpaolo Group.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of banking transactions is entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions, acquisition of other services. Guarantees in favour of related parties are disclosed in Note 30.
The volumes of related party transactions, outstanding balances at the year-end, and relating expense and income for the year are as follows:

	Parent company		Group companies		Management and employees	
	2009	2008	2009	2008	2009	2008
Revenues and expenses						
Interest revenues	6,066,105	202,256	5,670	4,294	833,736	987,038
Interest expenses	(7,832,191)	(4,327,130)	(35,034,375)	(49,511,477)	(658,137)	(792,090)
Key management compensation – short term employee benefits	-	-	-	-	4,604,568	4,261,780
Balance sheet position						
Current accounts	228,833	1,368,600	418,617	220,669	4,670,381	3,556,941
Deposits placed at banks	-	-	-	-	-	-
Loans to group companies	-	-	24,181,157	-	-	-
Loans to individuals	-	-	-	-	18,767,345	15,210,827
Current accounts placed by banks	14,009,172	201,398	51,080	-	-	-
Deposits due to group Companies	157,926,060	538,319,332	-	-	-	-
Deposits due to individuals	-	-	-	-	16,254,164	13,579,909
Collateral deposits due to group	-	-	-	-	-	-
Loans from banks	-	-	975,960,375	1,004,578,748	-	-
Commitments	-	-	80,546,732	74,074,269	-	-

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 2009 the Bank has not made a provision for doubtful debts relating to amounts owed by related parties. (2008: Nil).

32. RISK MANAGEMENT

32.1 Introduction

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

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

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

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

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

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

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

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

32. RISK MANAGEMENT (continued)

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

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

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

Risk mitigation

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

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

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

32. RISK MANAGEMENT (continued)

Excessive risk concentration

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

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

32.2 Credit Risk

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

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

Derivative financial instruments

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

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

Credit-related commitments risks

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

32. RISK MANAGEMENT (continued)

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

The Bank's concentrations of risk are managed by client/counterparty, and by industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2009 was 106 millions of RON (2008: 37 millions of RON) both gross and net of collaterals.

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

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

32. RISK MANAGEMENT (continued)

Industry analysis

31 December 2009	Financial Services RON	Government RON	Consumers RON	*Retail & Wholesale RON	**Construction & Materials RON	Manufacturing & Petroleum RON	***Services RON	Total RON
Financial assets								
Cash and balances with central bank	-	400,722,279	-	-	-	-	-	400,722,279
Due from banks								
Placement with other banks	17,951,131	-	-	-	-	-	-	17,951,131
Other amounts due	771,580	-	-	-	-	-	-	771,580
	18,722,711	-	-	-	-	-	-	**18,722,711**
		-	-	-	-	-	-	
Derivative financial instruments								
Currency swaps	414,415	-	-	-	-	-	-	414,415
Forward foreign exchange contracts	195,325	-	-	-	-	-	-	195,325
	609,740	-	-	-	-	-	-	**609,740**
Loans and advances to customers								
Corporate lending	68,738,392	-	-	43,187,060	18,266,213	215,513,370	8,177,144	353,882,180
Small business lending	16,692,082	-	-	515,600,165	308,548,955	293,856,042	543,302,291	1,677,999,535
Consumer lending	-	-	203,356,564	-	-	-	-	203,356,564
Residential mortgages	-	-	94,905,539	-	-	-	-	94,905,539
Other	-	-	756,727	-	-	-	-	756,727
****	**85,430,474**	-	**299,018,829**	**558,787,226**	**326,815,168**	**509,369,413**	**551,479,435**	**2,330,900,544**
Financial investments available-for-sale								
Government debt securities	-	154,092,458	-	-	-	-	-	154,092,458
	104,762,925	**554,814,737**	**299,018,829**	**558,787,226**	**326,815,168**	**509,369,413**	**551,479,435**	**2,905,047,732**

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

Notes:
Corporate lending- section Financial Services, includes the subordinated loan granted to Intesa Sanpaolo Leasing, amounting 4,228,200 RON.
Consumer lending - includes loans granted to private individuals, the main purpose of the loans being the consumption
Residential mortgages - includes loans granted to private individuals, the main purpose of the loans being the purchase of real estate
Other - includes loans granted to private individual, which cannot be mapped according to the above classification

