ANNUAL REPORT 2010

INTESA SANPAOLO BANK

Thinking ahead with you.

Bank of INTESA SANPAOLO

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1. Introduction

Intesa Sanpaolo Bank's Management has the pleasure to present its Annual Report to the shareholders of the Bank. This comprises summary management reviews, the audited financial statements accompanyed by the audit report for the year ended 31 december 2010.

The annual financial statements included in the Annual Report was prepared in accordance with International Financial Reporting Standards and audited in accordance with International Standards on Auditing.

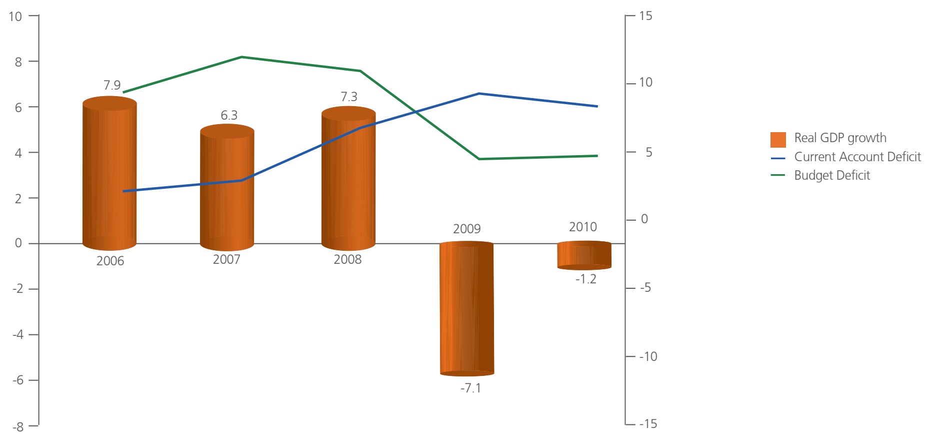
Exchange rates

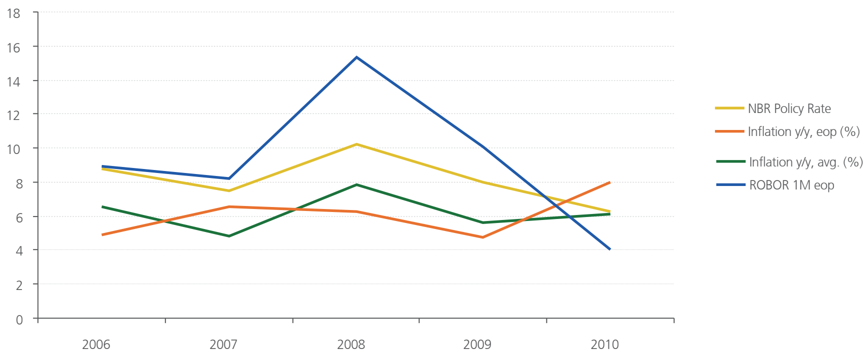
The following mid exchange rate set by the NBR, rulling on December 31, 2010, has been used to translate balances in foreign currency on that date: ***1 EUR=4,2848 RON***

2. Macroeconomic Environment

2010 Macroeconomic Performance

In 2010 the Romanian economy started with a vivid memory of a steep adjustment in the external indicators during the course of 2009. The adjustment theme continued into 2010 and the need to reposition the state budget on the new realities in the economic environment prompted measures that brought the budget deficit from 7.2% in 2009 to 6.5% in 2010. Among such measures the most painful and unpopular were the midyear VAT hike from 19% to 24% and the 25% cut in public sector employee payrolls. The adjustment measures weighted heavily on consumption and as a consequence, real GDP growth stayed in negative territory in 2010 (-1.2%) for the second year in a row.





The impact of the 5% hike in the VAT was only partly offset by the cut in public wages and though below potential impact, the inflation behavior suffered a shock that will impact the headline inflation number until July of 2011 when the statistical base effect will dissipate. Accommodative monetary policy contained the risk of secondary effects and broke a vicious inflationary circle. External food prices as well as internal administered prices kept the upward pressure.

The currency exchange rate was stable for the most part of the year. External risk factors were rather well contained and there were not significant spillover effects. Political risk stemming from a narrow ruling majority in the Parliament and a keenly watch agreement with the international lenders (IMF, the European Union and the World Bank) was the main theme for FX during 2010. Moral suasion from National Bank of Romania also helped keep the currency exchange rate stable which in turn helped the real economy, providing a stable environment out of which exports stand out with a roaring 28.1% yearly growth in 2010.

The strong, continued export growth during 2010 acted as a multiplier in the economy and provided the strong base for GDP turnaround in 2010, when it posted a 1.2% contraction as opposed to 2009 when Romania recorded 7.1% real GDP contraction. Foreign demand for Romanian capital goods (especially transportation means) and long term use goods had a stellar performance and brought export levels 10% above the 2008 level.

International environment risk awareness kept a lid on foreign direct investments which recorded 2.6 billion Euros inflows (down from 3.6 billion Euros the previous year). FDI financed 50.3% of the current account deficit in 2010, compared to 96.9% in 2009 and 58.6% in 2008.

Total external debt increased to 90.76 billion Euros at the end of December 2010, from 81.16 billion Euros at the end of December 2009. Both components, short term debt as well as medium and long term debt increased as the Government stepped in to replace private credit creation. Thus from double digit growth rates in 2008, at the end of 2009, non government credit was down 3.6% in real terms and at the end of December 2010 credit creation stayed in negative territory posting a 3% yearly contraction.

The adjustment in the external indicators and the protracted recession extended the monetary easing cycle into 2010 driving monetary policy rate to an all time low of 6.25%. This allowed the banking sector to make credit less expensive, average interest rate for non bank customers in 2010 was 14.11%, from 17.30% the previous year. Deposit rates for non bank customers also came down in 2010 to 7.29% from 11.89% a year before. However, the accommodative monetary conditions were shadowed by the extreme weakness on the demand side, but it did provide significant incentive for Government securities helping the banking system to replace private credit and the state budget to lower costs.

In 2011, the Romanian economy focus will stay on the public sector. State owned companies will come under increased scrutiny and public servants will continue to be under pressure as the Government will seek ways to bring the budget deficit to 4.4% and to stimulate investments at the same time.

2011 Macroeconomic Outlook

In 2011, real economic growth appears to be on track because fiscal measures that weigh on consumption are unlikely to add the strain it did in the past as the bulk of the adjustment was already made. The low statistical base set in 2010 is another factor but with of a lesser importance. The external environment is likely to be a source of risk, especially considering that Romania's biggest trade partner, the Eurozone, will implement austerity measures. Therefore, real growth rate is expected to be come under 1%, significantly below potential.

Inflation behavior is likely to be dominated by factors that fall out of the influence of the monetary policy. Most likely, the inflation curve will point out two main points. First will be at the beginning of the year when a lower exchange rate, the absence of the hiked excise duties and a depressed consumer will be a drag on prices. Second, and more visible will be in July, when the base effect of the VAT hike will dissipate. International food prices and internal administered prices are the biggest risk to inflation for the course of 2011.

The precautionary agreement reached with the IMF is likely to shelter the currency exchange rate from a sudden drop in confidence on the international markets. On the local front, reform implementation and political risk is likely to pose the biggest risk. Thus, IMF rhetoric on Romania will be closely watched and any negative assessment is also likely to weigh on asset prices.

State budget financing needs are unlikely to be a serious challenger for private credit in 2011, especially considering the planned Eurobond issue. Therefore, the banking sector will fight over the small solvable private demand. Households still reel from past events and consumption behavior is unlikely to change dramatically.

Lending rates and deposit rates are unlikely to have considerable room lower, in an environment dominated by inflationary pressures coming from international food prices and internal administered prices. Since those factors are not monetary in essence, rate expectations will likely to take note.

Credit rates and deposit rates are likely to continue to move closer to one another, thus the spread narrowing will continue to bite from banks profits and sharpen competition. The players with most synergies, better service, suitable products and best cost control are likely to be favored as will.

3. Business profile

There are 42 banks currently operating in Romania, out of which 2 have state controlled capital, 4 with majority private Romanian capital, 25 banks having international capital, 10 branches of foreign banks and 1 credit cooperative.

Intesa Sanpaolo Bank is member of Intesa Sanpaolo, one of the top banking groups in the Europe and leader in Italy in all business areas.

The history of the bank on the local market began since 1996, in West of the country, in Arad, as a financial institution mainly focused on SMEs segment and on Italian investors.
Starting with January 14th 2008 the bank was rebranded, following the Group international process of rebranding, and targeting now individuals, SMEs and large companies.

Intesa Sanpaolo Bank is an universal bank with ambitious objectives in delivering high quality products and services to individuals, small and mid sized enterprises, as well as large corporations.

Intesa Sanpaolo Bank at a Glance (as December 2010)

- Employees: 787
- Customers: 85 thousands
- Network: 81
- Total assets: 3951 mln
- Credit portfolio: 3116 mln (gross exposure)
- Client deposits: 1509 mln
- Net profit/(loss): (43.2) mln
- Net operating profit : 28.3 mln

Network

At the end of december 2010 the bank had a network of 81 branches. The branch network is split into two areas – WEST and EAST area. Through this organization model, the branches receive an effective support on the business side, support that is reflected in the quality of service provided to the client.

Corporate Banking

Corporate definition in Intesa Sanpaolo Bank Romania is represented by all the legal entities resident or nonresident in the country. The bank has a small but efficient structure in the Head Quarter while is leveraging on a very good and professional branch network.

Supported by powerful electronic distribution channels, our network of well organized branches is the key driving force in serving our clients efficiently.

Due to its wide network of correspondent banks, Intesa Sanpaolo Romania offers its clients fast and affordable services in the area of international payments.

Also, Intesa Sanpaolo Bank Romania has a very quick process of handling domestic payments. The Bank directly participates in the national clearing system and thus has the ability to process any payment through the most appropriate channel. Improved with the new functionality, Internet Banking for corporate clients is available for both domestic and international payments.

In terms of finance banking, Intesa Sanpaolo Bank is a challenging participant on the Romanian market. Despite having a smaller number of branches compared with the top 10 banks, Intesa Sanpaolo Bank Romania has developed many contemporary products and has largely initiated the development of the financial market in the country. Consequently, the Bank, has an active role in the foreign exchange market, money market and primary and secondary capital market.

In order to keep up this level of services, the bank established dedicated new offices in Corporate Department structure:

- Product and Segments Office, that enlarges services like: Cash Management, Lending and Business Development & Segments all being focused on offering innovative products on the market.
- The Large Corporate Office, that is responsible for business transactions with large domestic companies, companies in foreign ownership, as well as with foreign legal entities - non-residents.

- Structured Finance Office, deals with projects related to specialized lending transactions, such as: project finance (including real estate financing), acquisition finance, investment loans, public finance, syndications and other transactions (i.e. factoring, trade finance).
- International Desk Office, that provides advisory services for the foreign customers. Apart from conducting business relations, this unit also assists foreign investors in the process of setting up a new company.The International Desk department is responsible for establishing and developing co-operation with foreign entities (foreign companies and private individuals engaged in business activities.

Retail Banking

The EC retail banking market competition was kept at a high level even through the crisis period, in which prudentiality was the main set objective.

The experience of the financial market evolution during the economic crises underlined the necessity of focusing on an cost efficiency, operating management policy and expansion strategy through distribution channels.

The cost efficiency through optimization and reorganization is mandatory in order to maintain an optimal level of financial wellness; for example, running a transparent cost optimization program by means of administration costs generated within the Bank.

The challenges of the banking environment are given by the objective of generating revenues in condition of low interest rates while raising capital and reducing risk.

In accordance with its business philosophy, the bank is focusing on the client's needs and demands.

The main target actions should be directed in the area of:

- Increasing the customer proximity through alternative distribution channels (web site, Internet Banking, brokers, Call Center, etc)
- Developing customized products and services by anticipating the customers needs and intentions and turning the products into modern lifestyle offers
- Applying an efficient commercial reaction to the market changes
- Specializing the sales force and backoffice teams
- Developing customer loyalty.

The Retail Department is structured as follows:

- Sales Office - is responsible with monitoring and developing retail sales, offering support to the sales forces, developing efficient tools and identifying new sales initiatives and opportunities and monitoring competition. The main focus is on following the marketing strategy on the Bank's retail products including: consumer loans, residential mortgage, certificates of deposit and money market accounts, credit cards etc.
- Alternative Channels Office – is responsible with increasing the retail segment profit while achieving value for customers by developing and composing an adequate alternative channels mix. The key-strategies for successful customer growth and profit maximization driven by sales through alternative channels of distribution are building up a strong Direct Sales Agent network. The network offers consultancy on our retail lending products (ISF), expands the cooperation with the brokers, and supports the strategic partners in extending the network. Some of the main sectors are: Call Center Sector, Internet Bankig Sector, Indirect Sales Force Sector, Money Transfer.
- Products Office - is managing, developing and administrating the retail products in term of product features, pricing and procedure, developing efficient tools, monitoring the market evolution, identifying the new opportunities of developing the retail products catalogue and services.The Products Office has dedicated bureaus like: Products and Segments Bureau, Cards Bureau.

