EMPORIKI BANK ROMANIA SA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

EMPORIKI BANK SA ROMANIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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EMPORIKI BANK SA ROMANIA

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

AS AT 31 DECEMBER 2010
(all amounts are in EUR, unless stated otherwise)

Statement of Financial Position (Balance Sheet)

	Note	31 December 2010	31 December 2009
Assets			
Cash and balances with the Central Bank	13	41,217,420	25,100,263
Loans and advances to banks	14	16,184,581	24,598,416
Investment securities, available for sale	15	15,499,212	10,606,005
Loans and advances to customers	16	166,656,499	111,836,925
Other financial assets	17	575,521	439,215
Other non financial assets	17	273,133	257,881
Intangible assets	18	1,529,112	724,635
Property and equipment	19	7,108,542	8,655,498
Total assets		249,044,020	182,218,837
Liabilities			
Deposits from banks	20	127,633,362	77,434,681
Deposits from customers	21	89,015,291	78,359,849
Current income tax liabilities		1,731	5,720
Other financial liabilities	22	1,872,364	615,468
Other non financial liabilities	22	1,123,407	1,054,653
Subordinated debt	23	-	5,933,852
Total liabilities		219,646,155	163,404,223
Equity			
Share capital	24	77,162,030	53,712,422
Other reseves	25	563,120	570,659
Revaluation reserve	25	368	185,465
Translation reserve	25	236,229	(39,504)
Accumulated deficit		(48,563,882)	(35,614,428)
Total equity		29,397,865	18,814,614
Total equity and liabilities		249,044,020	182,218,837

The financial statements set out on pages 1 to 86, were approved by the Board of Directors on 15 March 2011 and signed on its behalf by:

Emporiki Bank - Romania SA
1

Mr. Pierre Martin Chief Executive Officer	Mrs. Mihaela Turbureanu Deputy General Manager

The accounting policies and notes on pages 7 to 86 form an integral part of these financial statements.

EMPORIKI BANK SA ROMANIA

STATEMENT OF INCOME

FOR THE YEAR ENDED AS AT 31 DECEMBER 2010
(all amounts are in EUR, unless stated otherwise)

	Note	Year ended 31 December 2010	Year ended 31 December 2009
Interest and similar income	5	14,072,739	12,642,362
Interest and similar expense	5	(5,436,429)	(7,621,265)
Net interest income		8,636,310	5,021,097
Loan impairment charges	10	(8,382,657)	(8,403,130)
Net interest income after loan impairment charges		253,653	(3,382,033)
Fee and commission income	6	2,112,958	1,686,673
Fee and commission expense	6	(754,735)	(658,515)
Net fee and commission income		1,358,223	1,028,158
Net foreign exchange gains	7	1,245,213	1,997,755
Dividend income	8	120,606	112,663
Other operating income	9	180,874	28,032
Personnel expenses	11	(8,775,351)	(9,929,254)
General and administrative expenses	11	(5,751,053)	(6,225,029)
Depreciation and amortisation expenses	11	(2,145,164)	(1,647,594)
Losses from disposal of fixed assets	11	6,916	(330,584)
Loss for the year before income tax		(13,506,083)	(18,347,886)
Income tax expense	12	(7,840)	(6,765)
Loss for the year		(13,513,923)	(18,354,651)

The financial statements set out on pages 1 to 86, were approved by the Board of Directors on 15 March 2011 and signed on its behalf by:

Emporiki Bank - Romania SA

Mr. Pierre Martin	Mrs. Mihaela Turbureanu
Chief Executive Officer	Deputy General Manager

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Statement of Comprehensive Income

	Note	Year ended 31 December 2010	Year ended 31 December 2009
Loss for the year		(13,513,923)	(18,354,651)
Translation to presentation currency		(905,540)	(2,288,413)
Net gains / (losses) on available-for-sale financial assets		(182,647)	326,650
Total comprehensive expense for the year		(14,602,110)	(20,316,414)

Mr. Pierre Martin
Chief Executive Officer

Emporiki Bank - Romania SA

Mrs. Mihaela Turbureanu
Deputy General Manager

EMPORIKI BANK SA ROMANIA

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED AS AT 31 DECEMBER 2010
(all amounts are in EUR, unless stated otherwise)

Statement of Changes in Equity

	Note	Share capital	Other reserves	Revaluation reserve	Translation reserve	Accumulated deficit	Total Equity
Balance at 31 December 2008		56,987,570	605,455	(149,794)	589,681	(18,901,884)	39,131,028
Net loss for the year		-	-	-	-	(18,354,651)	(18,354,651)
Total recognized loss		-	-	-	-	(18,354,651)	(18,354,651)
Net gain on available for sale financial assets		-	-	326,650	-	-	326,650
Currency translation differences		(3,275,148)	(34,796)	8,609	(629,185)	1,642,107	(2,288,413)
Total comprehensive income		(3,275,148)	(34,796)	335,259	(629,185)	(16,712,545)	(20,316,414)
Balance at 31 December 2009		53,712,422	570,659	185,465	(39,504)	(35,614,428)	18,814,614
Corrections related to prior year		-	-	-	-	133,003	133,003
Balance at 31 December 2009 resteted		53,712,422	570,659	185,465	(39,503)	(35,481,426)	18,947,617
Net loss for the year		-	-	-	-	(13,513,923)	(13,513,923)
Total recognized loss		-	-	-	-	(13,513,923)	(13,513,923)
Net loss on available for sale financial assets		-	-	(182,647)	-	-	(182,647)
Currency translation differences		(1,602,750)	(7,539)	(2,450)	275,732	431,467	(905,540)
Total comprehensive income		(1,602,750)	(7,539)	(185,097)	275,732	(13,082,456)	(14,602,110)
Share capital increase		25,052,358	-	-	-	-	25,052,358
Balance at 31 December 2010		77,162,030	563,120	368	236,229	(48,563,882)	29,397,865

Mr. Pierre Martin
Chief Executive Officer

Emporiki Bank - Romania SA

Mrs. Mihaela Turbureanu
Deputy General Manager

The accounting policies and notes on pages 7 to 86 form an integral part of these financial statements.

EMPORIKI BANK SA ROMANIA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2010
(all amounts expressed in EUR unless stated otherwise)

	Note	31 December 2010	31 December 2009
Cash flows from operating activities			
Interest received		14,316,736	11,897,080
Interest paid		(6,086,017)	(7,343,886)
Fee and commission received		2,112,958	1,686,673
Fee and commission paid		(754,735)	(379,463)
Net foreign exchange gains and other income		1,258,594	2,025,787
Dividends received		120,606	112,663
Cash payments to employees and suppliers		(14,539,786)	(16,444,933)
Income taxes paid		(7,840)	(6,765)
Net cash used in operating activities before changes in operating assets and liabilities		(3,579,484)	(8,452,845)
Change in operating assets			
(Increase)/decrease in balances with the Central Bank		(22,319)	7,915
(Increase) in investment securities available for sale		(5,080,659)	(10,160,579)
(Increase) in loans and advances to customers		(64,672,990)	(15,982,104)
(Increase)/decrease in other assets		(160,766)	91,102
Total changes in operating assets		(69,936,734)	(26,043,666)
Change in operating liabilities			
Increase/(decrease) in deposits from banks		50,833,368	(6,505,415)
Increase in deposits from customers		12,707,047	28,553,102
Increase/(decrease) in other liabilities		1,343,796	(455,548)
(Decrease)/increase subordinated debt		(5,834,206)	5,912,727
Total changes in operating liabilities		59,050,005	27,504,866
Cash flows used in operating activities		(14,466,213)	(6,991,645)
Cash flows from investing activities			
Purchase of intangible assets		(1,096,627)	(124,953)
Purchase of property and equipment		(429,963)	(906,399)
Cash flows used in investing activities		(1,526,590)	(1,031,352)

The accounting policies and notes on pages 7 to 86 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2010
(all amounts expressed in EUR unless stated otherwise)

	Note	31 December 2010	31 December 2009
Cash flows from financing activities			
Share capital contributed in cash		25,052,358	-
Cash flows from financing activities		25,052,358	-
Effect of exchange-rate changes		(1,356,233)	(3,561,527)
Increase / (Decrease) in cash and cash equivalents		7,703,322	(11,584,524)
Cash and cash equivalents at 1 January		49,698,679	61,283,202
Cash and cash equivalents at 31 December	26	57,402,001	49,698,679

Mr. Pierre Martin
Chief Executive Officer

Emporiki Bank - Romania SA

Mrs. Mihaela Turbureanu
Deputy General Manager

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(all amounts expressed in EUR unless stated otherwise)

1. EMPORIKI BANK ROMANIA SA AND ITS OPERATIONS

Emporiki Bank Romania SA (the "Bank") is registered in Romania since 1996 and is licensed by the National Bank of Romania to conduct banking activities. Emporiki Bank SA, Greece, ("the Parent Bank") is the main shareholder of the Bank, with a 99.59 % holding of the share capital. The Bank is principally engaged in wholesale and retail banking operations in Romania. The Bank operates through its Head Office located in Bucharest and 34 branches, out of which 15 branches are located in Bucharest and 19 in other major cities.