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

32. RISK MANAGEMENT (continued)

Industry analysis

31 December 2008	Financial Services RON	Government RON	Consumers RON	*Retail & Wholesale RON	**Construction & Materials RON	Manufacturing & Petroleum RON	***Services RON	Total RON
Financial assets								
Cash and balances with central bank	-	817,065,239	-	-	-	-	-	817,065,239
Due from banks								
Placement with other banks	6,443,724	-	-	-	-	-	-	6,443,724
Other amounts due	125,101	-	-	-	-	-	-	125,101
	6,568,825	-	-	-	-	-	-	**6,568,825**
Derivative financial instruments								
Currency swaps	803,385	-	-	-	-	-	-	803,385
Forward foreign exchange contracts	723,866	-	-	-	-	-	-	723,866
	1,527,251	-	-	-	-	-	-	**1,527,251**
Loans and advances to customers								
Corporate lending	45,913,695	-	-	22,266,293	18,892,564	66,581,235	7,463,871	161,117,658
Small business lending	26,335,704	-	-	469,439,689	262,818,399	262,069,604	433,824,725	1,454,488,121
Consumer lending	-	-	175,213,453	-	-	-	-	175,213,453
Residential mortgages	-	-	42,289,159	-	-	-	-	42,289,159
Other	-	-	638,614	-	-	-	-	638,614
****	**72,249,398**	-	**218,141,226**	**491,705,982**	**281,710,963**	**328,650,839**	**441,288,596**	**1,833,747,004**
Financial investments available-for-sale								
Government debt securities	-	11,366,111	-	-	-	-	-	11,366,111
	80,345,474	**828,431,350**	**218,141,226**	**491,705,982**	**281,710,963**	**328,650,839**	**441,288,596**	**2,670,274,431**

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

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

32. RISK MANAGEMENT (continued)

Collateral and other credit enhancements

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

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

The main types of collateral obtained are as follows:

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

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

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

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

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

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

32. RISK MANAGEMENT (continued)

Credit quality by class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented are net of impairment allowances.

31 December 2009	*Neither past due nor impaired					**Past due but not impaired	***Individually impaired	Total
	Standard	Under Observation	Substandard	Doubtful	Loss			
	RON	RON	RON	RON	RON	RON	RON	RON
Cash and balances with central bank	-	-	-	-	-	-	-	400,722,279
Due from banks	18,722,711	-	-	-	-	-	-	18,722,711
Derivative financial assets	-	-	-	-	-	-	-	609,740
Loans and advances to customers								
Corporate lending	189,697,462	54,496,226	43,946,158	40,389,354	-	13,494,205	11,858,775	353,882,180
Small business lending	64,753,146	255,713,825	477,337,445	208,926,570	208,951,218	318,290,085	144,027,246	1,677,999,535
Consumer lending	81,110,993	50,574,427	30,810,942	2,460,890	2,701,749	27,633,229	8,064,334	203,356,564
Residential mortgages	48,715,496	21,832,629	10,133,236	4,283,867	974,276	7,058,125	1,907,910	94,905,539
Other	573,309	17,237	81,096	-	-	85,084	-	756,726
****	**384,850,406**	**382,634,344**	**562,308,877**	**256,060,681**	**212,627,243**	**366,560,728**	**165,858,265**	**2,330,900,544**
Financial investments available-for-sale								
Unquoted-Debt securities	-	-	-	-	-	-	-	154,092,458
	403,573,117	**382,634,344**	**562,308,877**	**256,060,681**	**212,627,243**	**366,560,728**	**165,858,265**	**2,905,047,732**

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

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

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

32. RISK MANAGEMENT (continued)

31 December 2008	*Neither past due nor impaired Standard RON	Under Observation RON	Substandard RON	Doubtful RON	Loss RON	**Past due but not impaired RON	***Individually impaired RON	Total RON
Cash and balances with central bank	-	-	-	-	-	-	-	817,065,239
Due from banks	6,568,825	-	-	-	-	-	-	6,568,825
Derivative financial assets	-	-	-	-	-	-	-	1,527,251
Loans and advances to customers								
Corporate lending	36,414,001	29,821,571	70,242,131	1,931,262	-	22,708,693	-	161,117,658
Small business lending	49,167,139	266,810,348	632,378,057	157,448,051	184,023,193	131,089,984	33,571,348	1,454,488,120
Consumer lending	56,850,460	92,601,029	7,371,524	53,516	-	16,870,616	1,466,309	175,213,454
Residential mortgages	15,906,985	19,968,597	3,220,336	-	-	2,938,238	255,003	42,289,159
Other	51,948	525,200	61,466	-	-	-	-	638,614
****	**158,390,533**	**409,726,745**	**713,273,514**	**159,432,829**	**184,023,193**	**173,607,531**	**35,292,659**	**1,833,747,005**
Financial investments available-for-sale								
Unquoted-Debt securities	-	-	-	-	-	-	-	11,366,111
	164,959,358	**409,726,745**	**713,273,514**	**159,432,829**	**184,023,193**	**173,607,531**	**35,292,659**	**2,670,274,431**