4. Corporate Social Responsibility Initiatives

CSR is Intesa Sanpaolo Group’s priority, to contribute positively to the comunities where is present. Following the Group guidelines, Intesa Sanpaolo Bank has initiated and invested with responsibility in important CSR projects, especially supporting education and sport activities among young people and children:

- Scholarship Intercultura – is a project dedicated to Romanian high school students with potential, through which they can have the opportunity to study in Italy.
- Milan Junior Camp – is a sport event organized in partnership with AC Milan football club, through which is promoted sport among children and their families.
- Collaboration with Save the Children – to educate youngsters and children on projects concerning health and social development.
- Overland for Smile – a project that facilitates the dental treatment for children through a caravan that is travelling all over the country.

Scholarship Intercultura

It became a tradition, already the fourth consecutive year for Intesa Sanpaolo Bank to offer scholarship in Italy for Romanian high school students in 9th-10th grades. The bank is supporting this education initiative by offering 12,000 Euros scholarships.

The candidates are selected after an interview organized by a special Italian committee from Intercultura Foundation.
Intercultura Foundation / AFS is an international, nonprofit organization that provides opportunities for intercultural educational exchanges to help the ones interested to develop their knowledge and skills. The Foundation has been active since 1919 and organized cultural exchanges in over 90 countries. Since 2005, the Foundation has been working with Intesa Sanpaolo Group in organizing programs for students from countries where the Group activates.

After passing the interview, the winners are being integrated in Italian families, are learning the language, are getting acquainted with the customs and traditions of the country. All necessary expenses are supported by the program Intercultura Scholarship, which is a social responsibility program fully upholded by Intesa Sanpaolo Bank.

Milan Junior Camp

Milan Junior Camp is a sporting event, organized by Intesa Sanpaolo Bank in partnership with AC Milan, for children aged 7-14 years who are passionate about football and who want to learn the secrets of the game directly from the technical staff for juniors of AC Milan. This official project of the most popular Italian club, AC Milan, began in Milan in 1997 and it was designed as a summer sport camp for a week, where Intesa Sanpaolo Group is the main sponsor.

In 2010 between January and August, in 42 countries, over 15,000 children participated in one of the 279 weeks of football, sports and entertainment. Two of the most talented children from camps were invited to Milan, with their families to participate to the final of this tournament, Milan Junior Camp Day. This event took place between 15-17 October, in the sports complex Vismara, one of the AC Milan training centers, and the special guest of the gala was Daniele Massaro, one of the club's legends. At the end, all participants watched live on San

Siro Stadium the football match AC Milan - Chievo Verona. Romania is the tenth country in our Group where Milan Junior Camp program was a success.

Save the Children Social program “Growing Together”

Intesa Sanpaolo Bank Romania is one of the partners of the social program "Growing Together", developed by Save the Children organization. The program aims to reduce the negative impact among Romanian children whose parents are working abroad. The project “Growing Together” offers social, psychological and educational assistance to the children whose parents are working in Italy.

Save the Children Romania is a nongovernmental, non-profit organization that promotes children's rights since 1990, according to the United Nations Convention concerning the Children’s Rights. It is member of the International Save the Children Alliance, the world's largest independent organization, which includes 27 members and promotes programs devoted to children’s rights in over 120 countries.

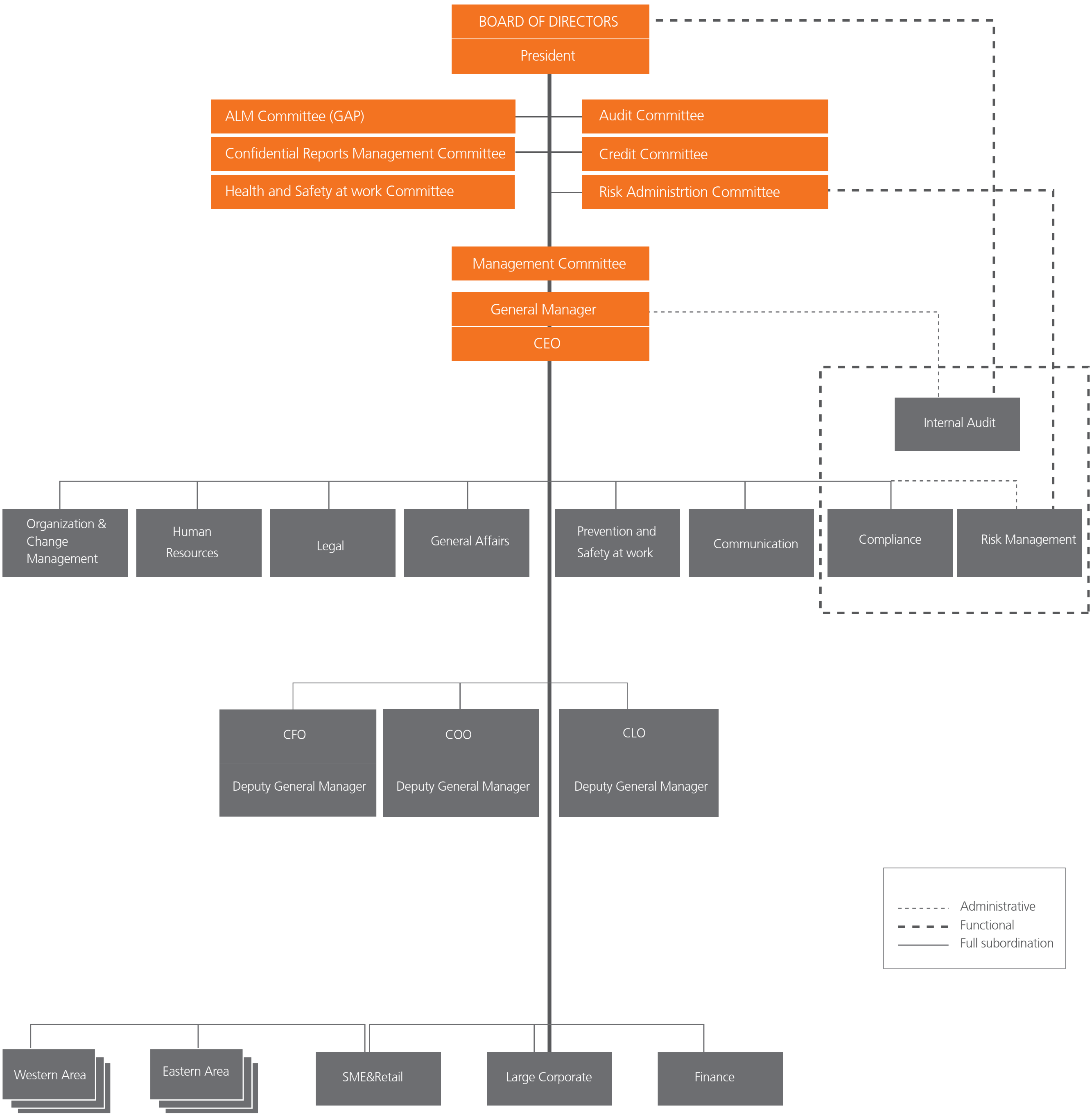
In Romania the program dedicated to the children left alone at home is active in 8 schools (from the following cities: Timis, Caras, Hunedoara County, Dambovita, Arges, Bucharest and Constanta) and is called "School after school". Here the children benefit of additional trainings and individual counseling. Every program involves a teacher, a school counselor / psychologist and a social worker. The personnel involved in this program keeps in touch with the people taking care of the children, visits them and offers training and counseling. Till now there are 234 children beneficiaries of this program.

Overland for Smile

Overland for Smile is one of the most extensive free dental care programs for children and is carried out through a medical caravan and an Italian team of volunteer doctors. In 2010, the campaign lasted from June to September in 5 counties and it has been performed over 1500 dental treatments and 3000 consultations.

The project Overland for Smile was initiated in 2005 to assist free dental care for children around the world, sharing information / methods of prevention of dental diseases and last but not least, exchanges of experience between dental associations and universities from Romania and Italy.

5. Organizational Chart
Head Office



6. Board of Directors

As at 31 December 2010 the Board of Directors of the Bank comprised the following members:

1.	Giovanni Ravasio	President
2.	Nicola Calabro	Member
3.	Riccardo Parasporo	Member
4.	Daniele Bordina	Member
5.	Riccardo Poli	Member
6.	Giampiero Trevisan	Member
7.	Adriana Saitta	Member

7. Intesa Sanpaolo Group

Intesa Sanpaolo Group was born on January 1st 2007 following the merger of two banks from Italy: Banca Intesa the leader on this market has joined forces with the group Sanpaolo IMI.

Intesa Sanpaolo Group is one of the first four financial institutions from Europe and one of the first ten in the world.

The Group offers financial services and products for different segments of clients from retail to large companies. Intesa Sanpaolo sustains also the economical growth of the countries where is present.

Intesa Sanpaolo has a selected presence in Central-Eastern Europe and in the Mediterranean basin with a network of approximately 1,792 branches and 8.6 million customers of subsidiaries operating in retail and commercial banking in 13 countries. Moreover, the international network specialized in supporting corporate customers is present in 30 countries, in particular the Mediterranean area and those areas where Italian companies are most active, such as the United States, Russia, China and India.

Beyond the financial performances and its global vision, Intesa Sanpaolo is an important social player as it supports and invests in projects of social responsibility from various domains such as ecology, art, culture, sport and music. As proof to that, Intesa Sanpaolo is for over 20 years one of the sponsors of the AC Milan football club or of the famous Scala di Milano opera house.

8. Five year summary and financial highlights of Intesa Sanpaolo Bank Romania

	2010	2009	2008	2007	2006	CAGR 2006-2010
Income statement and balance sheet						
Net operating income	185	172	150	85	61	32%
Net operating profit	28	37	40	26	23	6%
Net profit for the year	-43	0	15	17	22	
Total Assets	3,951	3,056	2,797	1,795	1,097	38%
Loans and advances to customers	2,956	2,331	1,834	1,124	563	51%
Due to customers	1,509	1,090	631	644	511	31%
Shareholders' equity	623	544	543	166	149	43%
Other data (management accounts)						
Return on average equity	-7.2%	0.1%	4.0%	11.0%	18.2%	
Return on average assets	-1.2%	0.0%	0.7%	1.2%	2.4%	
Assets per employee (RON ths)	5,021	3,537	3,330	2,971	2,203	23%
Cost/Income Ratio	84.7%	78.7%	73.2%	69.1%	63.0%	
No. of employees	787	864	840	604	498	12%
No. of branches	81	96	92	50	38	21%
No. of customers (ths)	85	75	62	47	39	22%

9. Report from the TOP MANAGEMENT

Local economy and banking industry

Conditions in the Romanian market remained highly challenging also in 2010 following a significant contraction in economic sector over the last two years in a row. Actually Romania remained one of the very few states in Europe with a negative growth last year, after most of the countries in the euro zone got out of the recession and restarted the positive trend of their local economies.

Due to very good capitalization (Capital Ratio is around 15%), most of the local banks absorbed all immediate shocks in the real economy. Meanwhile, their foreign parent companies, including Intesa Sanpaolo Group, reassured the commitment that they will continue to support their subsidiaries and maintain their exposures within Romania providing additional comfort for the business environment and easing the pressure on the domestic currency (RON).

Nevertheless, the Romanian banking system ended 2010 with net losses of 304 billion lei (71 billion euro) for the first time in over 10 years of sound profitability and success. For a quick comparison, take into account that in 2009 the overall net profit of local banking system rose up to 815 million lei. According to the National Bank of Romania (NBR) more than half of the 42 banks present in Romania reported losses in 2010.

Also for Intesa Sanpaolo Bank Romania was a tough year and the bank adapted its strategy to the challenging economic realities and made also some difficult, but necessary changes in order to balance its activity and to move forward when the local economy will restart as is forecasted for 2011 by most of the business analysts.

Consolidation of the local activities and results

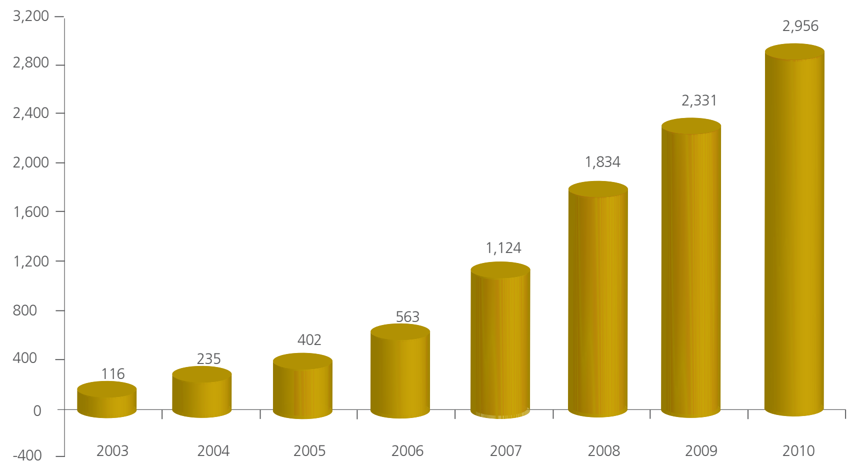
The bank managed to stay close to its clients and business partners even if the branch network was restructured to be even more efficient, both in terms of retail as well as corporate. On the one hand, our focus was consolidation of our activities and on raising further volumes in a new macroeconomic environment, while at the same time maintaining cost discipline.

Regarding the overall business performance, Intesa Sanpaolo Bank Romania grew on volumes and market share on deposits as well as on credits sector, in average more than 5 times compared to the overall results of the local banking system. The profit of the bank was nevertheless affected.