The Bank's corporate banking activities are deposit taking, cash management, lending and foreign trade finance. It offers the traditional range of banking services and products associated with foreign trade transactions including payment orders, documentary collections, and issuance of guarantees.

The address of its registered office is as follows:
Emporiki Bank Romania SA
19, Berzei Street
Sector 1
Bucharest

As of 31 December 2010 the Bank employed 351 persons (31 December 2009: 398).

The Board of Directors ("BoD") formulates policies for the operation of the Bank and monitors their implementation. The Bank is managed by a Board of Directors made up of 5 members. The composition of the Board of Directors as at 31 December 2010 and 31 December 2009 is as follows:

Position	2010	2009
President	Francois Alfred Marie Pinchon	Francois Alfred Marie Pinchon
Vice–president	Bruno Marie Charrier	Bruno Marie Charrier
Member	Aikaterini Beritsi	Aikaterini Beritsi
Member	Christos Katsanis	Christos Katsanis
Member	Georgios Terzis	Georgios Terzis

Mr. Francois Alfred Marie Pinchon was appointed as Board of Directors President starting with 18 May 2009, preaviously approved by the National Bank of Romania as member of the Board of Directors on 20 December 2007. Before this date, this position was held by Mr. Ionut Costea.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Bank's financial statements for the year 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by EU (IFRS). Additional information required by national regulations is included where appropriate.

The financial statements comprise the income statement and statement of comprehensive income shown as two statements, the statement of financial position, the statement of changes in equity, the cash flows statement and the notes.

The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and all derivative contracts which have been measured at fair value.

The Bank classifies its expenses by the nature of expense method.

The financial statements are presented in EUR, which is the Bank's presentational currency.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 3.

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments. Note 26 shows in which item of the statement of financial position cash and cash equivalents are included.

The cash flows from operating activities are determined by using the direct method. Interest received or paid are classified as operating cash flows (IAS 7p33). The Bank's assignment of the cash flows to operating, investing and financing category depends on the Bank's business model (management approach).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present fairly the financial position of the Bank and it's financial performance and it's cash flows in accordance with IFRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management prepared these financial statements on a going concern basis, which assumes that the Bank will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews the forecasts of the future cash inflows and the support provided by shareholders.

The Bank is financed via direct cash contributions of the shareholders through share capital increase (see Note 24), deposits placed by the Parent Bank and a credit line granted by the Parent Bank (see Note 27).

Based on the current financial plans and the committed support of the Parent Bank, management is satisfied that the Bank will be able to continue to operate as a going concern in the foreseeable future and, therefore, this principle is applied in the preparation of these financial statements.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(a) Standards, amendments and interpretations effective on or after 1 January 2010

- **IFRIC 17, 'Distributions of Non-Cash Assets to Owners'**

(effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets should be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 did not have an impact on these financial statements.

- **IFRIC 18, 'Transfers of Assets from Customers'**

(effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. The adoption of the IFRIC 18 does not have an impact on these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **IAS 27, 'Consolidated and Separate Financial Statements'**

(revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value.

The Bank is not within the scope of IAS 27 and hence this change has no impact on the Bank's financial statements.

- **IFRS 3 (revised), 'Business Combinations'**

(revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the previous IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise a liability for any contingent purchase consideration at the acquisition date.

Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The adoption of the IFRS 3 (revised) does not have an impact on these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Amendments to IFRS 2, 'Share-based Payment'**

(effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The amendments did not have a material impact on these financial statements. The adoption of the IFRS 2 does not have an impact on these financial statements.

- **Amendment IAS 39, 'Financial Instruments: Recognition and Measurement'**

(effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment did not have a material impact on these financial statements.

- **IFRS 1, 'First-time Adoption of International Financial Reporting Standards'**

(following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The revised standard did not have a material impact on these financial statements.

- **Amendments to IFRS 1, 'First-time Adoption of IFRS'**

IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments did not have a material impact on these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments and interpretations issued but not yet effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2011 or later and which the Bank has not early adopted.

- **Amendment to IAS 32, 'Classification of Rights Issues'**

(issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Bank does not expect the amendments to have any material effect on its financial statements.

- **Amendment to IAS 24, 'Related Party Disclosures'**

(issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Bank does not expect the amendments to have any material effect on its financial statements.

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

(effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The Bank does not expect IFRIC 19 to have any material effect on its financial statements.

- **Amendment to IFRIC 14, 'Prepayments of a Minimum Funding Requirement Instruments'**

(effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Bank does not expect the amendments to have any material effect on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Amendment to IFRS 1, 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters'**

(effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, Financial Instruments: Disclosures. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The Bank does not expect the amendments to have any effect on its financial statements.

- **Amendment to IFRS 7, 'Disclosures - Transfers of Financial Assets'**

(issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities.

Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Bank is currentlz assessing the impact to the amended standard on disclosures in its financial statements. The amendment is not expected to have any impact on the Bank's financial statements.

- **Improvements to IFRS**

'Improvements to IFRS' were issued in May 2010 and effective from 1 January 2011. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2010 and 1 January 2011 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **IFRS 9, 'Financial instruments part 1: Classification and measurement'**

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss.

This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

(c) Early adoption of standards

The Bank did not early-adopt new or amended standards in 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured in the national currency of Romania, Romanian Lei ("RON"), which is the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements are presented in EUR ("presentation currency").

The reason for using a presentation currency different from the functional currency is to meet the expectations of the shareholders, of existing and potential providers of external financing and other counterparties.

(b) Transactions and balances

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the National Bank of Romania ("NBR") at the respective statement of financial position dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the NBR are recognised in the income statement. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

At 31 December 2010 the exchange rate used for translating foreign currency balances was USD 1 = 3.2045 RON (2009: USD 1 = RON 2.9361), EUR 1 = 4.2848 RON (2009: EUR 1 = RON 4.2282) and RUB = 0.1048 RON (2009: RUB 1 = 0.0977 RON).

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

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

(all amounts expressed in EUR unless stated otherwise)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Translation from functional to presentation currency

All assets and liabilities have been translated from the functional currency to the presentation currency at the closing rate existing at the date of each statement of financial position presented. Income and expense items have been translated using an average rate for the presented period. Share capital, retained earnings and all other reserves are translated at closing rates. Finally, all exchange differences resulting from translation have been recognized directly as a separate component in other comprehensive income.

2.3 Accounting for the effect of hyperinflation

Prior to 1 January 2004 balances and transactions were restated to reflect the changes in the general purchasing power of the RON in accordance with IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment in Romania indicate that hyperinflation has ceased, effective from 1 January 2004 the Bank has no longer applied the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these financial statements.

The restatement was calculated using the conversion factors derived from the Romanian Consumer Price Index ("CPI"), published by the Comisia Nationala de Statistica. The indices used to restate corresponding figures, based on 1998 prices (1998 = 100) for the five years ended 31 December 2003, and the respective conversion factors are:

Year	Movement in CPI	Indices	Conversion Factor
1999	54.8%	1.548	2.46
2000	40.7%	2.178	1.75
2001	30.3%	2.838	1.35
2002	17.8%	3.343	1.14
2003	14.1%	3.815	1.00

2.4 Financial assets

(a) Classification

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 trough 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 categorised as held for trading unless they are designated as hedges. The Bank does not use hedge accounting. During 2009 and 2010 the Bank did not held any other securities in this category.

(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 will sell other than an insignificant amount of HTM assets, the entire category would be tainted and reclassified as available for sale. During 2009 and 2010 the Bank did not held any HTM securities in its portfolio.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Recognition, initial measurement and de-recognition

Regular purchases and sales of financial assets FVTPL, HTM and AFS are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at FVPR are initially recognised at fair value, and transactions costs are expensed in the income statement. Financial assets are derecognised 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 and/or has transferred control of the financial assets. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

(c) Subsequent measurement

AFS financial assets and financial assets at FVTPL are subsequently carried at fair value. Loans and receivables and HTM investments are carried at amortised 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 recognised directly in other comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income should be recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on AFS equity instruments are recognised in the income statement when the entity's right to receive payment is established.

(d) Fair value measurement principles

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

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flows 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 (ie, 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 (ie, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognises profits on day one. Changes in the fair value of all derivative instruments are recognised immediately in the income statement. The Bank does not apply hedge accounting.

2.7 Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method. Interest income includes coupons and accrued discount and premium earned on fixed income investment securities. The effective interest method is a method of calculating the amortised 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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Fee and commission income

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

Fee and commission income consists mainly of fees and commissions received for the transfers of money for customers, trading of foreign exchange, issuance of guarantees and letters of credit and fees charged for current accounts administration.

2.9 Dividend income

The Bank recognises as income dividends from the participations held in other entities when the Bank's right to receive payment is established (after the financial statements are approved by the General Assembly of each entity).