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

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

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

32. RISK MANAGEMENT (continued)

Credit risk exposure for each internal credit risk rating

Bank's credit rating	Consumers		Corporate &Small Business		*Total 2009
	PD	Total Exposure	PD	Total Exposure	
Standard	0.78%	137,920,111	1.44%	255,221,323	393,141,434
Under Observation	0.49%	80,402,850	2.21%	319,728,466	400,131,316
Substandard	3.27%	47,096,789	3.88%	554,544,433	601,641,222
Doubtful	15.76%	14,077,432	5.12%	286,730,084	300,807,516
Loss	27.08%	9,549,402	11.26%	459,771,387	469,320,790
Individually impaired		9,972,245		155,886,021	165,858,266
Total		**299,018,829**		**2,031,881,715**	**2,330,900,544**

Bank's credit rating	Consumers		Corporate &Small Business		*Total 2008
	PD	Total Exposure	PD	Total Exposure	
Standard	0.85%	77,769,349	0.30%	86,250,391	164,019,740
Under Observation	0.28%	122,697,950	0.46%	305,513,754	428,211,704
Substandard	2.86%	11,675,464	1.43%	742,366,013	754,041,476
Doubtful	10.08%	2,410,751	1.55%	202,098,271	204,509,021
Loss	23.05%	1,866,402	4.42%	245,806,001	247,672,404
Individually impaired		1,721,311		33,571,349	35,292,659
Total		**218,141,226**		**1,615,605,779**	**1,833,747,005**

Notes:
*The Total amount for loans includes principal and interest and excludes provisions and deferred commissions
Bank's Credit Rating, divided into Standard, Under Observation, Substandard, Doubtful and Loss is according to the National Bank of Romania rules.
Probability of Default – (PD) – the probability that the counterparty goes into default within a one year time horizon

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

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

32. RISK MANAGEMENT (continued)

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

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

31 December 2009	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
	RON	RON	RON	RON	RON
Loans and advances to customers					
Corporate lending	2,207,037	8,936,524	-	2,350,643	13,494,204
Small business lending	103,071,211	102,794,712	107,406,474	5,017,688	318,290,085
Consumer lending	14,342,458	7,441,360	5,849,411	-	27,633,229
Residential mortgages	5,366,864	1,060,078	631,183	-	7,058,125
Other	85,084	-	-	-	85,084
*	**125,072,654**	**120,232,674**	**113,887,068**	**7,368,331**	**366,560,727**

31 December 2008	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
	RON	RON	RON	RON	RON
Loans and advances to customers					
Corporate lending	3,885,098	18,823,595	-	-	22,708,693
Small business lending	79,987,844	41,438,246	9,663,895	-	131,089,985
Consumer lending	12,454,919	2,528,746	1,886,951	-	16,870,616
Residential mortgages	2,353,326	481,668	103,244	-	2,938,238
Other	-	-	-	-	-
*	**98,681,187**	**63,272,255**	**11,654,090**	**-**	**173,607,532**

Notes:

The past due analysis is based upon the total exposure for one client, classified as past due.
If one client has more than one loan, the past due days that are higher will contaminate the rest of the loans.
The Total section includes the sum of loans classified as Past due but not impaired, split according to the above mentioned gap.
* The Total amount of loans refers to principal plus interest net of impairment allowance.
Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets
The value of collateral that the Bank holds relating to loans individually determined to be impaired at 31 December 2009 amounts to 252 millions RON (2008: 63 millions RON). The collateral consists of cash, letters of guarantee and properties.