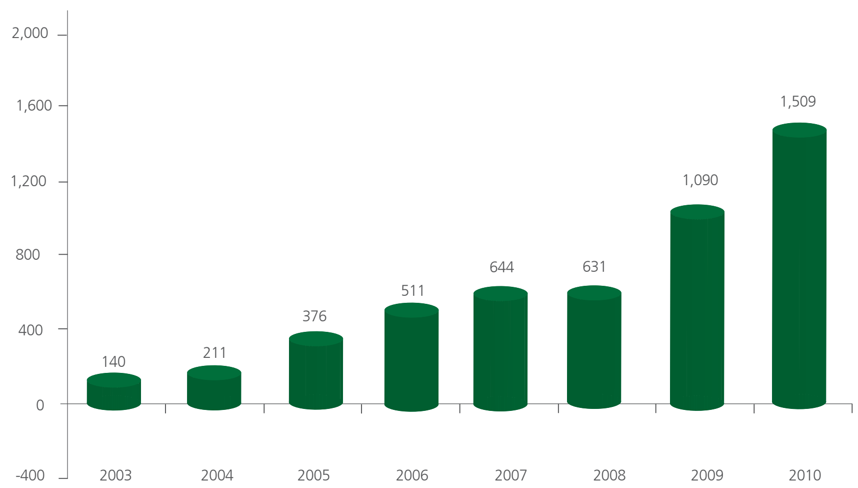
An additional top priority for our bank was in 2010 to focus more on increasing the synergies with the parent bank – Intesa Sanpaolo Group and as a result Romania was a successful pilot for International Business Development, a project that aims to leverage exactly on the international clients and corporations that are working in different markets. Another sign of further commitment on the local market from our mother bank was the increase of the share capital with an additional cash contribution of 30 million euro that rose up the initial ceiling with 50%.

2010 represented a good year from the volumes perspective, with loans to customers increasing by 27% and deposits from customers by more than 38%, well above the average of the local banking system in 2010. In these conditions, the bank's market share increased by 27 bps to 1.4% for loans and by 18 bps to 0.8% for deposits.

Loans to customers – 2003-2010 (RON mln)

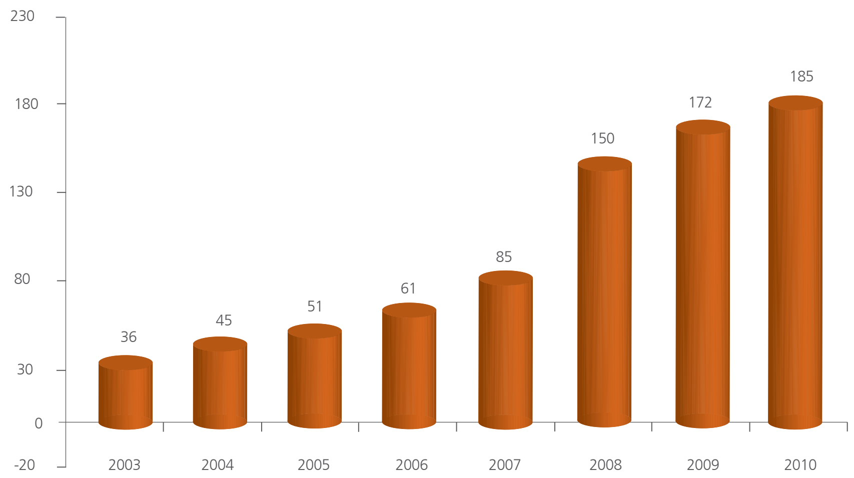


Deposits from customers – 2003-2010 (RON mln)

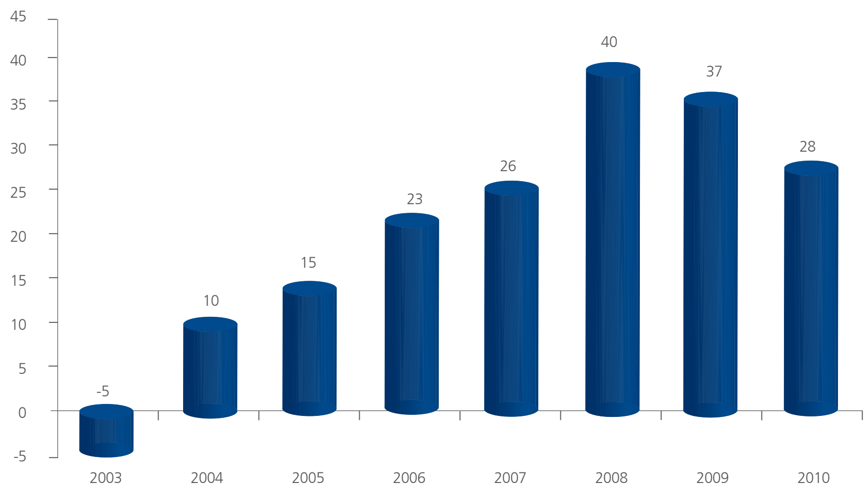


However, the last year was marked by the high increase of the non-performing loans and more than the increase of provisioning level (coverage ratio) based on the prudent approach of the bank. Also, in 2010 the bank started a revision of the territorial network and related structures from Head-Office and decided to close some of the branches which had low performance, the number of branches at the end year reaching 81 from 96 at the end of previous year.

Net operating income – 2003-2010 (RON mln)



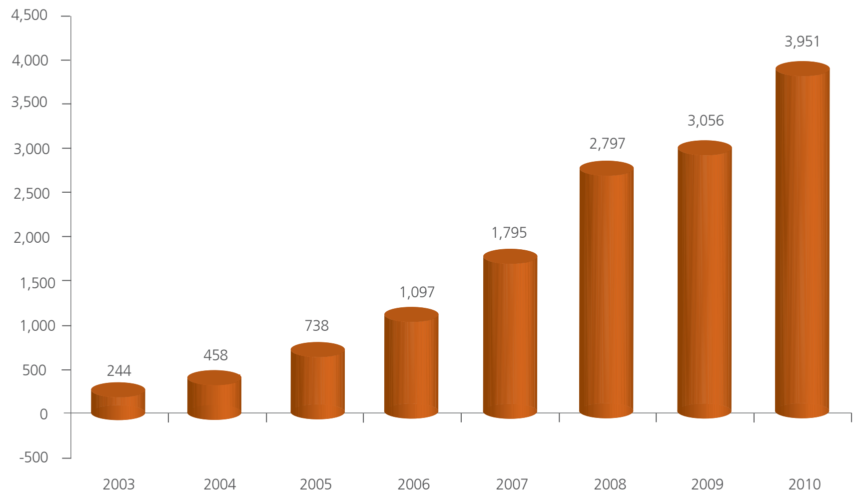
Net operating profit – 2003-2010 (RON mln)



Intesa Sanpaolo Bank's total assets reached almost 4 billion RON (922 mln Euros) at the end of 2010, 29% increased compared with December 2009. The net operating income increased by 7% reaching 185 mln RON (43 mln Euro), while the net operating profit decreased by 23% to 28 mln RON due to the restructuring costs in 2010. If these costs are excluded, the bank's net operating profit would have increased by 25% thanks to the combined effect of commercial volumes increase and cost control initiatives.

In 2010 the bank continued to improve the loan to deposit ratio and the structure of local currency versus euro of it's customer related business.

Total assets – 2003-2010 (RON mln)



Together we can do more

Following the social and community involved platform developed in the past and the sustainability model and best practices of its mother bank – Intesa Sanpaolo Bank Romania continued to invest in real project that brought edit value or at least hope to the people. Our international scholarships program Intercultura reached now the third edition in a row and also Milan Junior Camp, the first official project one of the biggest football clubs in the word – namely AC Milan was delivered with great success on the local market by our bank.

A significant corporate social responsibility project was put in practice together with Save the Children Romania targeting some of the children that were affected by the lack of one of both of the parents that went to work abroad in order to better sustain their families.

Despite the recent challenges and the future economic predictions for Romania that are rather weak comparing to some other countries from this region the potential for this country is still considerable. Romania remains an attractive country for a lot of foreign investors and especially for Intesa Sanpaolo Group that has great expectations here. Each person in our bank can make the difference for itself and for all of us as a more efficient, more focused and more business and customer oriented bank.

10. SEPARATE FINANCIAL STATEMENTS

prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union

31 December 2010

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Independent Auditor's Report

To the Shareholders of Banca Comerciala Intesa Sanpaolo Romania SA

1. We have audited the accompanying financial statements of BANCA COMERCIALA INTESA SANPAOLO ROMANIA SA (the "Bank"), which comprise the separate statement of financial position as at 31 December 2010, and the income statement, the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statement

2. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted for use in the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

6. In our opinion, the separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the European Union.

Ernst & Young

Ernst and Young Assurance Services SRL

Bucharest, Romania

2 March 2011

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2010	2009 As previously issued	2009 Restated
Interest and similar income	3	229,764,366	245,353,341	245,353,341
Interest and similar expense	4	(85,565,853)	(112,932,628)	(112,932,628)
Net interest income		**144,198,513**	**132,420,713**	**132,420,713**
Fee and commission income	5	23,164,693	21,370,224	21,370,224
Fee and commission expense	5	(5,036,099)	(2,429,611)	(2,429,611)
Net fee and commission income	5	**18,128,594**	**18,940,613**	**18,940,613**
Net trading income	6	17,376,968	16,174,799	16,174,799
Other operating income	7	6,892,137	3,861,775	3,861,775
Total operating income		**186,596,212**	**171,397,900**	**171,397,900**
Credit loss expense	8	(77,155,631)	(36,420,096)	(36,420,096)
Net income from other financial transactions	9	(1,769,166)	794,862	794,862
Net Operating Income		**107,671,415**	**135,772,666**	**135,772,666**
Personnel expenses	10	(64,209,794)	(59,341,388)	(59,341,388)
Depreciation of property and equipment	18	(10,843,277)	(10,707,005)	(11,171,428)
Amortization of intangible assets	19	(5,063,696)	(4,240,483)	(4,240,483)
Other operating expenses	11	(76,452,002)	(61,145,226)	(61,145,226)
Total operating expenses		***(156,568,769)***	***(135,434,102)***	***(135,898,525)***
(Loss)/Profit before tax		**(48,897,354)**	**338,564**	**(125,859)**
Income tax (expense)/revenue	12	5,660,377	(21,826)	52,481
(Loss)/Profit for the year		**(43,236,977)**	**316,738**	**(73,378)**
Attributable to:				
Equity holders of the parent		**(43,236,977)**	**316,738**	**(73,378)**
Non-controlling interest		-	-	

The financial statements on pages 29 to 102 were approved and signed on behalf of the Board of Directors on 2 March 2011 by:

Armando Marco Sala
Deputy General Manager

Catello De Simone
Chief Financial Officer

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2010	2009 As previously issued	2009 Restated
Profit/(Loss) for the year		**(43,236,977)**	**316,738**	**(73,378)**
Other comprehensive income				
Net gain/(loss) on available-for-sale financial assets		(17,216)	952,791	952,791
Income tax relating to components of other comprehensive income		2,755	(152,447)	(152,447)
Other comprehensive income/(loss) for the year, net of tax		**(14,461)**	**800,344**	**800,344**
Total comprehensive income/(loss) for the year, net of tax		**(43,251,438)**	**1,117,082**	**726,966**
Attributable to:				
Equity holders of the parent		**(43,251,438)**	**1,117,082**	**726,966**
Non-controlling interest		-	-	-

Armando Marco Sala
Deputy General Manager

Catello De Simone
Chief Financial Officer

The accompanying notes on pages 34 to 102 form an integral part of these financial statements.

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2010	2009 Restated	As at 1 January 2009 Restated
ASSETS				
Cash and balance with central banks	13	509,516,437	400,722,279	817,065,239
Due from banks	14	194,733,945	18,722,711	6,568,825
Derivative financial instruments	15	10,623	609,740	1,439,748
Loans and advances to customers	16	2,956,322,661	2,330,900,544	1,833,747,005
Financial investments available-for-sale	17	149,098,295	154,348,038	11,621,690
Equity investments in Intesa Leasing	17	8,745,612	2,400,612	-
Property and equipment	18	105,270,362	107,870,387	99,425,617
Intangible assets	19	11,321,881	11,801,328	9,295,455
Deferred tax assets	12	3,618,971	-	-
Other assets	20	12,657,080	25,016,914	15,356,004
TOTAL ASSETS		**3,951,295,867**	**3,052,392,553**	**2,794,519,583**
LIABILITIES AND EQUITY				
Due to banks	21	950,970,586	421,429,121	582,100,363
Derivative financial instruments	15	144,355	846,431	3,774,954
Due to customers	22	1,508,764,569	1,090,217,284	631,098,880
Other borrowed funds	23	839,085,826	975,960,375	1,004,578,748
Current income tax liabilities		-	28,667	675,393
Deferred tax liabilities	12	-	2,076,410	1,218,974
Other liabilities	25	11,653,641	10,566,559	14,270,572
Provisions	24	17,445,313	9,784,691	16,045,650
TOTAL LIABILITIES		**3,328,064,290**	**2,510,909,538**	**2,253,763,534**
EQUITY				
Share capital	26	416,285,910	291,285,910	291,285,910
Share premium		251,628,890	251,628,890	251,628,890
Accumulated deficit	27	(62,054,242)	(18,817,265)	(18,514,986)
Available-for-sale reserve	28	191,030	205,491	(594,853)
Other reserves	28	17,179,989	17,179,989	16,951,088
		623,231,577	**541,483,015**	**540,756,049**
			-	-
TOTAL EQUITY		**623,231,577**	**541,483,015**	**540,756,049**
TOTAL LIABILITIES AND EQUITY		**3,951,295,867**	**3,052,392,553**	**2,794,519,583**

The financial statements on pages 29 to 102 were approved and signed on behalf of the Board of Directors on 2 March 2010 by:

Armando Marco Sala

Deputy General Manager

Catello De Simone

Chief Financial Officer

The accompanying notes on pages 34 to 102 form an integral part of these financial statements.