2.10 Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Annual General Meeting of shareholders. The statutory accounting reports of the Bank prepared in accordance with Romanian Accounting Regulations are the basis for profit distribution and other appropriations.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

- classification of the borrower in the doubtful category (as a result of registering a debt service of more than 180 days of overdue for the mortgage portfolio, and more than 90 days for other facilities);

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- classification in the worst financial performance category [i.e. E category], established according to the local regulator requirements;
- significant financial difficulty of the debtor (incapability to pay suppliers, debts to the state budget etc.);
- existence of a rescheduling granted to the debtor, resulting from an incapability to pay according with the previously agreed repayment schedule;
- high probability of insolvency or insolvency procedure declared by the borrower;
- existence of the probability that the borrower will enter bankruptcy or other financial reorganization;
- disappearance of an active market for the financial asset due to financial difficulties of the issuer; or
- a sharp and significant decrease in the market value of an issuer's debt securities.

The estimated period between a losses occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.
The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised 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 recognised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The calculation of the present value of the estimated future cash flows of a collateralised 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 the industry and product types, and for retail also taking into consideration if the exposure is insured for credit risk). 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 group and historical loss experience for assets with credit risk characteristics similar to those in the group.

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 group and their magnitude).

The Bank has reviewed the outcome of probability of default rates used for collective assessment of impairment in prior period financial statements and their subsequent re-estimation for the purpose of changing the current period assumptions and methods.

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 loan impairment changes 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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Assets classified as AFS

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. In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If any such evidence exists for AFS 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 recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2.12. Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives which is typically three years.

Costs associated with developing or maintaining computer software programs are recognised 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 recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

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

2.13. Property and equipment

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the income statement.

Depreciation

Land is not depreciated. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Property	50
Office equipment, fixtures and fittings	3 – 20
Vehicles	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 statement of financial position date.

2.14. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15. 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.

2.16. Provisions

Provisions are recognised 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 has been 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 recognised 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 using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17. Financial guarantee 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.

The financial guarantees are treated as financial liabilities and are recognised initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee. After initial recognition, the Bank measures the financial guarantees at the higher of:

a) the amount determined in accordance with IAS 37; and

b) the amount initially recognised less, cumulative amortisation for the fee earned in accordance with IAS18.

Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18. Other credit related commitments

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

2.19. Income taxes

(a) Current income tax

The Bank records profit tax based on net income derived from its financial statements prepared 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.
Beginning 2009, profit taxpayers (Romanian companies as well as foreign companies operating in Romania through permanent establishments and legal persons set up in accordance with European legislation with the registered office in Romania) are obliged to pay an annual minimum tax. The minimum tax is determined based on the revenues reported on 31 December of the previous year, using some predefined thresholds.

(b) Deferred income tax

Differences between financial reporting under IFRS 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities and tax losses carried forward. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. 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 AFS investments, which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the income statement together with the deferred gain or loss.

2.20. 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.

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

2.21. Borrowings & Subordinated debt

Borrowings and subordinated debt are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings and subordinated debt are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

In the financial statements prepared in accordance with Romanian Accounting Regulations the subordinated debt is included in the Bank's own funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22. Finance lease liabilities

Where the Bank is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Bank, the assets leased are capitalised in property and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included other liabilities. The interest cost is charged to the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Bank is not reasonably certain that it will obtain ownership by the end of the lease term.

2.23. Operating Leases

The total payments made under operating leases are charged to 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 recognised as an expense in the period in which termination takes place.

3. FINANCIAL RISK MANAGEMENT

3.1 Strategy in using financial instruments

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances; the Bank also provides guarantees and other commitments such as letters of credit.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk

The Bank is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. This risk is monitored through various control mechanisms in order to prevent concentrations of credit risk.

During 2010, in order to mitigate this risk, the Bank (through its Risk Division) carried out the following main actions:

- improved the concept of risk identification, evaluation, monitoring and reporting within the Bank; and
- developed new procedures related to each type of significant risk according to the regulations issued by National Bank of Romania and in accordance with Parent Bank rules.

Also, the targets and limits for the composition and the quality of the loan portfolio were set to enable proper monitoring of their compliance.

Impairment provisions are provided where it is objective evidence that the Bank will not be able to collect all amounts due. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in evidence that is different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

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 groups 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. Limits on the level of credit risk by industry sector are approved by the Board.

Credit risk is considered for both retail and wholesale customers as well as for credit institutions and central administration entities being evaluated and administered in separate units.

During 2010, the Bank concluded contracts with brokers (real estate companies) for the retail segment. The limit established for loans granted through the brokers is 5% of the total retail portfolio for the first six months after the activity was started.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The exposure to any banks is further restricted by sub-limits covering on and off-balance sheet exposures, as well as daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Financial instruments that are exchanged with other credit institutions are monitored on a daily basis and measured against the established limits.

The exposure to credit risk from retail and wholesale, is 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. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

For the unsecured portfolio (and more specifically for the consumer portfolio granted to individuals), the mitigation of credit risk is done mainly through the careful selection of the potential customers, using a scoring model. Besides this, the risk evaluation is carried out depending also on the following criteria:

- clients' payment capacity; and
- the credit history recorded by the clients.

The scoring model used for selection, is the ultimate solution in detection of future bad payers by assigning a score to each client in order to estimate the probability default and, therefore, helps the Bank in the process of rejecting the clients with high probability of default.

For each transaction, besides an operational way out, the value of the collateral offered to the Bank has to cover the risk in the respective transaction.

Collateral is established under the rationale that even where a borrower fails to honor its obligations, the Bank still expects to collect the amount outstanding. Therefore the value of the collateral, in terms of both size and quality, is appraised in an accurate and realistic manner in order to prevent overvaluation and eventual losses.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Moreover, subject to a precautionary standpoint, the Bank discounts the market values of the collaterals when assessing the risk coverage in order to estimate the recoverable amount in case of collateral execution, as follows:

- Cash collateral deposits held with Emporiki Bank Romania S.A → 100%
- Irrevocable and unconditional guarantees of the Romanian state or the National Bank of Romania → 100%
- Treasury bills and bonds of the Romanian states → 100%
- Irrevocable and unconditional guarantees of the states or the central banks in class A countries or from the European Communities → 100%
- Treasury bills and bonds of the state administrations in class A countries or from the European Communities → 100%
- Certificates of Deposits or similar instruments issued by the Bank and kept by itself → 100%
- Express, irrevocable and unconditional guarantees of the multilateral development banks or of the European Investment Bank → 80%
- Titles issued by multilateral development banks or by the European Investment Bank → 80%
- Express, irrevocable and unconditional guarantees issued by local administrations in Romania → 80%
- Express, Irrevocable and unconditional guarantees of the Romanian credit institutions → 80%
- Express, irrevocable and unconditional guarantees issued by local and regional administrations in class A countries → 80%
- Express, irrevocable and unconditional guarantees of banks in class A countries → 80%
- Express, irrevocable and unconditional personal guarantees issued by Loan Guarantee Funds in Romania → 50%
- Pledge upon equipment and machinery → 75% / 70%
- First rank mortgage on residential properties → 75%
- First rank mortgage on commercial and industrial real estate including also land with any destination → 60%
- Pledge on shares that are transactioned on the market → 20%
- Pledge on easily disposable non perishable goods stored in warehouses on the basis of titles → 50%
- Pledge on stocks of goods or raw materials and export shipping documents → 50%

Following the financial crisis effects, the Bank performed individual assessments of the corporate clients in terms of financial situation and collaterals. These resulted in measures to provide more/stronger collateral, smaller limits or even exit strategies, being applied to clients with weak performance.

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maximum exposure to credit risk before collateral held or other credit enhancement

	31 December 2010	31 December 2009
Credit risk exposures relating to on-balance sheet assets as follows:	240,133,233	172,580,824
Cash and balances with the Central Bank	41,217,420	25,100,263
Loans and advances to banks	16,184,581	24,598,416
Investment securities, available for sale:	15,499,212	10,606,005
Bonds	-	270,169
Treasury Bills of the Romanian state	15,406,367	10,241,497
Participations	92,845	94,340
Loans and advances to individuals:	85,680,312	39,210,595
Overdrafts	357,743	233,711
Credit Cards	51,391	116,324
Consumer Loans	54,080,179	23,337,351
Mortgages	31,190,999	15,523,209
Loans and advances to corporate entities:	80,976,187	72,626,330
Large Corporate Customers	61,565,612	49,409,943
Small and medium size enterprises (SMEs)	19,410,575	23,216,387
Other financial assets	575,521	439,215
Credit Risk exposures relating to off-balance sheet items are as follows:	26,102,774	43,291,199
Commitments to extend credit	14,547,334	15,683,097
Revocable commitments	6,633,273	23,050,810
Documentary and commercial letters of credit	640,495	-
Guarantees given	4,281,672	4,557,292
Total	266,236,007	215,872,023

The above table represents the basic financial assets structure for 2010 and 2009. As is apparent from the above, total assets are more than 62% represented by loans and advances to customers, with a very simple and straight forward approach of maintaining a minimum exposure to credit risk via sufficient collateralization of the portfolio.