32. RISK MANAGEMENT (continued)

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

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

	2009	2008
Loans and advances to customers		
Corporate lending	15,616,285	-
Small business lending	241,317,857	4,050,535
Consumer lending	-	-
Residential mortgages	-	-
Other	-	-
*	256,934,142	4,050,535

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

Impairment assessment

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

Individually assessed allowances

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

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired.
Allowances are evaluated separately at each reporting date.
The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident in the individual loans assessments.
The collective assessment takes account of data from the loan portfolio such as historical losses on the portfolio, PDs, collateral coverage, industry sector etc.
Financial guarantees and letters of credit are assessed and provisions are made in a similar manner as for loans.

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

32. RISK MANAGEMENT (continued)

Commitments and guarantees

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

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

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

	2009	2008
*Guarantees issued to banks	80,546,732	74,074,269
**Guarantees issued to customers	238,929,131	256,871,470
***Margin on irrevocable loan lines issued	169,757,607	81,170,152
	489,233,470	**412,115,891**

Notes:
* Includes Letters of Guarantee granted to Banks (Intra Group)
** Includes Letters of Guarantee and Commitments to Lend related to Letters of Guarantee, granted to customers
*** Includes Commitments to Lend, related to loans, granted to customers
The Bank had no Letters of Credit outstanding as of 31.12.2008 and 31.12.2009, although during the year 2009 such exposure was disclosed.

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

32. RISK MANAGEMENT (continued)

32.3 Liquidity risk and funding management

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

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

Liquidity ratios		**2009**	**2008**
Advances to deposit ratios			
	Year-end	114,45%	120,37%
	Maximum	127,23%	136,33%
	Minimum	99,23%	95,66%
	Average	110,47%	116,72%

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

Net liquid assets to customer liabilities ratios		**2009**	**2008**
	Year-end	33,43%	5,89%
	Maximum	43,44%	14,30%
	Minimum	3,88%	5,28%
	Average	23,29%	8,77%

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

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial assets and liabilities as at 31 December 2009. Derivatives are shown by their contractual maturity.

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

32. RISK MANAGEMENT (continued)

31 December 2009	1 Week RON	Less than 3 months RON	3 to 12 months RON	1 to 5 years RON	Over 5 years RON	Total RON
Financial assets						
Cash and balances with Central bank	400,841,708	-	-	-	-	400,841,708
Due from banks	19,140,462	-	-	-	-	19,140,462
Net settled derivative assets	-	609,740	-	-	-	609,740
Loans and advances to customers	43,367,106	259,061,438	587,287,083	550,850,994	751,121,459	2,191,688,080
Financial investments available-for-sale	153,894,703	-	-	-	-	153,894,703
Other assets	417,247,177	-	-	-	-	417,247,177
Total undiscounted financial assets	**1,034,491,156**	**259,671,178**	**587,287,083**	**550,850,994**	**751,121,459**	**3,183,421,870**
Financial liabilities						
Due to banks	208,711,227	123,465,483	148,190,137	827,770,239	-	1,308,137,086
Net settled derivative liabilities	-	846,431	-	-	-	846,431
Due to customers	399,543,096	512,749,561	162,282,649	12,500,111	189,739	1,087,265,156
Other liabilities	123,960,312	-	-	-	-	123,960,312
Total undiscounted financial liabilities	**732,214,635**	**637,061,475**	**310,472,786**	**840,270,350**	**189,739**	**2,520,208,985**
Net undiscounted financial assets/(liabilities)	**302,276,521**	**(377,390,297)**	**276,814,297**	**(289,419,356)**	**750,931,720**	**663,212,885**
Total net financial assets/(liabilities)	**302,276,521**	**(377,390,297)**	**276,814,297**	**(289,419,356)**	**750,931,720**	**663,212,885**