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2010	2009
Cash flows from operating activities			
Profit / (Loss) before taxation		(48,897,354)	338,564
Adjustments for:			
Change in operating assets	30	(612,463,165)	(505,984,442)
Change in operating liabilities	30	961,143,707	347,782,253
Non-cash items included in profit before tax	30	23,489,463	8,531,448
Net gain / (loss) on investing activities	17	(8,117,815)	(605,211)
Income tax paid			-
Net cash flow from operating activities		**315,154,836**	**(149,937,388)**
Investing activities			
Purchase of property, equipment and intangible assets	18	(4,516,907)	(19,701,161)
Proceeds from sale of property and equipment	18	3,302,356	127,123
Purchase of intangible assets	19	(4,585,452)	(6,746,356)
Purchase of financial investments	17	(152,280,550)	(251,507,731)
Proceeds from sale of financial investments	17	158,110,431	110,000,000
Acquisition of subsidiaries, net of cash acquired	17	(6,345,000)	(2,400,612)
Dividends received	7	510,178	563,050
Net cash flows from/(used in) investing activities		**(5,804,944)**	**(169,665,687)**
Financing activities			
Repayment of other borrowed funds		(149,544,500)	(84,586,000)
Proceeds from issue of share capital	26	125,000,000	-
Net cash flows (used in)/from financial activities		**(24,544,500)**	**(84,586,000)**
Net Increase in cash and cash equivalents		284,805,392	(404,189,075)
Cash and cash equivalent at 1 January		419,444,990	823,634,064
Cash and cash equivalents at 31 December	**28**	**704,250,382**	**419,444,990**
Operational cash flow from interest			
Interest paid		85,779,413	115,022,453
Interest received		235,714,143	244,721,827
Dividend received		515,272	563,049

Armando Marco Sala

Deputy General Manager

Catello De Simone

Chief Financial Officer

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

		Attributable to equity holders of the Bank					
	Note	Share Capital	Share Premium	Accumulated deficit*	AFS reserves	Other reserves	Total
Balance at 1 January 2009 restated	**27**	**291,285,910**	**251,628,890**	**(18,514,986)**	**(594,853)**	**16,951,088**	**540,756,049**
(Loss)/Profit for the year		-	-	(73,378)	-	-	(73,378)
Total comprehensive income					800,344	-	800,344
Transfer		-	-	(228,901)	-	228,901	-
Balance at 31 December 2009 restated		**291,285,910**	**251,628,890**	**(18,817,265)**	**205,491**	**17,179,989**	**541,483,015**
Balance at 1 January 2010 restated		**291,285,910**	**251,628,890**	**(18,817,265)**	**205,491**	**17,179,989**	**541,483,015**
Loss for the year		-	-	(43,236,977)	-	-	(43,236,977)
Total comprehensive expenses					(14,461)	-	(14,461)
Increase		125,000,000	-	-	-	-	125,000,000
Balance at 31 December 2010		**416,285,910**	**251,628.890**	**(62,054,242)**	**191,030**	**17,179,989**	**623,231,577**

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

Armando Marco Sala

Deputy General Manager

Catello De Simone

Chief Financial Officer

The accompanying notes on pages 34 to 102 form an integral part of these financial statements.

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

1. Banca Comerciala Intesa Sanpaolo Romania SA and its Operations

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

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

As at 31 December 2010 the Bank had 39 branches and 43 representative offices (2009: 39 branches and 57 representative offices).

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

In 2010 the average number of employees was 766 (2009: 865).

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 2010 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. Giampiero Trevisan	member
7. Riccardo Poli	member

*) Members of the Executive Committee

2. Basis of Preparation and Significant Accounting Policies

2.1. Basis of Preparation

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

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

Statement of compliance

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

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

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

a) the parent is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting financial statements;

b) the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

c) the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and

d) the ultimate or any intermediate parent of the parent produces financial statements available for public use that comply with International Financial Reporting Standards.

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

Presentation of Financial Statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 31.

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

2. Basis of Preparation and Significant Accounting Policies (continued)

2.2. Significant Accounting Judgments and Estimates

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

(a) Impairment losses on loans and advances

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

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is no objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups).

The impairment loss on the loans and advances is disclosed in more detail in Note 8, 16, and 34.

(b) Fair value of 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.

(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 2010, Management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax positions will be sustained.

2. Basis of Preparation and Significant Accounting Policies (continued)

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

(e) Impairment of available for sale investments

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

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

(f) Impairment of equity investments

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

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

(g) Going concern

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

2.3. Change in Accounting Policies and Estimates

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

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

- **IFRIC 17 Distributions of Non-cash Assets to Owners**
- **IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items**
- **IFRS 1 Additional Exemptions for First-time Adopters (Amended)**
- **IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)**
- **IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)**
- **Improvements to IFRSs (May 2008)** All amendments issued are effective as at 31 December 2009, apart from the following: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively.
- **Improvements to IFRSs (April 2009)**

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

2. Basis of Preparation and Significant Accounting Policies (continued)

- **IFRIC 17 Distributions of Non-cash Assets to Owners**

The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

- **IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items**

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- **IFRS 1 Additional Exemptions for First-time Adopters (Amended)**

According to this amendment entities which adopt IFRS for the first time are able: a) Not to reconsider if an existing agreement contains a lease (in accordance with IFRIC 4) in case such evaluation has been already performed in accordance with previous GAAP, b) To measure, upon conversion to IFRS, the deemed cost of oil products and natural gas at each carrying value in accordance with previous GAAP (regards companies which operate in oil and natural gas industry).

- **IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)**

This amendment clarifies the accounting for group cash-settled share-based payment transactions and how such transactions should be arranged in the individual financial statements of the subsidiary.

- **IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)**

The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

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

- **IFRS 2 Share-based Payment**

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

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

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

- **IFRS 8 Operating Segment Information**

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

- **IAS 1 Presentation of Financial Statements**

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

2. Basis of Preparation and Significant Accounting Policies (continued)

- **IAS 7 Statement of Cash Flows**

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

- **IAS 17 Leases**

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

- **IAS 18 Revenue**

The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

  - Has primary responsibility for providing the goods or service
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

- **IAS 36 Impairment of Assets**

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

- **IAS 38 Intangible Assets**

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

- **IAS 39 Financial Instruments: Recognition and Measurement**

The amendment clarifies that:

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

- **IFRIC 9 Reassessment of Embedded Derivatives**

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

2. Basis of Preparation and Significant Accounting Policies (continued)

- **IFRIC 16 Hedges of a Net Investment in a Foreign Operation**

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

Standards issued but not yet effective and not early adopted

- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Bank does not expect that the amendment will have any impact on its financial position or performance, as no such transactions have taken place.

- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)**

The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively. The Bank does not expect that the amendment will have any impact on its financial position or performance, as no such transactions have taken place.

- **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 is in the process of assessing the impact of the new standard 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 the amendment will have any impact on its financial position or performance, as no such transactions have taken place.

- **IAS 24 Related Party Disclosures (Revised)**

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

- **IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for the first time adopters (Amended)**

The amendment is effective for annual periods beginning on or after 1 July 2010. This amendment was issued on 28.1.2010 and exempts first-time adopters of IFRSs from providing the additional disclosures introduced by IFRS 7 on 5.3.2009.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.4. Future Changes in Accounting Policies

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

- **IFRS 1 First-time adoption, effective for annual periods beginning on or after 1 January 2011**

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

- **IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 July 2010**

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

- **IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2011**

This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

- **IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2011**

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- **IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 July 2010**

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

- **IAS 34 Interim Financial Reporting, effective for annual periods beginning on or after 1 January 2011**

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

- **IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after 1 January 2011**

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

2. Basis of Preparation and Significant Accounting Policies (continued)

- **IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)**

The amendment is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP. 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, however additional disclosures may be required.

- **IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amended)**

The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment introduces a new deemed cost exemption for entities that have been subject to severe hyperinflation. When an entity's date of transition to IFRS is on, or after, the functional currency "normalisation" date, the entity may elect to measure all assets and liabilities, held before the functional currency "normalisation" date, at fair value on the date of transition to IFRS. Additionally, the IASB removed the legacy fixed dates included in IFRS 1 for derecognition and day one gain or loss transactions and replaced those dates with the date of transition to IFRS. Earlier application is permitted. 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.

- **IAS 12 Deferred tax: Recovery of Underlying Assets (Amended)**

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

2.5. Comparatives

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

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

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

The impact of the restatement is following:

2. Basis of Preparation and Significant Accounting Policies (continued)

At 1 January 2009

	Computer software	Other intangible assets	Land and buildings	Computer Hardware	Other assets
Cost	17,706,463	60,083	91,221,762	7,802,589	30,392,413
Accumulated depreciation	8,141,163	45,528	13,029,306	6,360,930	8,114,673
Net book value	9,565,300	14,555	78,192,456	1,441,659	22,277,740

As at 1 January 2009 Restated

	Computer software	Other intangible assets	Land and buildings	Computer Hardware	Other assets
Cost	17,706,463	60,083	88,739,578	7,802,589	32,871,355
Accumulated depreciation	8,425,564	45,527	12,752,098	6,441,461	10,794,346
Net book value	9,280,900	14,555	75,987,481	1,361,127	22,077,009

2.6. Summary of Significant Accounting Policies

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

Monetary assets and liabilities denominated in foreign currency are translated in RON as at the statement of financial position date. At 31 December 2010 the exchange rate used for translating foreign currency balances was USD 1 = 3,2355 (2009:USD 1 = RON 2.9361)and EUR 1 = 4,2848 (2009: EUR 1 = RON 4.2282). Foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the income statement for the year.

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

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

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.6.2. 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 the Bank's investments at initial recognition.

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

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

(ii) Loans and receivables

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

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

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

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

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

(b) Recognition, de-recognition and initial measurement

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

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

(c) Subsequent measurement

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

2. Basis of Preparation and Significant Accounting Policies (continued)

(d) Fair value measurement principles

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

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

(e) Reclassification of financial assets

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

2.6.3. 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.

2.6.4. 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 with changes reflected in the income statement. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank did not designate any derivative transaction as a hedging instrument during the years 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.

2.6.5. 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.

2. Basis of Preparation and Significant Accounting Policies (continued)

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.

2.6.6. Fee and commission income

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

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

2.6.7. 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.

2.6.8. Impairment of financial assets

(a) Assets carried at amortized cost

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

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
- deterioration in the value of collateral.

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

2. Basis of Preparation and Significant Accounting Policies (continued)

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.

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

(b) Assets classified as available for sale

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

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

2. Basis of Preparation and Significant Accounting Policies (continued)

2.6.9. 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.

2.6.10. 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.

2.6.11. 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.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.6.12. Operating Lease

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

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

2.6.13. 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.

2.6.14. 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.

2.6.15. 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.

2.6.16. Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments and letters of credit.

Loan commitments and letters of credit are irrevocable commitments which can generate new risks. They are continually evaluated in order to determine if an outflow (incorporating future economic benefits) has become

2. Basis of Preparation and Significant Accounting Policies (continued)

probable. If such an outflow has become probable, a provision will be booked in the financial statements for the period in which this has occurred.

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

2.6.17. Pension obligations and other post retirement benefits

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

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

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

2.6.18. Income taxes

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

2. Basis of Preparation and Significant Accounting Policies (continued)

2.6.19. 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.

2.6.20. Net trading income

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

2.6.21. Equity reserves

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

- AFS reserve
- Legal reserve
- Other capital reserve

The AFS reserve reflects all the changes arising from the evaluation at fair value of these assets.

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

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

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

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

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

3. Interest and Similar Income

	2010	2009
Loans and advances to customers	188,923,942	182,087,169
Interest income accrued on impaired loans	22,244,722	14,555,685
Current accounts and deposits with banks	10,018,096	25,218,590
Financial investments – available-for-sale	8,577,606	9,995,999
Interest from result of funding swap	-	13,495,898
	229,764,366	**245,353,341**

4. Interest and Similar Expense

	2010	2009
Due to customers	50,042,924	64,497,098
Due to banks	13,316,685	12,319,932
Other borrowed funds	21,920,000	34,531,440
Repo transaction	286,244	1,584,158
	85,565,853	**112,932,628**

5. Net Fee and Commission Income

	2010	2009
Fee and commission income		
Transactions related fee and commission income	16,983,822	15,801,978
Credit related fee and commission income	6,166,466	5,568,246
Other fees	14,405	-
	23,164,693	**21,370,224**
Fee and commission expense		
Transactions with banks	4,392,902	2,009,026
Fee for cash purchase	361,096	391,004
Other fees paid	282,101	29,581
	5,036,099	**2,429,611**

6. Net Trading Income

	2010	2009
Foreign exchange		
- Gain\(Loss) from trading	660,095	1,172,199
- Gain\(Loss) from dealing transaction	16,879,287	15,152,260
Interest rate swaps	(162,414)	(149,660)
	17,376,968	**16,174,799**

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

7. Other Operating Income

	2010	2009
Dividend income	515,272	563,049
Release of provision for litigation	-	2,221,973
Income from sale of tangible assets	3,302,356	127,123
Release of provision closure branch	2,561,715	-
Recovery of collection expenses	119,648	403,946
Rent income	240,892	100,919
Other income	152,254	444,765
	6,892,137	**3,861,775**

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

8. Credit Loss Expense

	2010	2009
Corporate lending	1,677,925	4,454,218
Small/medium business lending	72,273,737	30,786,652
Consumer lending	2,176,239	946,445
Residential mortgages	1,027,730	232,781
	77,155,631	**36,420,096**

9. Net Income from Other Financial Transaction

	2010	2009
Guarantees issued	(633,966)	1,004,601
Unused irrevocable credit limit	(1,135,200)	(209,739)
Net income/(loss) from other financial transaction	**(1,769,166)**	**794,862**

10. Personnel Expenses

	2010	2009
Wages and salaries	49,521,506	46,300,987
Social security costs	13,380,596	11,335,676
Other expenses	1,307,692	1,704,725
	64,209,794	**59,341,388**

Other personnel expenses include meal vouchers.