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

For the unsecured portfolio (i.e. consumer loans granted to individuals) the exposure to credit risk is minimized by the careful selection of the potential customers, using a scoring model.

The table below presents the loans and advances by credit risk category.

	31 December 2010		31 December 2009	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	141,686,615	16,184,581	89,826,739	24,598,416
Past due but not impaired	10,759,041	-	5,440,643	-
Impaired	33,911,438	-	28,313,526	-
Gross	186,357,095	16,184,581	123,580,908	24,598,416
Less: allowance for impairment	(19,700,596)	-	(11,743,983)	-
Net	166,656,499	16,184,581	111,836,925	24,598,416

For the purpose of credit risk monitoring and impairment provisioning, the Bank splits the portfolio in the following internal categories: individually not impaired, individually impaired and collectively impaired.

Significant loans assessed individually are loans that meet one of the conditions below:

- exposure higher than EUR 500,000 for loans that have registered maximum 30 days of overdue days;
- exposure higher than EUR 150,000 for loans that have registered more than 30 days; or
- doubtful loans for which the recovery department has started execution procedures.

All other loans that do not fall into the previous category are assessed collectively. Furthermore, in this category are also included the loans assessed individually for which there is no evidence of impairment.

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Another important aspect in the credit risk monitoring and impairment process is the strict monitoring of the collateral values as follows:

➢ For facilities granted to legal entities secured with:

- Commercial real estate properties → the reevaluation is mandatory to be made annually;
- Residential real estate properties → the reevaluation is mandatory to be made annually.

➢ For facilities granted to individuals secured with:

- Commercial real estate properties → the reevaluation is mandatory to be made annually;
- Residential real estate properties → the reevaluation is mandatory to be made at least once every three years.

Also, for the proper estimation of the impairment an annual review of the facilities that are granted to legal entities is performed, focusing on those which are active in the real estate sector and on those who seem to have debt coverage issues. These are coupled with cross collateralized comfort guarantees that decrease the loan to value ratio and increase the recovery possibility. The table below provides information about the types of collateral obtained by the Bank and their relative weight in the overall collateral accepted.

Type of collateral	**31 December 2010** (%)	**31 December 2009** (%)
Guarantees received from public administration and assimilate	1.3	0.0
Guarantees received from other financial institutions	2.7	3.4
Mortgages	43.5	44.7
Inventory	4.8	7.3
Other	47.7	44.6
Total	100.0	100.0

The other category includes: collaterals such as cash collateral, pledges on insurance proceeds, personal/ corporate guarantees and others.

The split of the loan portfolio of the Bank by industry is detailed in Note 16.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Loans and advances neither past due nor impaired

The Bank uses a scoring system for legal entities for initial evaluation of credit worthiness and for the follow-up assessment of loans. This takes into consideration both qualitative and quantitative indicators of the counterparties financial health and produces a five scale rating (A, B, C, D, E).

For retail customers, the Bank implemented a scoring model that uses statistical data (e.g. time on job, position, credit history, gender, age) for the initial evaluation of a potential clients credit worthiness. The classification model for clients is made in categories of risk of non-reimbursement and produce five categories (A, B, C, D, E).

This classification together with debt service and taking into account weather legal proceedings were started against the debtor gives the final classification of the loans into five categories (Standard, Watch, Substandard, Doubtful, Loss),which is then used as a statutory provisioning basis, as follows:

Financial performance / **Days past due**	**A**	**B**	**C**	**D**	**E**	
0 – 15 days	Standard / Loss	Watch / Loss	Substandard / Loss	Doubtful / Loss	Loss / Loss	No legal proceedings initiated
16 – 30 days	Watch / Loss	Substandard / Loss	Doubtful / Loss	Loss / Loss	Loss / Loss	
31 – 60 days	Substandard / Loss	Doubtful / Loss	Loss / Loss	Loss / Loss	Loss / Loss	
61 – 90 days	Doubtful / Loss	Loss / Loss	Loss / Loss	Loss / Loss	Loss / Loss	
Higher than 91 days	Loss / Loss	Loss / Loss	Loss / Loss	Loss / Loss	Loss / Loss	Legal proceedings initiated

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Details are provided in the table below:

31 December 2010

	Individidual (retail) customer				Corporate entities		
	Overdraft	Credit cards	Consumer loans	Mortgage loans	Large corporate loans	SME's	Total Loans and advances
Grades:							
1 Standard	154,832	36,745	29,115,695	18,977,013	13,903,724	1,933,628	64,121,637
2 Watch	89,123	438	10,690,250	6,390,899	16,531,557	8,679,598	42,381,865
3 Substandard	57,430	2,316	7,598,701	2,904,353	14,473,700	2,897,363	27,933,863
4 Doubtful	20,413	-	2,762,962	1,191,724	309,301	722,432	5,006,832
5 Loss	-	-	104,883	57,034	1,397,569	682,932	2,242,418
Total	321,798	39,499	50,272,491	29,521,023	46,615,851	14,915,953	141,686,615

31 December 2009

	Individidual (retail) customer				Corporate entities		
	Overdraft	Credit cards	Consumer loans	Mortgage loans	Large corporate loans	SME's	Total Loans and advances
Grades:							
1 Standard	167,947	97,357	18,902,031	13,382,923	20,761,161	6,960,660	60,272,079
2 Watch	6,485	1	1,201,868	633,162	11,680,119	5,659,074	19,180,709
3 Substandard	19,903	1,043	934,115	24,294	1,782,945	4,589,947	7,352,247
4 Doubtful	10,124	-	440,278	55,104	480,626	1,747,342	2,733,474
5 Loss	-	-	29,152	-	151,870	107,208	288,230
Total	204,459	98,401	21,507,444	14,095,483	34,856,721	19,064,231	89,826,739

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

75 % of neither past due nor impaired loans are in the first two credit risk categories as of 31 December 2010 (31 December 2009: 89%).

The remaining neither past due nor impaired loans are in lower grade categories. Neither past due nor impaired category includes also some restructured loans which would otherwise be past due or impaired but where terms have been renegotiated:

- 0.79% of the Standard category;
- 3.19% of the Watch category;
- 9.29% of the Substandard category;
- 3.48% of the Doubtful category;
- 53.60% of Loss category at the end of December 2010.

After the restructuring process, only a few cases were classified in higher categories but only in terms of debt service, the financial performance criteria applied being stricter than the one existing before the terms of restructuring.

b) Loans and advances past due but not impaired

31 December 2010

	Individual (retail customers)				
	Overdrafts	Credit cards	Consumer loans	Mortgage loans	Total
Past due up to 30 days	30,291	5,318	3,451,849	1,136,190	4,623,648
Past due up to 30-60 days	30,411	3,362	906,129	100,927	1,040,829
Past due up to 60-90 days	-	1,980	395,413	199,158	596,551
Past due up to 90-180 days	-	-	-	220,283	220,283
Total	60,702	10,660	4,753,391	1,656,558	6,481,311
Fair value of collateral	-	-	2,743,075	2,670,351	5.413.426

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Corporate Entities		
	Large corporate customers	SMEs	Total
Past due up to 30 days	2,134,935	984,350	3,119,285
Past due up to 30-60 days	1,139,366	19,079	1,158,445
Past due up to 60-90 days	-	-	-
Total	3,274,301	1,003,429	4,277,730
Fair value of collateral	4,853,138	1,167,362	6,020,500

31 December 2009

	Individual (retail customers)				
	Overdrafts	Credit cards	Consumer loans	Mortgage loans	Total
Past due up to 30 days	41,315	14,485	1,722,314	981,384	2,759,498
Past due up to 30-60 days	566	4,352	319,256	151,524	475,698
Past due up to 60-90 days	-	3,043	147,362	217,102	367,507
Past due up to 90-180 days	-	-	-	27,654	27,654
Total	41,881	21,880	2,188,932	1,377,664	3,630,357
Fair value of collateral	-	-	2,055,889	2,144,219	4,200,108

	Corporate Entities		
	Large corporate customers	SMEs	Total
Past due up to 30 days	245,623	856,020	1,101,643
Past due up to 30-60 days	540,310	116,766	657,076
Past due up to 60-90 days	51,567	-	51,567
Total	837,500	972,786	1,810,286
Fair value of collateral	1,269,145	2,779,454	4,048,599

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Loans and advances impaired

(i) Collectively impaired

31 December 2010

	Individual (retail customers)				
	Overdrafts	Credit cards	Consumer loans	Mortgage loans	Total
Loan receivable	12,561	29,717	2,687,153	642,960	3,372,391
Fair value of collateral	-	-	1,085,221	786,768	1,871,989

	Corporate Entities		
	Large corporate customers	SMEs	Total
Loan receivable	41,991	739,730	781,721
Fair value of collateral	468,690	1,286,327	1,755,017

31 December 2009

	Individual (retail customers)				
	Overdrafts	Credit cards	Consumer loans	Mortgage loans	Total
Loan receivable	3,106	19,895	631,730	267,308	922,039
Fair value of collateral	-	-	625,519	334,538	960,057

	Corporate Entities		
	Large corporate customers	SMEs	Total
Loan receivable	64,265	990,416	1,054,681
Fair value of collateral	-	837,519	837,519

In 2010 the Bank has readjusted its impairment methodologies as part of the regular risk reassessment process. On one hand, it resulted as a need for an adjustment related to the Bank’s newer products and its target clientele, and on the other hand due to the need to recalibrate the impairment model its parameters (i.e. probabilities of default).