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

32. RISK MANAGEMENT (continued)

31December 2008	1 Week	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RON	RON	RON	RON	RON	RON
Financial assets						
Cash and balances with Central bank	817,648,839	-	-	-	-	817,648,839
Due from banks	6,568,825	-	-	-	-	6,568,825
Net settled derivative assets	-	1,527,251	-	-	-	1,527,251
Loans and advances to customers	51,752,981	227,849,799	547,731,178	384,219,081	658,712,836	1,870,265,875
Financial investments available-for-sale	12,074,270	-	-	-	-	12,074,270
Other assets	153,899,122	-	-	-	-	153,899,122
Total undiscounted financial assets	**1,041,944,037**	**229,377,050**	**547,731,178**	**384,219,081**	**658,712,836**	**2,861,984,182**
Financial liabilities						
Due to banks	460,686,562	121,413,801	79,711,158	784,533,515	140,334,076	1,586,679,112
Net settled derivative liabilities	-	3,774,954				3,774,954
Due to customers	276,724,003	288,048,116	57,073,881	5,803,696	1,217,667	628,867,363
Other liabilities	64,752,080	-	-	-	-	64,752,080
Total undiscounted financial liabilities	**802,162,645**	**413,236,871**	**136,785,039**	**790,337,211**	**141,551,743**	**2,284,073,509**
Net undiscounted financial assets/(liabilities)	**237,781,392**	**(183,859,821)**	**410,946,139**	**(406,118,130)**	**517,161,093**	**577,910,673**
Total net financial assets/(liabilities)	**239,781,392**	**(183,859,821)**	**410,946,139**	**(406,118,130)**	**517,161,093**	**577,910,673**

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

32. RISK MANAGEMENT (continued)

2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
*Financial guarantees	5,212,807	12,942,760	13,515,459	51,863,722	218,303,520	301,838,268
**Other undrawn commitments to lend	26,216,910	10,838,823	78,795,618	14,619,009	56,924,842	187,395,202
Total commitments and guarantees	**31,429,717**	**23,781,584**	**92,311,077**	**66,482,732**	**275,228,361**	**489,233,470**

2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
*Financial guarantees	4,187,709	12,359,111	13,027,613	45,876,760	242,746,349	318,197,543
**Other undrawn commitments to lend	3,499,072	10,470,829	55,923,908	7,228,904	16,795,635	93,918,348
Total commitments and guarantees	**7,686,781**	**22,829,940**	**68,951,521**	**53,105,665**	**259,541,984**	**412,115,891**

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

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

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

32. RISK MANAGEMENT (continued)

32.4 Market Risk

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

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

32.4.1 Foreign Exchange risk

Var Assumptions

For year 2009, the VaR that the Bank measures is based on historical P&L and one day holding period, in line with the Group methodology.

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

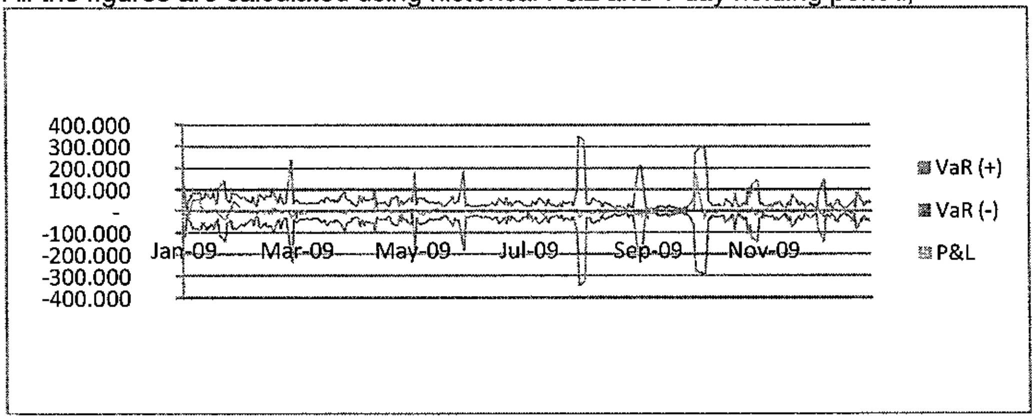
	FX VaR EQ RON
2009 - 31 December	48,323
2009 - Average daily	52,649
2009 -Highest	344,619
2009 -Lowest	7,705
2008 - 31 December	87,609
2008 - Average daily	21,702
2008 -Highest	164,297
2008 -Lowest	4,479