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

11. Other Operating Expenses

	2010	2009
Administrative expenses	45,156,491	47,880,750
Loss on sale of property and equipment	5,967,265	84,962
Expenses on local taxes	2,857,187	2,204,060
Software expenses	3,690,472	3,197,244
Advertising and marketing	3,937,746	5,003,940
Guarantee fund expenses	2,089,830	1,220,968
Professional services expenses	992,328	729,233
Provision for litigation	1,200,000	-
Branch closure cost provisions	8,424,082	-
Tax provisions	1,200,000	-
Other	936,601	824,069
	76,452,002	**61,145,226**

Following a detailed analysis of the operational results and the degree of meeting the operational performance targets, 15 units (out of which 10 during year 2010) that have not managed to meet the performance targets and\ or have realized losses have been closed, after approval from the Bank's Board of Directors.

The Bank has booked provisions covering the total costs of closing down these units. As the expenses have been subsequently incurred, the provisions have been reversed accordingly. The related expenses with the closing of these branches include: penalties paid to landlords for the unilateral closing of leasehold agreements, non-recoverable leasehold improvements write-downs.

Administrative Expenses

The administrative expenses are detailed below:

	2010	2009
Rental expenses	26,266,704	26,819,209
Consumables	273,648	696,761
Light, heating and other	2,367,896	2,504,441
IT Communications	1,737,725	1,588,286
Postal, telephone and other	2,332,713	2,131,791
Travel costs	1,685,098	2,571,002
Security	1,671,739	3,020,557
Personnel training	456,524	491,501
Insurance expenses	747,065	768,959
Cleaning	1,128,859	1,165,003
Services for card	713,161	381,467
Protocol	532,387	654,055
Legal expenses	259,605	312,029
Forms, stationery and printed matters	1,262,921	1,610,824
Transportation	829,032	923,605
Other	2,891,414	2,241,260
	45,156,491	**47,880,750**

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12. Income Tax Expense

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

	2010	2009	2009 Restated
Current tax expense / (revenue)	32,250	(909,917)	(909,917)
Deferred tax charge / (release)	(5,692,627)	931,743	857,436
Income tax expense / (revenue)	**(5,660,377)**	**21,826**	**(52,481)**

	2010	2009	2009 Restated
Profit/ (Loss) before tax	**(43,236,977)**	**338,564**	**(125,859)**
Theoretical tax charge at the applicable statutory rate	(6,917,916)	54,170	(20,137)
Tax effect on items which are not deductible:			
Non-deductible expenses	17,836,339	9,445,822	9,445,822
Income which is exempt from taxation	(8,764,509)	(12,326,264)	(12,326,264)
Income tax expense / (revenue)	**(5,660,377)**	**21,826**	**(52,481)**

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% (2009: 16%). Deferred income taxes are calculated on all temporary differences under the liability method using a profit tax rate of 16% (2009: 16%).

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

	Statement of financial position			Income statement		
	2010	2009 Restated	As at 1 January 2009 Restated	2010	2009	2009 Restated
Tax effects of deductible temporary differences						
Impairment allowance for loans and advance to customers	(42,209,609)	(14,623,488)	(3,370,009)	(27,586,121)	(11,253,479)	(11,253,479)
IAS 29 restatement of fixed assets	340,061	1,051,852	1,043,955	(711,791)	(66,410)	7,897
Derivate Financial Instruments	-	-	(82,155)	-	82,155	82,155
Fair Value of AFS investments	(36,387)	-	-	(39,141)	-	-
Overdue commissions	96,605	-	-	96,605	-	-
Deferred commission	-	-	1,189,235	-	(1,189,235)	(1,189,235)
Fiscal credit for loss	43,857,941	11,495,226	-	32,362,715	11,495,226	11,495,226
Deductibile temporary differences	1,570,360	-	-	1,570,360	-	-
Deferred tax asset /(liability) and (expense)/income	**3,618,971**	**(2,076,410)**	**(1,218,974)**	**5,692,627**	**(931,743)**	**(857,436)**

Recoverability of deferred tax asset is assessed by the Bank according to the budget 2011 – 2013 in which is estimated the recoverability of the tax asset. This budget plan has been prepared with a conservative approach.

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

13. Cash and Balances with Central Bank

	2010	2009	As at 1 January 2009 Restated
Cash on hand	57,056,423	58,874,122	58,226,300
Current account with the Central Bank	452,460,014	341,848,157	758,838,939
	509,516,437	**400,722,279**	**817,065,239**

Current accounts include the mandatory reserves with the National Bank of Romania. During 2010, the interest ranged from 3.38% to 1.57% (2009: from 5.60% to 3.38%) for reserves held in RON and was between 1.27% and 0.96% (2009: from 2.80% to 1.27%) for reserves held in EUR. The interest rates for term deposits with the National Bank of Romania ranged during 2010 was 6.25% (2009: 6.00% to 4.50%).

14. Due from Banks

	2010	2009	As at 1 January 2009 Restated
Current accounts	13,647,639	6,719,545	6,568,825
Overnight deposits and term deposits	181,086,306	12,003,166	-
	194,733,945	**18,722,711**	**6,568,825**

In 2010, interest on placements with banks ranged from 3.59% to 7,56% for RON (2009: from 4.50% to 20.00%), from 0.05% to 0.44% for EUR (2009: from 0.15% to 5.50%) 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.

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15. Derivative Financial Instruments (continued)

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.

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

	Contract/notional amount	Fair values	
		Assets	Liabilities
At 31 December 2010			
Derivatives held for trading			
Currency swaps	55,518,225	1,889	134,220
Foreign exchange derivatives	159,154,275	8,734	10,135
Interest rate swaps	-	-	-
Total recognized derivative	**214,672,500**	**10,623**	**144,355**
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**

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

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16. Loans and Advances to Customers

(a) Analysis by type of customer

	2010	2009
Corporate lending	184,750,125	358,719,931
Small/medium business lending	2,404,130,722	1,743,565,352
Consumer lending	300,340,637	206,056,994
Residential mortgages	222,249,975	95,379,794
Subordinated loan	4,284,800	4,228,200
TOTAL gross exposure	**3,115,756,259**	**2,407,950,271**
Less: allowance for impairment losses	(159,433,598)	(77,049,727)
TOTAL	**2,956,322,661**	**2,330,900,544**

The subordinated loan has been granted to Intesa Sanpaolo Leasing.

(b) Analysis by sector

	2010	% of total	2009	% of total
Trade	654,737,620	21	587,190,729	24
Industry	649,381,421	21	587,247,289	24
Individuals	521,545,739	16	301,436,815	13
Services	614,348,232	20	469,667,071	20
Constructions	469,728,668	15	343,051,515	14
Agriculture	187,172,046	6	106,575,872	4
Other	18,842,533	1	12,780,980	1
	3,115,756,259	**100**	**2,407,950,271**	**100**
Less provision for impairment losses	(159,433,598)		(77,049,727)	
Total loans	**2,956,322,661**		**2,330,900,544**	

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

	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
Releases during the period	(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	5,230,078	53,615,207	1,201,116	386,546	60,432,947
Collective impairment	1,438,075	14,742,158	330,261	106,286	16,616,780
TOTAL	**6,668,153**	**68,357,364**	**1,531,378**	**492,832**	**77,049,727**

17. Financial Investments

(a) Available-for-sale investments

	2010	2009
Debt securities	148,842,715	154,092,458
AFS Equity investments	255,580	255,580
	149,098,295	**154,348,038**

	Available for sale
At 1 January 2010	**154,348,038**
Additions	152,280,551
Disposals	(158,110,431)
Net gains / (loss) from changes in fair value	(17,216)
Effect of exchange rates	597,353
At 31 December 2010	**149,098,295**
At 1 January 2009	**11,621,691**
Additions	251,507,731
Disposals	(110,000,000)
Net gains / (loss) from changes in fair value	952,791
Effect of exchange rates	265,825
At 31 December 2009	**154,348,038**

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.

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

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

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17. Financial Investments (continued)

AFS Equity investments held by the Bank are detailed below.

Investment	Country of incorporation	Nature of business	Shareholding 2010	Shareholding 2009
BMFMS	Romania	commodity exchange	21,600	21,600
Casa Română de Compensație	Romania	clearing house BMFMS	29,900	29,900
TransFonD	Romania	settlement and clearing inter-banking transfer	193,803	193,803
Biroul de Credit	Romania		10,277	10,277
			255,580	**255,580**

(b) Equity investments

	2010	2009	As at 1 January 2009
Intesa Sanpaolo Leasing IFN	8,745,612	2,400,612	-

Banca Comerciala Intesa Sanpaolo Romania holds 96,67% of the share capital of INTESA SANPAOLO LEASING ROMANIA I.F.N S.A., Romanian company located at S-PARK Loc BUCURESTI str TIPOGRAFILOR nr 11-15, registered at the Romanian Registry of Commerce under J40/14030/2005 with fiscal number RO17863812.

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. This acquisition has been approved in the July, 29 2009 meeting of the Board of Administration of B.C. Intesa Sanpaolo Romania.

On 24 December 2010 B.C. Intesa Sanpaolo Romania SA has increased the share capital of INTESA SANPAOLO LEASING ROMANIA I.F.N S.A by 6.345.000 RON by subscribing new shares, issued at a premium.

The share capital increase took place in the following manner:

- The share capital of INTESA SANPAOLO LEASING ROMANIA I.F.N S.A increased by 360.000 RON, corresponding to the issuance of 200 new shares, each with a nominal value of 1.800 RON / share;
- The share premium reserve of INTESA SANPAOLO LEASING ROMANIA I.F.N S.A increased by 5.985.000 RON, the value of the premium per share being 29,925 RON / share.

Following this event, as of 31 December 2010 B.C. Intesa Sanpaolo Romania SA holds a total number of 580 shares in INTESA SANPAOLO LEASING ROMANIA I.F.N S.A, each with a nominal value of 1.800 RON / share.

For the Intesa Leasing participation held by the Bank an impairement test using the "Value in use" method has been completed with the positive result "Not Impaired". There has been no need to diminish the book value.

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18. Property and Equipment

	Land and buildings	Computer Hardware	Other assets	TOTAL
Cost:				
At 1 January 2009 Restated	88,739,578	7,802,589	32,871,355	129,413,522
Additions	12,928,125	1,296,864	5,476,172	19,701,161
Disposals	-	-	(484,685)	(484,685)
At 31 December 2009	**101,667,703**	**9,099,453**	**37,862,842**	**148,629,998**
At 1 January 2010	101,667,703	9,099,453	37,862,842	148,629,998
Additions	14,726,938	1,180,152	658,384	16,565,474
Disposals	(4,013,505)	(1,092,640)	(8,575,299)	(13,681,444)
At 31 December 2010	**112,381,136**	**9,186,965**	**29,945,927**	**151,514,028**
Depreciation:				
At 1 January 2009 Restated	12,752,098	6,441,461	10,794,346	29,987,905
Disposals	-	-	(399,722)	(399,722)
Depreciation charge for the year Restated	3,403,802	1,745,947	6,021,679	11,171,428
Impairment losses	-	-	-	-
At 31 December 2009	**16,155,900**	**8,187,408**	**16,416,303**	**40,759,611**
At 1 January 2010	16,155,900	8,187,408	16,416,303	40,759,611
Disposals	(1,378,541)	(1,086,520)	(5,250,321)	(7,715,382)
Depreciation charge for the year	4,055,944	1,984,461	4,802,872	10,843,277
Impairment losses	2,356,160	-	-	2,356,160
At 31 December 2010	**21,189,463**	**9,085,349**	**15,968,854**	**46,243,666**
Net book value:				
At 1 January 2009 Restated	**75,987,481**	**1,361,127**	**22,077,009**	**99,425,617**
At 31 December 2009	**85,511,803**	**912,045**	**21,446,539**	**107,870,387**
At 31 December 2010	**91,191,673**	**101,616**	**13,977,073**	**105,270,362**

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

The Bank has adjusted the book values for fixed assets and the related depreciation because the total value of fixed assets adjusted for hyperinflation has been booked solely on the building category and the related depreciation expense has not been computed and booked in the period 2005-2009.