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Individually impaired

31 December 2010

	Individual (retail customers)				
	Overdrafts	Credit cards	Consumer loans	Mortgage loans	Total
Loan receivable	-	-	181,745	156,869	338,614
Fair value of collateral	-	-	176,368	168,750	345,118

	Corporate Entities		
	Large corporate customers	SMEs	Total
Loan receivable	21,552,388	7,866,325	29,418,713
Fair value of collateral	19,204,345	6,334,792	25,539,137

31 December 2009

	Individual (retail customers)				
	Overdrafts	Credit cards	Consumer loans	Mortgage loans	Total
Loan receivable	-	-	-	-	-
Fair value of collateral	-	-	-	-	-

	Corporate Entities		
	Large corporate customers	SMEs	Total
Loan receivable	21,335,385	5,001,420	26,336,805
Fair value of collateral	18,334,549	5,606,471	23,941,020

The notes above present some loan categories that are impaired while the fair value of collateral is higher than the exposure. This is due to the fact that the provision takes into account also the time required to sell the asset.

Only high quality collateral is considered for the purpose of coverage calculations [i.e. mortgage upon real estates, cash collateral, pledge over equipments and/or vehicles]. With respect to mortgage loans, the reported fair value of collateral takes into account only properties on which the Bank holds a mortgage.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

For individually assessed exposures, loans are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. The criteria used by the Bank to determine that there is objective evidence of impairment include:

- classification of the borrower in the doubtful category (as a result of registering a debt service of more than 180 days of overdue for the mortgage portfolio, and more than 90 days for the rest of facilities);
- classification in the worst financial performance category [i.e. E category], established according to the local regulator requirements;
- significant financial difficulty of the debtor (incapability to pay suppliers, debts to the state budget etc.);
- existence of a rescheduling granted to the debtor, resulting from an incapability to pay according with the previously agreed repayment schedule;
- high probability of insolvency or insolvency procedure declared by the borrower;
- existence of the probability that the borrower will enter bankruptcy or other financial reorganization.

For collectively assessed exposures, the portfolio of SME and large corporate customers which do not show a delay of more than three months in credit reimbursements, as well as the portfolios of individuals with a delay of less than 90 days (or less than 180 days for mortgage portfolio), will be considered not to exhibit evidence of impairment.

Loans and advances *renegotiated*

In order to diminish the risk of default, the Bank defined internal norms for renegotiation of the loans granted to, both, retail customers and legal entities.

Renegotiated loans and advance contracts allow selected borrowers with cash flow problems or revenue problems to modify, with the agreement of the Bank, the initial terms and conditions of the loan, for example: interest, tenor, repayment schedule, grace period, etc. Renegotiation may occur due to new or extended customer need for finance, following expansion of business projects combined with possible need for rescheduling arrangements.

The renegotiation may refer also to:

- credit facilities registering delays and for which the transfer of overdue amounts into current outstanding amounts is requested;
- credit facilities with or without delays for which the modification of the installments is requested (with or without the extension of the tenor); or
- credit lines for which the tenor is extended resulting in a decrease of monthly installment.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

For all the renegotiated credit facilities, the financial performance category determined according with the internal norms will be stricter than the one existing before the moment of restructuring. This category will be calculated based on the financial information available (last trial balance) and in case the result will be the same financial performance category, this one will be downgraded by one category. Also, after the implementation of the renegotiated contracts, the client will be maintained on a "Watch List" for a period of at least 12 months.

Whenever a loan is subject to renegotiation, the Bank management performs a specific analysis for each of the loans. The loans are renegotiated within the terms of credit and risk policies of the Bank and the respective loans are kept under continuous review in order to manage the associated risks.

For credit facilities granted to resident individuals, the restructuring process has been applied to a low number of cases, being only some cases for which there were applied the existing restructuring schemes. Due to this fact the quality of this segment of portfolio did not suffer many changes, the low number of restructuring cases and the aggregate value of the exposure did not affect the global level of non-performing loans. For this segment were defined new rescheduling schemes, which, once implemented from a technical point of view, will allow the extension of the number of clients who can benefit from this type of process.

The segment of resident non-financial companies, registered, in 2010 restructuring processes which produced sensitive changes in the level of risk indicators. For the cases of extended and rescheduled payment arrangements, the debtor agrees to pay it's overdue debts (if any) before the rescheduling. The balance of the loans renegotiated during 2010 was equivalent to EUR 9,088,697 (2009: EUR 24,597,050).

Repossessed collateral

In 2010 the Bank recovered the equivalent of EUR 141,163 (2009: EUR 40,775) from the execution procedures, for a total of 8 files (5 retail and 3 legal entities).

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 – which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties – carry the same credit risk as a loan.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.3 Market risk

The Bank monitors on a daily basis the market risks relating to its portfolio, as a result of changes in foreign currency rates.

The common measure used and monitored in cooperation with the Parent Bank, Emporiki Bank of Greece S.A, to assess market risk is 'value-at-risk' (VaR). The assessment of th VaR indicator is made by the Parent Bank on a daily consolidated basis, its compliance with the established limit being monitored by the Bank.

The Parent Bank uses in-house monitoring systems, assessing on a daily consolidated basis the maximum potential loss which may result under normal conditions from the trading portfolio.

Emporiki Bank of Greece S.A, in order to monitor effectively the risk faced by the Bank , uses ''back testing'' to confirm the effectiveness of the VaR model.

The limits applicable to the Market Risk are:

(i) VaR limit

The VAR limits are established in accordance with the measurements of VaR, a daily VaR of EUR 8,000 is not to be exceeded on the foreign exchange transactions. The daily VaR limit used for market risk monitoring (and more specifically, for the exposure to currency rate risk) is assessed a posteriori based on a historical simulation, using a 1-day horizon and a confidence interval of 99%, done on the previous day's exposure. The mentioned calculation is performed by the Parent Bank, using a validated model by the local regulator, and further on received, on a daily basis, by the Risk Management line within Emporiki Bank – Romania S.A.

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Stop Loss limits

The stop-loss limit for a certain activity (i.e. foreign exchange), is set at EUR 10,000 from the open position on that particular activity or at 10% of the acquisition value for AFS portfolio activities.

Currently, the Bank does not have a fully implemented procedure or system to perform sensitivity analysis on market risks. However, with the development of the assets and liabilities management and of the Financial risk unit of the Risk Division stress tests can be conducted on the market risks' impact on the Banks activities.

Sensitivity analysis calculated in accordance with IFRS 7

		31 December 2010
	Effect on Income Statement	Effect on Comprehensive income
Interest rate (± 200 b.p.)	± 294,845	± 143,065
Foreign exchange (± 10%)	± 33,329	-

		31 December 2009
	Effect on Income Statement	Effect on Comprehensive income
Interest rate (± 200 b.p.)	± 250,059	± 136,292
Foreign exchange (± 20%)	± 46,127	-

At 31 December 2010, if market interest rates had been 200 basis points higher/ lower and with all other variables held constant, loss for the year would have been EUR 294,845 (2009: EUR 250,059) lower/ higher and comprehensive income would have been EUR 143,065 (2009: EUR 136,292) lower/higher. The same methodology for interest rate sensitivity analysis as in 2009 was applied. Note that the Bank has refined its method of calculation of interest rate sensitivity in 2009 compared with 2008.

The 2010 and 2009 interest rate sensitivity analysis was performed on an interest rate gap model by applying a reasonably possible shift of 200 basis points.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The impact of a 200 basis points shift on comprehensive income in 2010 is quite significant and is due to the impact of such a shift on the fair value of fixed rate treasury bills classified as available for sale. The treasury bills have a short maturity (maximum one year) and the Bank reinvests redemption proceeds upon maturity. In substance these treasury bills act like variable rate instruments. Treating these instruments as variable rate instruments in the above calculation would result in a 200 basis point increase/ decrease in market interest rates reducing/ increasing loss for the year by EUR 437,910 but having a negligible impact on comprehensive income.

At 31 December 2010, if RON had strengthened/ weakened by 10% against other relevant currencies (all other variables held constant) loss for the year would have been EUR 33,329 (2009: EUR 46,127) higher/ lower . The Bank has significant exposure on foreign exchange position only for EUR currency. The maximum fluctuation of EUR/RON exchange rate was 7,47% during 2010.

3.3.1 Interest rate risk

Interest sensitivity *of assets, liabilities and off balance sheet items – repricing analysis*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Assets and Liabilities Committee of the Bank sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is regularly monitored.

The Bank uses for the purpose of mitigating some of its interest risk with (and other risks) investments in state issued treasury bills with short to medium tenors.