32. RISK MANAGEMENT (continued)

Back-testing

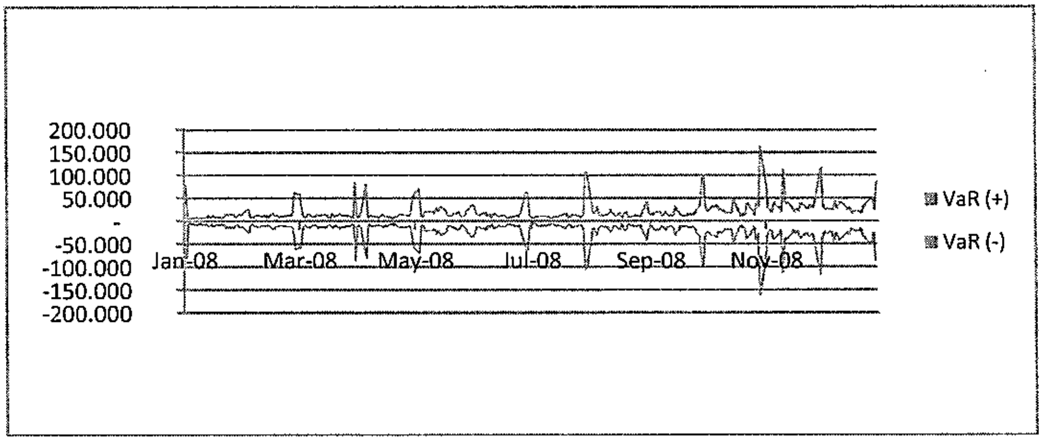
When back-testing, the Bank compares daily profits and losses with the estimates derived from the Bank's VaR model.

All the figures are calculated using historical P&L and 1 day holding period,



For 2008 VaR was calculated based on historical evolution of the FX rates, and 99% confidence interval. The table below present the VaR for 1 day holding period.

The methodology for VaR computation has changed during 2009. In 2008 the VaR computed was limited to the measurement of the amount exposed to risk, without P/L impact incorporated.



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

32. RISK MANAGEMENT (continued)

32.4.2 Interest Rate Risk

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

The following table presents the interest rate risk of the Bank based on the Shift Sensitivity indicator for +/- 25 basis points. The Bank is considering a probable change of interest rate with a multiplier of +/-25 basis points.

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

Currency	Increase in BPs	Interest rate Sensitivity 2009					
		0-18 m	19-36 m	3-5 y	5-10 y	10-15 y	>15y
		RON	RON	RON	RON	RON	RON
RON	+25	-89,853	-33,107	-2,613	-105,642	-7,911	-
EUR	+25	233,304	-263,138	-516,280	-1,810,333	-264,444	8,080
CHF	+25	-1,632	-5,048	-11,332	-38,151	-8,854	-
USD	+25	2,765	-579	-1,213	-2,638	-	-
Others	+25	-	-	-	-	-	-

Currency	Increase in BPs	Interest rate Sensitivity 2009					
		0-18 m	19-36 m	3-5 y	5-10 y	10-15 y	>15y
		RON	RON	RON	RON	RON	RON
RON	-25	89,853	33,107	2,613	105,642	7,911	-
EUR	-25	-233,304	263,138	516,280	1,810,333	264,444	-8,080
CHF	-25	1,632	5,048	11,332	38,151	8,854	-
USD	-25	-2,765	579	1,213	2,638	-	-
Others	-25	-	-	-	-	-	-

Currency	Increase in BPs	Interest rate Sensitivity 2008				
		0-18 m	19-36 m	3-5 y	5-10 y	10-15 y
		RON	RON	RON	RON	RON
RON	+25	-68,472	-1,696	-21,753	-43,132	-1,801
EUR	+25	435,782	-155,124	-279,430	-1,029,210	-259,668
CHF	+25	-2,196	-4,689	-10,743	-39,047	-16,765
USD	+25	2,299	-677	-1,375	-4,316	-
Others	+25	-	-	-	-	-

Currency	Increase in BPs	Interest rate Sensitivity 2008				
		0-18 m	19-36 m	3-5 y	5-10 y	10-15 y
		RON	RON	RON	RON	RON
RON	-25	68,472	1,696	21,753	43,132	1,801
EUR	-25	-435,782	155,124	279,430	1,029,210	259,668
CHF	-25	2,196	4,689	10,743	39,047	16,765
USD	-25	-2,299	677	1,375	4,316	-
Others	-25	-	-	-	-	-

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

32. RISK MANAGEMENT (continued)

The impact on P&L and Equity of the interest rate sensitivity analysis is presented in the table below:

Increase (decrease) in basis points	Sensitivity of profit and loss 2009	Sensitivity of profit and loss 2008
+25	(371,477)	(448,674)
+50	(742,967)	(897,336)
-25	371,477	448,674
-50	742,967	897,336