The effect of this changes is quantified in the "Balance sheet" as at 1 January 2009 in the "Property and equipment" position – the initial value was 101,911,855 RON and the current value is 99,425,617 RON.

The effect of this changes is quantified in the "Balance sheet" as at 31 December 2009 in the "Property and equipment" position – the initial value was 110,821,048 RON and the current value is 107,870,387 RON.

The Additions for 2010 line presents the result of the transfer from the position "Other Assets" to "Land and Buildings" position for the goods repossessed as a result of the foreclosure process for bad debts (with a total value of RON 12,048,568 and foreclosed during year 2009).

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19. Intangible Assets

	Computer software	Other intangible assets	TOTAL
Cost:			
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**
At 1 January 2010	24,451,076	61,825	24,512,902
Additions	4,585,452	-	4,585,452
Disposals	(1,117,909)	(6,781)	(1,124,690)
At 31 December 2010	**27,918,619**	**55,044**	**27,973,663**
Amortization:			
At 1 January 2009 Restated	8,425,564	45,527	8,471,091
Disposals	-	-	-
Amortization charge for the year	4,232,800	7,683	4,240,483
At 31 December 2009	**12,658,364**	**53,210**	**12,711,574**
At 1 January 2010	12,658,364	53,210	12,711.574
Disposals	(1,116,747)	(6,741)	(1,123,488)
Amortization charge for the year	5,057,289	6,407	5,063,696
At 31 December 2010	**16,598,906**	**52,876**	**16,651,782**
Net book value:			
At 1 January 2009	**9,280,900**	**14,555**	**9,295,455**
At 31 December 2009	**11,792,713**	**8,615**	**11,801,328**
At 31 December 2010	**11,319,713**	**2,618**	**11,321,881**

Included in intangible assets are computer software licenses (FIBA) and MasterCard licenses.

Amortization of intangible assets is included in 'Other operating expenses' in the income statement.

The remaining average amortization period is 2.5 years

The Bank has adjusted the book value for intangible fixed assets because in the period 2005-2009 the related amortization expense for hyperinflation adjustments was not computed and booked.

The effect of this change is quantified in "Balance sheet" as at 1 January 2009 in the "Intangible assets " position – the initial value was 9,579,855 RON and the current value is 9,295,455 RON.

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20. Other Assets

	2010	2009	As at 1 January 2009 Restated
Deposits paid for rent, electricity	1,935,560	2,009,053	1.594,897
Payment instruments to be settled	1,295,928	2,690,234	4,614,664
Expenses paid in advance	1,743,623	2,853,071	1,160,044
Sundry debtors	3,955,452	3,077,219	5,875,020
Collateral repossessed	-	12,048,568	-
Other amounts to be settled	-	-	
Overdue commissions	2,909,069	-	-
Prepayments	26,407	66,845	686,332
Other	791,041	2,271,924	1,425,047
Total	**12,657,080**	**25,016,914**	**15,356,004**

Details on overdue commissions are presented below:

	2010	2009	As at 1 January 2009
Overdue commissions, gross	3,512,849	-	-
Provision	(603,780)	-	-
Overdue commissions, net	**2,909,069**	**-**	**-**

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

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

21. Due to Banks

	2010	2009	As at 1 January 2009 Restated
Sight deposits	299,726,160	132,630,841	41,851,557
Term deposits	645,411,112	195,187,739	532,736,806
Items in course of collection	5,833,314	4,358,131	7,512,000
Repurchase agreements	-	89,252,410	-
	950,970,586	**421,429,121**	**582,100,363**

The interest rate during 2010 for term deposits ranged from 3.30% to 7,63% for RON (2009: from 1% to 9,8%) and from 1.89% to 2.48% for EUR (2009: from 0.5% to 3.1%).

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22. Due to Customers

	2010	2009	As at 1 January 2009 Restated
Current accounts	250,959,234	213,763,903	193,832,475
Deposits due to companies	737,287,940	325,390,668	162,135,258
Deposits due to individuals	471,682,233	505,874,473	246,223,516
Restricted deposits	48,835,162	45,188,240	28,907,631
Total	**1,508,764,569**	**1,090,217,284**	**631,098,880**

Included in restricted deposits were deposits for guarantee of proper work performed as at 31 December 2010 in the amount of RON 20,875,357 (2009: 15,368,222). Other types of deposits that are found in position "Restricted deposits" are collateral cash (in the amount of RON 14,834,130) for letters of guarantee issued; collateral cash (in the amount of RON 8,216,429) for loans.

The average interest rate during 2010 for term deposits ranged from 6.03% to 8.09% for RON (2009: from 1% to 15.6%) and from 3.75% to 5.88% for EUR (2009: from 0.2% to 6.1%).

23. Other Borrowed Funds

	2010	2009	As at 1 January 2009 Restated
Loans from Intesa Sanpaolo Group	839,085,826	975,960,375	1,004,578,748
Total	**839,085,826**	**975,960,375**	**1,004,578,748**

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 180,000,000 (2009: EUR 215,000,000) and a subordinated loan of EUR 15,000,000 (2009: EUR 15,000,000).

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

The Bank also has emergency facilities from Group, which are committed but not withdrawn in the amount of RON 428,480,000 (EURO 100,000,000) of which EUR 50,000,000 from Intesa Sanpaolo S.p.A., and EUR 50,000,000 from Societe Europeenne de Banque SA Luxemburg.

The first loan was received on 29 June 2007 in the amount of EUR 20,000,000 with an interest of 1,283% is repayable in one tranche on 29 June 2015.

The second loan was received on 29 June 2007, in the amount of EUR 20,000,000 with an interest of 1,263% is repayable in one tranche on 27 June 2014.

The third loan was received on 31 August 2007 in the amount of EUR 20,000,000 with an interest of 1,348% and is repayable in one tranche on 26 August 2011.

The fourth loan was received on 15 November 2007 in the amount of EUR 20,000,000 with an interest of 1,6% and is repayable in one tranche on 08 November 2013.

23. Other Borrowed Funds (continued)

The fifth loan was received on 24 December 2007 in the amount of EUR 30,000,000 with an interest of 1,911% and is repayable in one tranche on 17 December 2013.

The sixth loan was received on 23 October 2008 in the amount of EUR 20,000,000 with an interest of 5,025% and is repayable in one tranche on 20 October 2014.

The seventh loan was received on 27 October 2008 in the amount of EUR 20,000,000 with an interest of 5,025% and is repayable in one tranche on 20 October 2014.

The eighth loan was received on 17 October 2008 in the amount of EUR 30,000,000 with an interest of 4,567% and is repayable in one tranche on 17 October 2011.

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 2,671% and is repayable on 17 October 2015.

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

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24. Provisions

	2010	2009	As at 1 January 2009
Provision for risk and charges	1,460,130	323,000	1,291,653
Provision for litigation	2,106,350	906,350	3,128,323
Provision for letters of guarantee	3,838,225	2,672,893	3,467,755
Provisions for personnel expenses	6,534,401	5,882,448	5,624,986
Provisions for closing branches	3,506,207	-	-
Provisions for rebranding	-	-	2,532,933
Total	**17,445,313**	**9,784,691**	**16,045,650**

Provision for risk and charges includes the provision made for audit services (260,130 RON) and the provision made for additional building taxes and related penalties possibly owed to local tax authorities budgets, starting with year 2009 and until year 2014, the prescription date (1,200,000 RON).

The outflow for audit services is certain and expected to take place within the next 12 months. The outflow for additional building taxes and related penalties possibly owed to local tax authorities budgets is uncertain (it depends whether the local tax authorities will conduct any investigations until the prescription date and what the results of those investigations will be) and expected to take place until year 2014, at the very latest.

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

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

Provisions for closing branches are used (decreased) as the related expenses for closing the branches are booked. The outflow in this case is certain and the timing of the outflow is no later than the date at which the branches have actually been closed, which is less than three calendar months from 31 December 2010.

The movement in provisions during 2010 is as follows:

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

for the year ended 31 December 2010 (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

	2010	2009	As at 1 January 2009 Restated
Taxes due to the State Budget	897,508	349,533	746,527
Salary to be paid	4,289,131	2,778,165	4,387,882
Expense accruals	257,872	114,216	-
Commercial instruments	1,295,929	2,690,234	4,614,663
Commission for LG's	2,194,073	2,462,993	2,122,841
Foreign Exchange Position	1,188,647	1,980,726	1,965,394
Other liabilities	1,530,481	190,692	433,265
Total	**11,653,641**	**10,566,559**	**14,270,572**

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26. Share Capital

	2010	2009	As at 1 January 2009 Restated
Registered share capital	376,111,110	251,111,110	251,111,110
Restatement in accordance with IAS 29	40,174,800	40,174,800	40,174,800
Total share capital	**416,285,910**	**291,285,910**	**291,285,910**

The authorized and issued share capital as at 31 December 2010 comprises 37,611,111 shares (2009: 25,111,111 shares) with a nominal value of RON 10 each. All issued shares are fully paid and carry one vote.

In 2010 the Bank issued 12,500,000 shares at a price of RON 10,00 per share (total RON 125,000,000). On 31 December 2010, the Bank had a subscribed and paid up share capital of RON 376,111,110.

In 2010 the shareholding structure has been changed following the sale of the shares previously held by Simest Spa to INTESA SANPAOLO HOLDING INTERNATIONAL S.A Luxembourg.

The capital structure as at 31 December 2010 and 31 December 2009 is as follows:

Shareholder	2010		2009	
	Number of shares	%	Number of shares	%
Intesa Sanpaolo S.p.A Italia	37,421,567	99.50	24,921,567	99.25
Simest S.p.A Italy	-	-	189,544	0.75
Intesa Sanpaolo Holding	189.544	0.50	-	-
Total	**37,611,111**	**100.00**	**25,111,111**	**100.00**

27. Accumulated Deficit

At 31 December 2008	(16,190,373)
Restatement of fixed assets	(2,324,613)
At 1 January 2009 Restated	**(18,514,986)**
Profit for the year before restatement	316,738
Transfer from retained profit	(228,901)
Restatement of fixed assets	(390,116)
At 31 December 2009	**(18,817,265)**
Loss for the year	**(43,236,977)**
At 31 December 2010	**(62,054,242)**

Accumulated deficit has been changed following the adjustment to the book values of fixed assets. The increase to the value of fixed assets established as a result of the hyperinflation adjustment has not been amortized for the period 2005-2009; as a result, in 2010 the depreciation and amortization expense for the period 2005-2009 have been computed and booked which has impacted accumulated deficit in the following manner:

- as of 1 January 2009 the depreciation and amortization expense for the period 2005-2008 of 2,324,613 RON
- as of 31 January 2009 the depreciation and amortization expense for the year 2009 of 390,116 RON.

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

28. Reserves

	Available-for-sale reserve	Statutory reserve	Other capital reserve	Total
At 1 January 2009 Restated	(594,853)	6,276,053	10,675,035	16,356,235
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**	**6,504,954**	**10,675,035**	**17,385,480**
At 1 January 2010	205,491	6,504,954	10,675,035	17,385,480
Transfer from retained profit	-	-	-	-
Net gains/(loss) on available-for-sale	(14,461)	-	-	(14,461)
At 31 December 2010	**191,030**	**6,504,954**	**10,675,035**	**17,371,019**

At 31 December 2010, statutory reserves include: legal reserve amounting 6,198,053 RON and general reserve for the credit risk in the amount of 306,901 RON.

At 31 December 2010, other capital reserves include: general reserve for the credit risk (10,056,102 RON), share premium transfered to other reserves (396,094 RON) and other reserves (222,839 RON)

29. Fair Value Hierarchy

All financial instruments carried at fair value are categorized in three categories defined as follows:

Level 1 - Quoted market prices

Level 2 - Valuation techniques (market observable)

Level 3 - Valuation techniques (non-marked observable)

As at 31 December 2010, the Bank held the following financial instruments measured at fair value:

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

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

As at 31 December 2009:

Assets measured at fair value	Total	Level 1	Level 2	Level 3
Derivative Financial Instruments	**609,740**	-	609,740	-
Financial investments available-for-sale	**154,092,458**	-	154,092,458	-

Liabilities measured at fair value	Total	Level 1	Level 2	Level 3
Derivative Financial Instruments	**846,431**		846,431	-

During the year 2010, there were no transfers between Level 1 and Level 2 fair value measurement.