The tables below summarises the Bank's exposure to interest rate risks as at 31 December 2010 and 31 December 2009. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non interest bearing	Total
31 December 2010							
Cash and balances with the Central Bank	41,217,420	-	-	-	-	-	41,217,420
Loans and advances to banks	16,184,581	-	-	-	-	-	16,184,581
Investment securities, available for sale	2,328,013	-	13,078,354	-	-	92,845	15,499,212
Loans and advances to customers	12,895,413	125,445,567	26,945,211	23,956	1,346,352	-	166,656,499
Other financial assets	-	-	-	-	-	575,521	575,521
Total financial assets	72,625,427	125,445,567	40,023,565	23,956	1,346,352	668,366	240,133,233

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non interest bearing	Total
31 December 2010							
Deposits from banks	93,133,362	25,700,000	8,800,000	-	-	-	127,633,362
Deposits from customers	62,128,675	18,634,549	2,993,704	5,258,363	-	-	89,015,291
Other financial liabilities	-	-	-	-	-	1,872,364	1,872,364
Total financial liabilities	155,262,037	44,334,549	11,793,704	5,258,363	-	1,872,364	218,521,017
Total interest gap	(82,636,610)	81,111,018	28,229,861	(5,234,407)	1,346,352		

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non interest bearing	Total
31 December 2009							
Cash and balances with the Central Bank	25,100,263	-	-	-	-	-	25,100,263
Loans and advances to banks	24,598,416	-	-	-	-	-	24,598,416
Investment securities, available for sale	321,265	1,164,680	9,025,721	-	-	94,340	10,606,005
Loans and advances to customers	12,008,350	60,555,204	37,254,988	12,038	2,006,345	-	111,836,925
Other financial assets	-	-	-	-	-	439,215	439,215
Total financial assets	62,028,294	61,719,884	46,280,709	12,038	2,006,344	533,555	172,580,823

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non interest bearing	Total
31 December 2009							
Deposits from banks	37,934,681	39,500,000	-	-	-	-	77,434,681
Due to customers	42,027,382	16,772,820	17,073,434	-	-	2,486,213	78,359,849
Other financial liabilities	-	-	-	-	-	615,468	615,468
Subordinated debt	5,933,852	-	-	-	-	-	5,933,852
Total financial liabilities	85,895,915	56,272,820	17,073,434	-	-	3,101,681	162,343,850
Total interest gap	(23,867,621)	5,447,064	29,207,274	12,038	2,006,344		

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate levels, the cost of funding and the net margins are monitored by the Treasury Division. In case of adverse movements of the market, contractual levels of interest are changed for contracts having embedded protections.

The table below summarises the effective interest rate by major currencies for monetary financial assets:

	As at 31 December 2010 Currency				As at 31 December 2009 Currency			
	RON (%)	USD (%)	EUR (%)	Other (%)	RON (%)	USD (%)	EUR (%)	Other (%)
Assets								
Loans and advances to banks – current accounts & sight deposits	4.39	-	0.28	-	8.98	-	0.33	-
Loans and advances to banks – term deposits	5.22	-	0.23	-	8.76	-	0.38	-
Investment securities, AFS	7.26	-	-	3.76	9.85	-	-	8.28
Loans and advances to customers	11.86	6.44	6.92	6.83	14.68	7.10	6.61	5.20
Liabilities								
Deposits from banks	5.44	-	0.61	-	10.63	-	3.43	-
Deposits from customers – term deposits	9.11	2.89	2.51	1.49	12.32	2.53	3.90	1.51
Deposits from customers – current accounts & sight deposits	2.61	0.62	1.29	0.1	4.38	0.29	0.86	0.23
Subordinated debt	9.12	-	-	-	12.80	-	-	-

3.3.2 Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. As required in order to balance the structure of assets and liabilities in each currency, as well as, considering the fluctuations of the foreign exchange rates, the Bank takes positions in foreign currencies.

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Bank monitors on a daily basis a market risks relating to its portfolio, as a result of changes in foreign currency rates using VaR model as described in note 3.3.

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31 December 2010 and 31 December 2009. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currency.

At 31 December 2010	RON	EUR	USD	Other	Total
Assets					
Cash and balances with the Central Bank	14,076,225	26,592,324	469,246	79,625	41,217,420
Loans and advances to banks	11,678,780	3,898,520	331,329	275,952	16,184,581
Investments securities, available for sale	15,499,212	-	-	-	15,499,212
Loans and advances to customers	37,590,907	126,900,998	2,164,591	-	166,656,499
Other financial assets	553,549	21,940	32	-	575,521
Total financial ssets	79,398,673	157,413,782	2,965,198	355,580	240,133,233
Liabilities					
Deposits from banks	4,010	127,574,865	54,487	-	127,633,362
Deposits from customers	57,208,663	28,506,515	2,938,354	361,759	89,015,291
Other financial liabilities	580,257	1,272,594	17,658	1,855	1,872,364
Total financial liabilities	57,792,930	157,353,974	3,010,499	363,614	218,521,017
Net on-balance sheet position	21,605,743	59,808	(45,301)	(8,034)	
Net off balance sheet receivables from currency operations	-	1,300,000	50,000	-	
Credit commitments	849,190	13,654,072	44,073	-	
Revocable credit commitments	761,442	5,871,831	-	-	
Letter of credit	-	640,495	-		
Letter of guarrantees	1,157,597	3,124,075	-	-	
Net off-balance sheet position	2,768,229	24,590,473	94,073	-	

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 31 December 2009	RON	EUR	USD	Other	Total
Assets					
Cash and balances with the Central Bank	7,139,161	17,661,389	151,521	148,192	25,100,263
Loans and advances to banks	19,895,455	4,027,180	294,866	380,915	24,598,416
Investments securities, available for sale	10,335,836	-	-	270,169	10,606,005
Loans and advances to customers	22,680,161	87,066,785	2,087,497	2,482	111,836,925
Other financial assets	431,493	7,684	38	-	439,215
Total financial ssets	60,482,106	108,763,038	2,533,922	801,758	172,580,824
Liabilities					
Deposits from banks	6,399	77,377,739	50,543	-	77,434,681
Deposits from customers	42,639,844	32,746,890	2,503,754	469,361	78,359,849
Other financial liabilities	125,837	382,319	58,184	49,128	615,468
Subordinated debt	5,933,852	-	-	-	5,933,852
Total financial liabilities	48,705,932	110,506,948	2,612,481	518,489	162,343,850
Net on-balance sheet position	11,776,174	(1,743,910)	(78,559)	283,269	
Net off balance sheet receivables from currency operations	-	1,585,000	76,385	(15,094)	
Credit commitments	1,414,743	14,105,292	163,061	-	
Revocable credit commitments	2,307,984	20,742,826	-	-	
Net off-balance sheet position	3,722,727	36,433,118	239,446	(15,094)	

3.4 Liquidity risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees. The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Treasury Division continuously monitors the liquidity developments and the projections based on budgeted and realized cash flows and informs the Assets and Liabilities Committee at least monthly. The goal of the liquidity management framework is to accommodate the Bank's budgeted targets and provide appropriate solutions for meeting funding needs.

The Bank prepares cash flow projections on a regular basis for measuring and managing its net refinancing risk. Projections cover not only the assets and liabilities as they exist in the balance sheet at a particular time but also the cash flows from planned future activities. In addition, a statement of assets and liabilities prepared in the order of liquidity level of various items is used for monitoring the Bank's operations. Day – to – day liquidity management is performed, at Treasury Division level, in accordance with the limits agreed by the management and with awareness of both short term needs and long term liquidity requirements.

The Treasury Division has also the responsibility for monitoring the daily liquidity needs of the Bank. This includes monitoring of daily cash flows for every currency taking into consideration the following elements:

- Maturity of deposit placed/took in relation with both retail/corporate customers and financial institutions;
- Inflows/outflows from payments (including those with State Budget);
- Inflows/outflows from securities transactions;
- Inflows/outflows from derivatives transactions;
- Inflows/outflows from cash transactions;
- Inflows/outflows from foreign exchange transactions;
- Inflows/outflows from loans;
- Nostro account balances;
- The level of reserve requirements; and
- Any other item with relevant liquidity impact.

Funding approach

Sources of liquidity are regularly reviewed by the Treasury Division, so as to maintain a well balanced proportion by currency, term and product. The tools for liquidity management are:

- Taking/placing deposits on inter-bank market (including the Central Bank);
- Purchases and sales of securities;
- Repo/Reverse Repo with bonds/t-bills on the secondary market; and
- Foreign exchange forwards and swaps.