Interest rate risk

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

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

32. RISK MANAGEMENT (continued)

2009	Carrying amount RON	1 week RON	Less than 3 months RON	3 to 12 months RON	1 to 5 years RON	Over 5 years RON	Non-interest bearing RON
Assets							
Cash and balances with Central bank	404,198,793	345,324,672	-	-	-	-	58,874,122
Due from banks	14,428,370	13,506,406	-	-	-	-	921,965
Derivatives assets held as hedges	13,142,468	4,459,567	8,471,491	211,410	-	-	-
Loans and advances to customers	2,842,683,832	564,567,306	1,851,845,273	53,395,022	205,456,928	167,419,303	-
Financial investments available-for-sale	156,161,536	50,000,000	46,077,893	60,083,643	-	-	-
Total	**3,430,615,000**	**977,857,950**	**1,906,394,657**	**113,690,075**	**205,456,928**	**167,419,303**	**59,796,086**
Liabilities							
Due to banks	1,373,309,795	504,417,970	653,122,017	162,714,899	51,995,498	1,059,411	-
Derivative liabilities held as hedges	8,742,226	-	-	8,742,226	-	-	-
Due to customers	1,094,099,245	630,289,903	278,660,501	154,112,248	28,956,567	2,080,026	-
Total	**2,476,151,267**	**1,134,707,873**	**931,782,518**	**325,569,373**	**80,952,065**	**3,139,437**	**-**
Total interest sensitivity gap	**954,463,734**	**156,849,923**	**974,612,139**	**211,879,298**	**124,504,863**	**164,279,866**	**59,796,086**

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

32. RISK MANAGEMENT (continued)

2008	Carrying amount	1 week	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
	RON	RON	RON	RON	RON	RON	RON
Assets							
Cash and balances with Central bank	822,537,932	764,311,632	-	-	-	-	58,226,300
Due from banks	1,884,610	943,392	-	-	-	-	941,218
Derivatives assets held as hedges	13,446,656	5,271,486	8,175,170	-	-	-	-
Loans and advances to customers	2,135,175,862	214,098,672	1,630,091,182	36,099,479	139,923,981	114,962,548	-
Financial investments available-for-sale	13,126,568	-	4,162,982	496,593	8,466,993	-	-
Total	**2,986,171,628**	**984,625,181**	**1,642,429,335**	**36,596,072**	**148,390,973**	**114,962,548**	**59,167,519**
Liabilities							
Due to banks	1,671,142,914	739,823,914	664,165,132	201,151,755	55,028,297	10,973,816	-
Derivative liabilities held as hedges	8,509,199	-	269,400	8,239,800	-	-	-
Due to customers	631,997,400	406,303,801	165,261,268	50,274,722	8,405,872	1,751,736	-
Total	**2,311,649,512**	**1,146,127,715**	**829,695,800**	**259,666,277**	**63,434,169**	**12,725,552**	**-**
Total interest sensitivity gap	**674,522,115**	**161,502,534**	**812,733,535**	**223,070,205**	**84,956,804**	**102,236,996**	**59,167,519**

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

32. RISK MANAGEMENT (continued)

Currency risk – FX Position

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

The table below indicates the currencies to which the Bank had significant exposure at 31 December 2009. The analysis calculates the effect of a reasonably possible movement of the currency rate against RON, with all the other variables held constant on the income statement (due to the fair value of currency sensitivity non-trading monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase

		Effect in the income statement	
Currency	**Changes (%)**	**2009**	**2008**
EUR	+10	2,489,487	825,019
USD	+10	(1,968,885)	(39,531)
OTHER	+10	230,470	74,604
TOTAL Effect	**+10%**	**751,072**	**860,092**

		Effect in the income statement	
Currency	**Changes (%)**	**2009**	**2008**
EUR	-10	(2,489,487)	(825,019)
USD	-10	1,968,885	39,531
OTHER	-10	(230,470)	(74,604)
TOTAL Effect	**-10%**	**751,072**	**860,092**

32.5 Operational risk

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

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

33. CAPITAL

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

Capital management

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

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory capital	**Actual 2009**	**Actual 2008**
Tier 1 Capital	519,062,675	528,392,568
Tier 2 capital	543,333	337,842
***Total capital**	**519,606,008**	**528,730,410**

*The Capital is calculated according to the NBR Regulation no. 18/2006 on IFRS data.
**Represents the capital requirement for credit risk, calculated according to the NBR Regulation no. 13/2006 on IFRS data.