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30. Additional Cash Flow Information

(a) Cash and cash equivalents

	2010	2009
Cash on hand	57,056,423	58,874,122
Current account with the Central Bank	452,460,014	341,848,157
Due from banks with maturity less than 3 months	194,733,945	18,722,711
Total	**704,250,382**	**419,444,990**

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

	2010	2009
Net change in financial assets HFT	599,117	830,008
Net change in loans and advance to customers	(625,422,117)	(497,153,539)
Net change in other assets	12,359,835	(9,660,911)
Total	**(612,463,165)**	**(505,984,442)**

(c) Change in operating liabilities

	2010	2009
Net change in financial liabilities HFT	(702,076)	(2,928,523)
Net change in due to banks	542,211,416	(104,703,615)
Net change in due to customers	418,547,286	459,118,403
Net change in other liabilities	1,087,081	(3,704,012)
Total	**961,143,707**	**347,782,253**

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

	2010	2009
Depreciation of property and equipment	10,843,277	10,707,005
Amortization of other intangible assets	5,063,696	4,240,483
Reversed provisions LG&LC	1,769,166	(794,862)
Provisions	5,891,456	(5,466,097)
Other non-monetary items	(78,132)	(155,081)
Total	**23,489,463**	**8,531,448**

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31. Maturity Analysis of Assets and Liabilities

As at 31 December 2010	Less than 12 months	Over 12 months	Total
ASSETS			
Cash and balance with Central Banks	509,516,437	-	509,516,437
Due from banks	194,733,945	-	194,733,945
Loans and advances to customers	1,187,027,634	1,769,295,027	2,956,322,661
Derivative financial instruments	10,623	-	10,623
Financial investments available-for-sale	127,504,275	21,594,020	149,098,295
Equity investments	-	8,745,612	8,745,612
Intangible assets	-	11,321,881	11,321,881
Property and equipment	-	105,270,362	105,270,362
Deferred tax assets	-	3,618,971	3,618,971
Other assets	12,657,080	-	12,657,080
TOTAL ASSETS	**1,907,564,690**	**2,043,731,177**	**3,951,295,867**
LIABILITIES AND EQUITY			
Due to banks	950,970,586	-	950,970,586
Due to customers	1,486,212,514	22,552,055	1,508,764,569
Derivative financial instruments	144,355	-	144,355
Other borrowed funds	217,789,826	621,296,000	839,085,826
Current income tax liabilities	-	-	11,653,641
Deferred income tax liabilities	-	-	17,445,313
Provisions	17,445,313	-	-
Other liabilities	11,653,641	-	-
TOTAL LIABILITIES	**2,684,216,235**	**643,848,055**	**3,328,064,290**
Net	**(776,651,545)**	**1,399,883,122**	**623,231,577**

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	-	11,801,328	11,801,328
Property and equipment	-	107,870,387	107,870,387
Deferred income tax assets	-	-	-
Other assets	25,016,914	-	25,016,914
TOTAL ASSETS	**1,571,509,085**	**1,480,883,468**	**3,052,392,553**
LIABILITIES			
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	148,190,136	827,770,239	975,960,375
Current income tax liabilities	28,667	-	28,667
Deferred income tax liabilities	2,076,410	-	2,076,410
Provisions	9,784,691	-	9,784,691
Other liabilities	10,566,559	-	10,566,559
TOTAL LIABILITIES	**1,666,916,116**	**843,993,422**	**2,510,909,538**
Net	**(95,407,031)**	**636,890,046**	**541,483,015**

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32. Commitments and Contingencies

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

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

	2010	2009
Letters of guarantee	165,783,423	238,929,131
Unused loan facilities and letters of credit	308,020,051	169,757,607
Letters of guarantee issued for other banks	80,581,809	80,546,732
Contingency lines	428,480,000	253,692,000
Total	**982,865,283**	**742,925,470**

The letters of guarantee include letters of guarantee in amount of RON 79,796,343 (2009: 173,726,703) issued for credit risk in respect of loans granted by Intesa Sanpaolo Ireland, Banka Koper and Intesa Mediocredito SPA Milano to Romanian customers.

Capital commitments

As at 31 December 2010 the Bank had capital expenditure contracted for but not recognized in these financial statements of RON 19,873,724 (2009: 25,514,025). The Bank's management is confident that future net revenues and funding will be sufficient to cover these commitments.

On May, 1st 2010 the Bank has sold its car fleet that were not previously fully depreciated. The selling price was approximately equal to the net book value of the car fleet at the date of the transaction (3,073,914 RON). The same cars have been subsequently leased from the buyer, through a lease agreement. The lease agreement does not include a clause regarding the possibility of buying the assets by the Bank, at the end of the contract. The result of the sale and leaseback transaction has been an operational lease agreement. The value of the monthly invoice issued according to the sale-and-lease back contract is 29,511 Euro.

The future operating lease payments committed are disclosed below:

	2010	2009
No later than 1 year	19,873,724	25,514,025
Later than 1 year and no later than 5 years	39,269,197	61,133,097
Later than 5 years	11,874,664	2,754,558

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

	2010	2009
No later than 1 year	154,453	239,435
Later than 1 year and no later than 5 years	347,520	857,974
Later than 5 years	-	-

Tax Contingencies

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

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

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33. Related Party Transactions

The Bank is a member of the Intesa Sanpaolo Group. The Bank's immediate parent is Intesa Sanpaolo SpA, a bank incorporated in Italy, which directly owns 99.5 % of the ordinary shares.

The minority shareholder is Intesa Sanpaolo Holding International S.A Luxembourg which directly owns 0.5 %.

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

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

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

Transactions with key management personnel of the Bank

	Balance as at 31 December 2010	Expense 2010	Balance as at 31 December 2009	Expense 2009
Key management personnel of the Bank:				
Current account	1,465,157	17,208	169,479	12,870
Deposits	1,190,044	137,247	2,842,690	109,404

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

Transactions with other related parties

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

			Amounts owed by related parties	
	Interest from related parties	Interest to related parties	Balance as at 31 December	Balance as at 31 December
Entities with significant influence over the Bank:				
2010	28,845,378	36,185,793	47,676,415	727,613,233
2009	26,339,159	29,073,730	14,238,005	157,926,060

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

33. Related Party Transactions (continued)

Transactions with subsidiaries

			Amounts owed by related parties	
	Interest from related parties	**Interest to related parties**	**Balance as at 31 December**	**Balance as at 31 December**
Intesa Sanpaolo Leasing Romania:				
2010	1,404,044	-	45,164,380	-
2009	1,373,443	-	35,038,169	-

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 2010 the Bank has not made a provision for doubtful debts relating to amounts owed by related parties. (2009: Nil).

34. Risk Management

34.1 Introduction

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being only relevant for non-trading risks. It is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the enviRONment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

Risk management structure

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

Board of Directors

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

Management Committee

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

Risk Management Committee

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

Risk Management Department

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

Bank Treasury

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

Internal Audit

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

Basis of preparation and policies

Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan

34. Risk Management (continued)

commitments and financial guarantees. Banks investment in securities and bills are limited to those governmental for which credit risk related to them is limited. The credit risk management and control are centralized in Risk Management Department and reported to the Board of Directors, executive management and various committees regularly.

Credit risk measurement

(a) Loans and advances

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

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

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

Bank's internal ratings scale

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

The internal rating system used to determine the probability of default is build using the local regulatory requirements. That is, each loan is classified in an internal rating class ranging from A to E based on its financial and socio-demographic characteristics. Further on, this application rating is then integrated with the possible delays in payment the obligor may register and leads to the above mentioned transactional classification from Standard to Loss, which for our purpose here are performing classes. It is then assessed the probability that each loan, given its transactional rating migrates to the Default category.

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

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

(b) Debt securities and other bills

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

34. Risk Management (continued)

Risk limit control and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

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

- Mortgages over residential properties: Charges over business assets such as premises, inventory and accounts receivable, commercial effects
- Longer-term finance and lending to corporate entities are generally secured
- Revolving individual credit facilities are generally unsecured.

In addition, in order to minimize the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b) Derivatives

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

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

(c) Master netting arrangements

The Bank does not operate any master netting arrangements.

(d) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on

34. Risk Management (continued)

the Bank up to a stipulated amount under specific terms and conditions - are collateralized usually by cash deposited by the ordering customer, for which the bank is not exposed to credit risk from these types of transactions.

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

Impairment and provisioning policies

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

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

Risk measurement and reporting systems

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

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

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

Risk mitigation

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

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

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

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

34. Risk Management (continued)

the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

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

34.2 Credit Risk

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

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

Derivative financial instruments

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

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

Credit-related commitments risks

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

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 2010 was 85 millions of RON (2009: 106 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.

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

Industry analysis

31 December 2010	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	-	509,516,437	-	-	-	-	-	509,516,437
Due from banks								
Placement with other banks	193,237,902	-	-	-	-	-	-	193,237,902
Other amounts due	1,496,043	-	-	-	-	-	-	1,496,043
	194,733,945	509,516,437	-	-	-	-	-	**704,250,382**
Derivative financial instruments								
Currency swaps	1,889	-	-	-	-	-	-	1,889
Forward foreign exchange contracts	8734	-	-	-	-	-	-	8,734
	10,623	-	-	-	-	-	-	**10,623**
Loans and advances to customers								
Corporate lending	30,595,045	-	-	17,363,564	-	68,559,071	64,842,137	181,359,817
Small business lending	45,202,960	-	-	559,367,774	450,072,630	508,027,900	696,009,033	2258,680,297
Consumer lending	-	-	293,252,216	-	-	-	-	293,252,216
Residential mortgages	-	-	220,266,221	-	-	-	-	220,266,221
Other	-	-	2,764,110	-	-	-	-	2,764,110
********	**75,798,005**	**-**	**516,282,547**	**576,731,338**	**450,072,630**	**576,586,971**	**760,851,170**	**2,956,322,661**
Financial investments available-for-sale								
Government debt securities	-	148,842,715	-	-	-	-	-	148,842,715
	270,542,573	**658,359,152**	**516,282,547**	**576,731,338**	**450,072,630**	**576,586,971**	**760,851,170**	**3,809,426,381**

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

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

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. 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	400,722,279	-	-	-	-	-	**419,444,990**
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**	**-**	**299,018,830**	**558,787,225**	**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**	**299,018,830**	**558,787,225**	**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

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34. Risk Management (continued)

Collateral and other credit enhancements

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

Collateral Type	Fair Value 31.12.2010 RON	Fair Value 31.12.2009 RON
Other collaterals received from the customers: promissory note, surety ship guarantee contracts-risk 100%-for loans	4,151,377,070	3,484,156,649
Real estate mortgages-risk 100%	2,714,290,345	2,474,057,167
Real estate-residential property mortgages first rank-risk 50%	1,067,987,633	834,427,441
Pledge without dispossession - equipments	308,766,739	250,044,483
Other collaterals received from the customers - for letters of guarantees issued	167,547,806	266,440,945
Collaterals received from banks-risk 20%	163,140,943	78,728,156
Pledge without dispossession - goods, stocks	139,628,484	177,296,400
Collaterals received from institutions, Romanian central public administration-risk 0%	88,857,657	19,799,586
Pledge without dispossession - transportation	81,414,916	58,729,368
Other collaterals received from the customers-risk 0%-cash collateral	19,162,483	11,120,298
Guarantees received from public administration entities and similar-risk 20%	16,732,131	16,511,108
Guarantees issued by banks	15,474,007	48,480,182
Cash deposit	14,890,241	13,180,272
Guarantees received from insurance/reinsurance companies outside the Group-risk 20%	694,138	0
Total	**8,949,964,593**	**7,732,972,055**

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

The main types of collateral obtained are as follows:

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

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

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

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

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

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

After the execution procedure is approved by the court, the bank executor proceed with the following actions:

- garnishment on the bank accounts within 15 days from the notification to the debtor

- for movable assets the executor will summon the debtor to pay within one day and after the expiration of the

34. Risk Management (continued)

summons will move to seize personal property, followed by assessment of the asset (creditor and debtor agree or expertise) and the auction is set after at least two weeks after the seizure

- for real estate, the executor will make the minutes of the situation (identification and description of property). Will issue and communicate the summons within 15 days and after the expiration of the summons will establish the sale price for the assets at the auction. The auction takes place at least 30 days after display at the auction block.

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

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34. Risk Management (continued)

Credit quality by class of financial assets

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

	*Neither past due nor impaired							
31 December 2010	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	509,516,437	-	-	-	-	-	-	509,516,437
Due from banks	194,733,945	-	-	-	-	-	-	194,733,945
Derivative financial assets	10,623	-	-	-	-	-	-	10,623
Loans and advances to customers								
Corporate lending	163,431,180		12,573,585			3,618,186	1,736,866	181,359,817
Small business lending	862,025,987	217,761,178	242,376,050	152,541,253	163,436,719	287,388,562	333,150,548	2,258,680,297
Consumer lending	96,371,794	54,018,895	58,220,606	23,726,872	8,218,459	41,337,560	11,358,030	293,252,216
Residential mortgages	82,046,501	43,407,643	51,481,964	20,294,854	6,547,930	14,039,001	2,448,328	220,266,221
Other	357,216	-	-	2,368,984	-	37,910	-	2,764,110
****	**1,204,232,678**	**315,187,716**	**364,652,205**	**198,931,963**	**178,203,108**	**346,421,219**	**348,693,772**	**2,956,322,661**
Financial investments available-for-sale								
Unquoted-Debt securities	148,842,715	-	-	-	-	-	-	148,842,715
	1,398,966,623	**315,187,716**	**364,652,205**	**198,931,963**	**178,203,108**	**346,421,219**	**348,693,772**	**3,809,426,381**

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

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

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

	*Neither past due nor impaired							
31 December 2009	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	400,722,279	-	-	-	-	-	-	400,722,279
Due from banks	18,722,711	-	-	-	-	-	-	18,722,711
Derivative financial assets	609,740	-	-	-	-	-	-	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	-	-	-	-	-	-	154,092,458
	804,905,136	**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

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34. Risk Management (continued)

Credit risk exposure for each internal credit risk rating

Bank's credit rating	Consumers		Corporate & Small Business		**Total 2010
	PD	Total Exposure	PD	Total Exposure	
Standard	0.88%	189,590,990	2.88%	1,048,617,979	1,238,208,969
Under Observation	1.30%	107,985,734	3.59%	233,002,915	340,988,649
Substandard	5.15%	123,577,683	7.27%	299,821,264	423,398,947
Doubtful	21.13%	54,219,491	10.24%	193,235,273	247,454,764
Loss	47%	27,102,290	29.94%	330,475,270	357,577,560
Individually impaired		13,806,359		334,887,413	348,693,772
Total		**516,282,547**		**2,440,040,114**	**2,956,322,661**

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**

Notes:

*The Total amount for loans includes principal and interest and excludes provisions and deferred commissions

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

Bank's Credit Rating, divided into Standard, Under Observation, Substandard, Doubtful and Loss is according to the National Bank of Romania rules.