(all amounts expressed in EUR unless stated otherwise)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity tables based on contractual undiscounted cash flows
Non-derivative cash flows

	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
As at 31 December 2010						
Liabilities						
Deposits from banks	4,328,489	9,327,669	10,359,494	31,355,454	87,340,403	142,711,509
Due to customers	62,505,958	19,445,771	7,050,120	-	-	89,001,849
Other financial liabilities	1,872,364	-	-	-	-	1,872,364
Total financial liabilities	68,706,811	28,773,440	17,409,614	31,355,454	87,340,403	233,585,722

	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
As at 31 December 2009						
Liabilities						
Deposits from banks	1,093,626	317,891	12,606,862	46,639,971	23,737,475	84,395,825
Due to customers	39,002,152	19,404,643	19,264,780	-	-	77,671,575
Other financial liabilities	615,468	-	-	-	-	615,468
Subordinated debt	63,512	127,024	571,608	3,048,579	9,723,405	13,534,128
Total financial liabilities	40,774,758	19,849,558	32,443,250	49,688,550	33,460,880	176,216,996

The table analyses the Bank's financial liabilities as at 31 December 2010 and 31 December 2009 into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

Derivative cash flows

There are no open derivatives at 31 December 2010. During 2010 the Bank had derivatives settled on a gross basis which included currency forwards and swaps.

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Loan commitments

The earliest dates they can be drawn of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities are summarised in the table below:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
31 December 2010						
Loan commitments	14,547,334	-	-	-	-	14,547,334
Revocable commitments	6,633,273	-	-	-	-	6,633,273
Documentary and commercial letters of credit	640,495	-	-	-	-	640,495
Letter of guarantees	4,281,672	-	-	-	-	4,281,672

	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
31 December 2009						
Loan commitments	15,683,097	-	-	-	-	15,683,097
Revocable commitments	23,050,810	-	-	-	-	23,050,810
Documentary and commercial letters of credit	-	-	-	-	-	-
Letter of guarantees	2,204,102	-	-	2,353,190	-	4,557,292

Liquidity tables based on expected discounted cash flow:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
At 31 December 2010						
Assets						
Cash and balances with the Central Bank	41,217,420	-	-	-	-	41,217,420
Loans and advances to banks	16,184,581	-	-	-	-	16,184,581
Investment securities, available for sale	2,328,013	-	13,078,354	-	92,845	15,499,212
Loans and advances to customers	3,920,052	15,635,428	21,993,771	16,517,306	108,589,942	166,656,499
Other financial assets	575,521	-	-	-	-	575,521
Total financial assets	64,225,587	15,635,428	35,072,125	16,517,306	108,682,787	240,133,233

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities						
Deposits from banks	4,133,362	8,950,000	8,800,000	24,250,000	81,500,000	127,633,362
Due to customers	62,888,493	19,270,688	6,856,110	-	-	89,015,291
Other financial liabilities	1, 872,364	-	-	-	-	1,872,364
Subordinated debt	-	-	-	-	-	-
Total financial liabilities	68,894,219	28,220,688	15,656,110	24,250,000	81,500,000	218,521,017
Net liquidity gap	(4,668,632)	(12,585,260)	19,416,015	(7,732,694)	27,182,787	21,612,216

In order to fund the cumulative liquidity gap that exists up to 3 months after the balance sheet date the Bank can utilise a stand-by financing line available from the Emporiki Bank of Greece SA of EUR 20 million and not used as at 31 December 2010 (31 December 2009: EUR 20 million).

	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
At 31 December 2009						
Assets						
Cash and balances with the Central Bank	25,100,263	-	-	-	-	25,100,263
Loans and advances to banks	24,598,416	-	-	-	-	24,598,416
Investment securities, available for sale	321,265	1,164,680	9,025,721	-	94,339	10,606,005
Loans and advances to customers	7,132,896	19,271,543	16,325,270	17,202,205	51,905,011	111,836,925
Other financial assets	439,215	-	-	-	-	439,215
Total financial assets	57,592,055	20,436,223	25,350,991	17,202,205	51,999,350	172,580.824
Liabilities						
Deposits from banks	934,681	-	11,200,000	42,800,000	22,500,000	77,434,681
Due to customers	40,448,524	19,151,261	18,756,110	3,954	-	78,359,849
Other financial liabilities	771,854	-	-	-	-	771,854
Subordinated debt	-	-	-	-	5,933,852	5,933,852
Total financial liabilities	42,160,779	19,151,261	29,956,110	42,803,954	28,433,852	162,505,956
Net liquidity gap	15,436,996	1,284,961	(4,605,120)	(25,601,748)	23,565,498	10,080,588

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Capital management

The Bank's objective when managing capital is to comply with the capital requirement set by the regulators.

In regard of capital management the Bank does not have in place a very complex capital allocation and risk management system on each business line (for example RAROC or Earnings at risk).

The capital risk management is currently performed through monitoring of the capital adequacy ratio calculated according to Basel I principles, and for the next financial period the Bank expects to calculate the ratios according to Basel II. From a strategic point of view the exposures are undertaken towards counterparties with a good rating and under conditions of a good collateral coverage so as the capital required by the respective exposures is as low as possible. Capital level and capital adequacy ratio is monitored on a monthly basis to identify any substantial deterioration triggering the need to review the portfolio of exposures and to claim if necessary a capital increase.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December. During the two years presented the Bank complied with all of the externally imposed capital requirements to which the Bank is subject.

	31 December 2010	31 December 2009
Tier 1 Capital	21,972,827	16,037,879
Tier 2 Capital	1,560,435	7,494,005
Total regulatory capital	23,533,262	23,531,884
Risk-weighted assets		
On-balance sheet	146,597,549	125,241,051
Off-balance sheet	9,074,327	7,199,916
Total risk-weighted assets	155,671,576	132,440,967
Solvency Ratio	14,39%	17.77%

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.6 Fair values of financial assets and liabilities

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

	Carrying value		Fair value	
	2010	2009	2010	2009
Financial assets				
Loans and advances to banks	16,184,581	24,598,416	16,184,581	24,598,416
Loans and advances to customers	166,656,499	111,836,925	126,576,243	92,841,011
Financial liabilities				
Deposits from banks	127,633,362	77,434,681	126,229,042	77,063,464
Deposits from customers	89,015,291	78,359,849	88,687,119	76,404,979
Subordinated debt	-	5,933,852	-	5,721,138

(a) *Loans and advances to banks*

Loans and advances to bank includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(b) *Loans and advances to customers*

Loans and advances are net of provisions for incurred losses. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(c) *Deposits from banks and deposits from customers*

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(d) Subordinated debt was converted into share capital according to the General Shareholders Meeting dated 12 April 2010.

3.7 Assets measured at fair value

The Bank presents in the balance sheet at fair value only available for sale assets and derivatives (presented within Other assets). The structure of the available for sale assets is formed by treasury bills acquired starting with 2009 and equity securities (Transfond S.A., Biroul de Credit S.A. and MasterCard Inc.).
Rossiyskiy bonds have expired at the middle of October 2010, The Bank has encashed both the principal and interest receivables in total amount of USD 603,027 equivalent.
Regarding 1 (one) share held by the Bank in Fenix (Hellas) Agentie de Asigurari, the company notified the Bank that is in the process of dissolution and liquidation.

Assets Measured At Fair Value

				31 December 2010
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Treasury Bills	15,406,367	-	-	15,406,367
Equity securities	-	-	92,845	92,845
Total	15,406,367	-	92,845	15,499,212

				31 December 2009
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Treasury Bills	10,241,497	-	-	10,241,497
Bonds	-	270,169	-	270,169
Equity securities	-	-	94,340	94,340
Derivatives	-	8,531	-	8,531
Total	10,241,497	278,700	94,340	10,606,505

(all amounts expressed in EUR unless stated otherwise)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Reconciliation Of Level 3 Items

	31 December 2010	
	Equity securities	Total assets
At 1 January 2010	94,340	94,340
Disposals during the year	(249)	(249)
Exchange rate differences	(1,246)	(1,246)
Closing balance	92,845	92,845

	31 December 2009	
	Equity securities	Total assets
At 1 January 2009	100,092	100,092
Exchange rate differences	(5,752)	(5,752)
Closing balance	94,340	94,340

4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio are used when scheduling the future cash flows. To the extent that the net present value of estimated cash flows differs by +/-5% the provision estimate would be approximately EUR 265 thousand lower or EUR 430 thousand higher.

4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(b) Impairment of available for-sale: equity investments and debt instruments

Equity investments: the Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Debt instruments: the Bank considers as indicator of impairment a loss event that has an impact on the estimated future cash flows of the debt instruments that can be reliable estimated. The Bank recorded in previous years these kind of impairments in the statement of profit and loss.

In 2009, the Bank considered that the decrease in fair value of debt instruments resulted from the financial market evolution and booked the changes in the equity (Note 14), since the Bank did not consider that there had been any deterioration in the credit quality of the issuer.

(c) Fair value of derivatives

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. 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.

(d) No recognition of deferred tax asset

Deferred tax asset is not recognized in the financial statements due to uncertainty about availability of sufficient profits in the foreseeable future to utilise that deferred tax asset.

(all amounts expressed in EUR unless stated otherwise)

5. NET INTEREST INCOME

	31 December 2010	31 December 2009
Interest and similar income		
Loans and advances to customers	11,225,112	10,235,546
Interest related commissions	796,641	194,182
Current accounts and deposits with banks	1,000,055	1,970,207
Investment securities	1,050,931	242,427
Total	14,072,739	12,642,362

Included in the above is interest income for individually impaired loans of EUR 1,574,097 (2009: EUR 1,340,089).