Probability of Default - (PD) - the probability that the counterparty goes into default within a one year time horizon.

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

All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy.

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34. Risk Management (continued)

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

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

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

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
*** Total**	**125,072,654**	**120,232,674**	**113,887,068**	**7,368,331**	**366,560,727**

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 2010 amounts to 478 millions RON (2009: 252 millions RON). The collateral consists of cash, letters of guarantee and properties.

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34. Risk Management (continued)

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

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

	2010	2009
Loans and advances to customers		
Corporate lending	3,618,186	15,616,285
Small business lending	400,164,000	241,317,857
Consumer lending	1,434,757	-
Residential mortgages	485,192	-
Other	-	-
*** Total**	**405,702,135**	**256,934,142**

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.

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34. Risk Management (continued)

Commitments and guarantees

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

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

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

	2010	2009
*Guarantees issued to banks	78,301,336	80,546,732
**Guarantees issued to customers	165,783,423	238,929,131
***Commitments to lend	308,020,051	169,757,607
Letters of credit	2,280,473	-
	554,385,283	**489,233,470**

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

34.3 Liquidity Risk and Funding Management

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

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

Liquidity ratios		2010	2009
Advances to deposit ratios			
	Year-end	123,06%	114,45%
	Maximum	130,09%	127,23%
	Minimum	105,08%	99,23%
	Average	114,36%	110,47%

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

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		2010	2009
	Year-end	22,43%	33,43%
	Maximum	32,06%	43,44%
	Minimum	12,92%	3,88%
	Average	22,37%	23,29%

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

Analysis of financial assets and liabilities by remaining contractual maturities

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

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

31 December 2010	1 month	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RON	RON	RON	RON	RON	RON
Financial assets						
Cash and balances with						
Central bank	509,593,904	-	-	-	-	509,593,904
Due from banks	195,213,371	-	-	-	-	195,213,371
Net settled derivative assets	6,373	4,250	-	-	-	10,623
Loans and advances to customers	178,506,717	272,670,350	856,612,339	1,132,399,402	1,420,714,495	3,860,903,303
Financial investments available-for-sale	154,360,796	-	-	-	-	154,360,796
Other assets	672,300,655	-	-	-	-	672,300,655
Total undiscounted financial assets	**1,709,981,816**	**272,674,600**	**856,612,339**	**1,132,399,402**	**1,420,714,495**	**5,392,382,652**
Financial liabilities						
Due to banks	440,934,196	220,506,274	557,023,740	733,482,385	-	1,951,946,595
Net settled derivative liabilities	32,867	111,488	-	-	-	144,355
Due to customers	1,106,092,380	271,622,748	124,362,019	11,979,029	4,135,248	1,518,191,424
Other liabilities	2,094,298	-	-	-		29,604,046
Total undiscounted financial liabilities	**1,549,153.741**	**492,240,510**	**681,385,759**	**745,461,414**	**4,135,248**	**3,472,376,672**
Net undiscounted financial assets/(liabilities)	**160,828,075**	**(219,565,910)**	**175,226,580**	**386,937,988**	**1,416,579,247**	**1,920,005,980**
Total net financial assets/(liabilities)	**160,828,075**	**(219,565,910)**	**175,226,580**	**386,937,988**	**1,416,579,247**	**1,920,005,980**

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

31 December 2009	1 month	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RON	RON	RON	RON	RON	RON
Financial assets						
Cash and balances with						
Central bank	400,841,708	-	-	-	-	400,841,708
Due from banks	19,122,711	-	-	-	-	19,122,711
Net settled derivative assets	-	609,740	-	-	-	609,740
Loans and advances to customers	172,908,231	192,049,081	744,836,437	896,125,358	644,372,402	2,650,291,509
Financial investments available-for-sale	153,894,703	-	-	-	-	153,894,703
Other assets	414,590,984	-	-	-	-	414,590,984
Total undiscounted financial assets	**1,161,358,337**	**192,658,821**	**744,836,437**	**896,125,358**	**644,372,402**	**3,639,351,355**
Financial liabilities						
Due to banks	208,764,080	38,325,144	85,872,849	827,647,503	148,312,872	1,308,832,448
Net settled derivative liabilities	-	846,431	-	-	-	846,431
Due to customers	651,254,630	286,892,984	142,956,284	14,501,963	-	1,095,605,861
Other liabilities	123,786,699	-	-	-	-	123,786,699
Total undiscounted financial liabilities	**983,805,409**	**326,064,559**	**228,739,133**	**842,149,466**	**148,312,872**	**2,529,071,439**
Net undiscounted financial assets/(liabilities)	**177,552,928**	**(133,405,738)**	**516,097,304**	**53,975,892**	**496,059,530**	**1,110,279,916**
Total net financial assets/(liabilities)	**177,552,928**	**(133,405,738)**	**516,097,304**	**53,975,892**	**496,059,530**	**1,110,279,916**

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
*Financial guarantees	1,129,453	10,621,535	31,081,042	36,197,279	151,650,252	230,679,561
**Other undrawn commitments to lend	10,531,056	64,259,293	86,277,203	106,742,022	53,615,675	321,425,249
Letters of credit	0	0	2,280,473	0	0	2,280,473
Total commitments and guarantees	**11,660,509**	**74,880,828**	**119,638,718**	**142,939,301**	**205,265,927**	**554,385,283**

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**

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

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

34.4 Market Risk

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

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

34.4.1 Foreign Exchange Risk

Var Assumptions

For year 2010, 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.

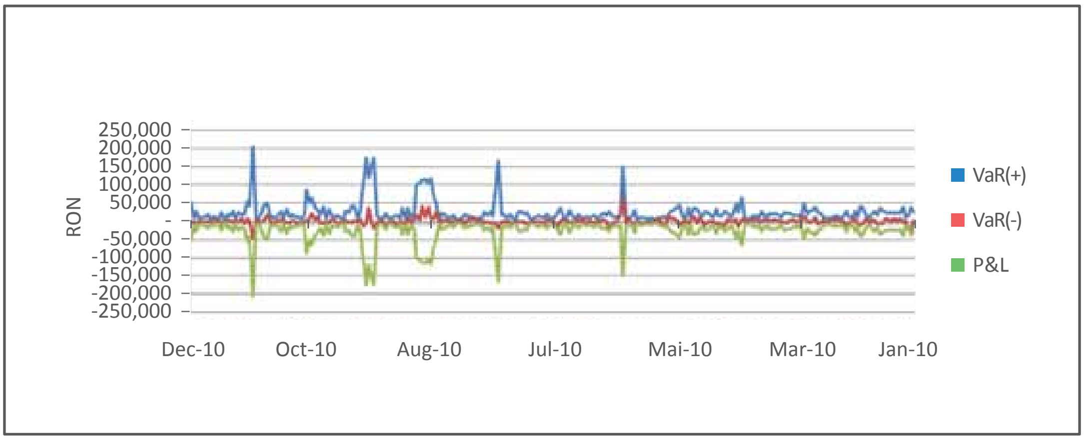
		FX VaR EQ RON
2010	- 31 December	53,699
2010	- Average daily	25,734
2010	- Highest	203,830
2010	- Lowest	2,593
2009	- 31 December	48,323
2009	- Average daily	52,649
2009	- Highest	344,619
2009	- Lowest	7,705

Back-testing

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

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

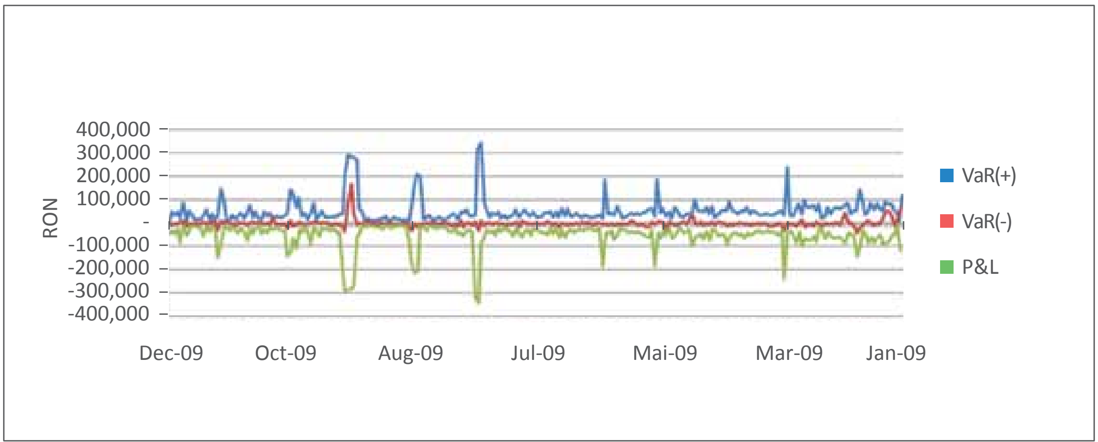
All the figures are calculated using historical P&L and 1 day holding period,



for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

Using the same methodology for 2010, the results are in the graphic below:



34.4.2 Interest Rate Risk

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

The following table presents the interest rate risk of the Bank based on the Shift Sensitivity indicator for +/- 25 basis points. 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.

		Interest rate Sensitivity 2010					
Currency	**Increase in BPs**	**0-18 m**	**19-36 m**	**3-5 y**	**5-10 y**	**10-15 y**	**>15y**
		RON	**RON**	**RON**	**RON**	**RON**	**RON**
RON	+25	-65,580	10,080	-52,262	-38,532	-20,871	-23,156
EUR	+25	699,983	-433,229	-417,587	-1,272,168	-1,082,929	-1,333,729
CHF	+25	-1,866	-2,445	-5,551	-17,952	-13,425	-14,237
USD	+25	5,857	-847	-1,244	197	-1,643	-
Others	+25	2	-	-	-	-	-

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

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

		Interest rate Sensitivity 2009					
Currency	Increase in BPs	0-18 m	19-36 m	3-5 y	5-10 y	10-15 y	>15y
		RON	RON	RON	RON	RON	RON
RON	+25	-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	-	-	-	-	-	-

		Interest rate Sensitivity 2009					
Currency	Increase in BPs	0-18 m	19-36 m	3-5 y	5-10 y	10-15 y	>15y
		RON	RON	RON	RON	RON	RON
RON	-25	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	-	-	-	-	-	-

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 2010	Sensitivity of profit and loss 2009
+25	848,032	(371,477)
+50	1,696,239	(742,967)
-25	(847,856)	371,477
-50	(1,695,536)	742,967

Interest rate risk

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

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

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34. Risk Management (continued)

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

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

2009	Repricing amount	1 week	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
	RON	RON	RON	RON	RON	RON	RON
Assets							
Cash and balances with Central bank	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**

for the year ended 31 December 2010 (All amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

34. Risk Management (continued)

Currency risk - FX Position

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

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

		Effect in the income statement	
Currency	**Changes (%)**	**2010**	**2009**
EUR	+10	50,989,909	2,489,487
USD	+10	(9,348,567)	(1,968,885)
OTHER	+10	467,585	(230,470)
TOTAL Effect	**+10%**	**42,108,927**	**751,072**

		Effect in the income statement	
Currency	**Changes (%)**	**2010**	**2009**
EUR	-10	(50,989,909)	(2,489,487)
USD	-10	9,348,567	1,968,885
OTHER	-10	(467,585)	230,470
TOTAL Effect	**-10%**	**(42,108,927)**	**(751,072)**

34.5 Operational Risk

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

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35. Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the National Bank of Romania in supervising the Bank.

During the past year, the Bank had complied with its externally imposed capital requirements (2008: the same).

Capital management

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

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

Regulatory capital	**Actual 2010**	****Required 2010**	**Actual 2009**	****Required 2009**
Tier 1 Capital	601,568,686		519,062,675	
Tier 2 capital	50,806,489		543,333	
***Total capital**	**652,375,175**	**230,724,934**	**519,606,008**	**196,270,676**
Risk weighted assets	**2,884,061,677**		**2,453,383,448**	
Tier 1 capital ratio	**20.86%**		**21.16%**	
Total capital ratio	**22.62%**		**21.18%**	

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

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

Certain adjustments are made to IFRS–based results and reserves, as prescribed by the Central Bank of Romania.

*The Capital is calculated according to the NBR Regulation no. 18/2006 on IFRS data.

**Represents the capital requirement for credit risk, market risk and operational risk calculated according to the NBR Regulation no. 13/2006 with subsequent changes on IFRS data.

36. Events After Balance-Sheet Date

After closing the financial year as at 31 December 2010, the increase of the shareholding held by the Bank in SC Intesa Sanpaolo Leasing Romania IFN S.A. from 95% to 99.49% has been approved. The increase has been made by the transfer of shareholding of 17 shares from minority shareholder CIB Lizing Zrt. to the Bank.

Following the transfer, the Bank owns a number of 597 shares, each 1.800 RON / share, representing 99.49% of the capital. The assignment was made at a total of 1 Euro to be paid under the contract of assignment signed by the parties.