	31 December 2010	31 December 2009
Interest and similar expense		
Deposits from banks	1,882,182	2,865,151
Deposits from customers	3,369,531	4,723,390
Subordinated debt	170,643	21,125
Financial leasing	14,073	11,598
Total	5,436,429	7,621,265

Included within interest expense is EUR 2,038,889 (2009: EUR 2,861,332) with respect to interest expense on money market deposits taken from related parties, as disclosed in Note 26.

(all amounts expressed in EUR unless stated otherwise)

6. NET FEE AND COMMISSION INCOME

Fee and commission income

	31 December 2010	31 December 2009
Transactions related fee and commission income	1,269,950	1,080,395
Loans related fee and commission income	704,543	514,110
Other fee and commission income from services delivered	138,465	92,168
Total	2,112,958	1,686,673

Fee and commission expense

	31 December 2010	31 December 2009
Customer transactions	380,504	291,757
Transactions with other banks	374,231	366,758
Total	754,735	658,515

7. NET FOREIGN EXCHANGE GAINS/LOSSES

	31 December 2010	31 December 2009
Transaction gains less losses	1,251,095	1,971,001
Translation gains less losses	(5,882)	26,754
Total	1,245,213	1,997,755

8. DIVIDEND INCOME

	31 December 2010	31 December 2009
Income from dividends	120,606	112,663

During 2010 the Bank received dividends of EUR 120,606 out of which EUR 119,336 (2009: EUR 111,577) from Transfond SA, EUR 428 (2009: EUR 749) from Biroul de Credite SA, and EUR 842 (2009: EUR 337) from MasterCard International. The respective participations are presented in Note 15.

(all amounts expressed in EUR unless stated otherwise)

9. OTHER OPERATING INCOME

	31 December 2010	31 December 2009
Other income	180,874	28,032

From ”Other income”, EUR 142,988 represents the recycling through income statement of AFS reserve related to Rossiysskiy Kredit Bank Euronotes that matured during 2010.

10. LOAN IMPAIRMENT CHARGE

	31 December 2010	31 December 2009
Impairment charge for credit loss (Note 16)	8,382,657	8,403,130

11. OTHER OPERATING EXPENSES

	31 December 2010	31 December 2009
Staff costs	6,917,213	7,784,157
State pension contribution	1,345,501	1,394,313
Other contributions	512,637	750,784
Personnel expenses	8,775,351	9,929,254
Telecomunication & postage expenses	818,123	739,685
Utilities	455,977	401,085
Mainteinance and other repairs	495,067	476,540
Purchase of small inventory	41,326	205,759
Consumables	156,905	176,406
Travel and transportation	234,829	166,453
Services from third parties	670,033	746,846
Rent expenses	2,261,732	2,608,788
Advertising expense	128,704	77,752
Taxes other than income tax, including contributions	196,684	234,761
Insurance	151,574	131,166
Other expenses	140,099	132,459
Provision for operational risk charges	-	67,329
General and administrative expenses	5,751,053	6,225,029
Depreciation and amortisation (Notes 18 and 19)	2,145,164	1,647,594
Losses from disposals of fixed assets	6,916	(330,584)
Total	16,664,652	17,801,877

(all amounts expressed in EUR unless stated otherwise)

11. OTHER OPERATING EXPENSES (CONTINUED)

Banks operating in Romania are required to make contributions to the Customer's Deposits Guarantee Fund ("the Fund"), which is established by Government Ordinance at 0.2% (2009: 0.2 %) of the balance of individuals' and SME's deposits at 31 December of the preceding year. The contribution is included in "Services from third parties" and was EUR 94,805 for 2010 (2009: EUR 90,965).

12. INCOME TAX

The Bank has no current or deferred tax expense / (credit).

A reconciliation between the actual and the expected taxation charge is provided below:

	31 December 2010	31 December 2009
Loss before tax	(13,506,083)	(18,347,886)
Tax calculated at 16%	(2,160,973)	(2,935,662)
Tax effects of:		
- income not subject to tax	(967,252)	(1,055,952)
- non-deductible expense	3,541,076	1,587,237
Tax effect of tax loss brought/(carried) forward and unrecognized deferred tax asset	412,851	2,404,377
Income tax expense/(release) for the period	7,840	6,765

The income tax expense of EUR 7,840 represents the annual minimum tax based on the revenues reported on 31 December of the previous year, using some predefined thresholds.

Differences between IFRS and Romanian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences, recorded at the rate of 16% (2009: 16%), gives rise to unrecognized deferred tax asset of EUR 5,741,223 (2009: EUR 4,314,774). This deferred tax asset is mainly computed in respect of carried forward tax losses, temporary difference between the carrying amount of property and equipment, loans impairment losses and impairment of available for sale securities.

The Bank did not recognize this deferred tax asset due to uncertainty about availability of sufficient profits in the foreseeable future to utilise that deferred tax asset.

(all amounts expressed in EUR unless stated otherwise)

12. INCOME TAX (CONTINUED)

The Bank has an unrecognised deferred tax asset in respect of unused tax losses carried forward of EUR 40,699,470 (2009: EUR 25,162,409). The tax loss carried forward of EUR 40,699,470 will expire as follows:

Fiscal year loss:

- 2007 fiscal year loss of EUR 4,744,737 will expire in 2012;
- 2008 fiscal year loss of EUR 8,933,516 will expire in 2013;
- 2009 fiscal year loss of EUR 11,484,157 will expire in 2016;
- 2010 fiscal year loss of EUR 15,537,060 will expire in 2017.

13. CASH AND BALANCES WITH THE CENTRAL BANK

	31 December 2010	31 December 2009
Cash in hand	4.303.282	3,699,755
Current account with the Central Bank	36,914,138	21,400,508
Total	41,217,420	25,100,263

In accordance with the local regulations in force, the Bank holds mandatory reserves with the Central Bank. The mandatory reserves are required to be held either in USD or in EUR in respect of foreign currency deposits, the Bank choosing to hold it in EUR for all currency denominated resources attracted, and in RON for the RON deposits, calculated according to a prescribed formula. The formula is based upon a set percentage of each type of deposit taken by the Bank. This reserve is a minimum average deposit with a holding period of one month, based on resources attracted in the previous month. The cash balance held with the central bank at the reporting date met these requirements. The percentage rates in place at 31 December 2010 were 15% for RON attracted sources (2009: 15%) and for foreign currency 25% (2009: 25%). Also, for the attracted sources with residual maturity over 2 years and without a reimbursement in advance contractual clause, the Central Bank eliminated the necessity of minimum mandatory reserve.

The balance of mandatory reserves can vary on a daily basis, and at 31 December 2010, the total EUR equivalent of the RON and EUR denominated reserves is EUR 36,914,138 (31 December 2009: EUR 21,400,508). The interest rates paid by the Central Bank for mandatory reserves held by banks are 1.56 % for RON denominated reserves, and 0.88 % for EUR denominated reserves as at 31 December 2010 (3.38 % for RON denominated reserves and 1.27 % for EUR denominated reserves as at 31 December 2009).

(all amounts expressed in EUR unless stated otherwise)

14. LOANS AND ADVANCES TO BANKS

	31 December 2010	31 December 2009
Current accounts	4,505,776	8,960,070
Placements with other banks	11,678,805	15,638,346
Total	16,184,581	24,598,416

15. INVESTMENT SECURITIES, AVAILABLE FOR SALE

The movement in AFS portfolio (gross amount) is detailed below:

	31 December 2010	31 December 2009
At beginning of the year	10,565,442	535,605
Additions	5,483,898	10,054,932
Snap Euronotes redeemed at maturity	(410,872)	-
Translation gain / loss	(139,624)	(25,095)
At the end of the year	15,498,844	10,565,442
Revaluation impact recognised in AFS reserve	368	185,465
Less impairment for Snap Euronotes	-	(144,902)
Total	15,499,212	10,606,005

	31 December 2010	31 December 2009
Unlisted equity investments (i)	92,845	94,340
Treasury bills	15,405,999	10,054,932
Snap Euronotes (ii)	-	416,170
Revaluation impact	368	185,465
Less impairment for Snap Euro notes	-	(144,902)
Total	15,499,212	10,606,005
Impairment for Snap Euronotes		
At the beginning of year	144,902	150,790
Translation differences	(1,914)	(5,888)
Release of impairment for the year	(142,988)	-
At the end of year	-	144,902

15. INVESTMENT SECURITIES AVAILABLE FOR SALE (CONTINUED)

(i) The Bank held the following unlisted equity investments available-for-sale as at 31 December 2010 and 31 December 2009:

Name	**Nature of business**	**31 December 2010 shareholding** (EUR)	(%)	**31 December 2009 shareholding** (EUR)	(%)
Transfond SA	Settlement and clearing interbanking transfers	91,825	2.47	93,054	2.47
Fenix (Hellas) – Agentie de asigurari SRL	Insurance broker	-	-	262	0.18
Biroul de Credite SA	Credit rating for individuals	1,010	0.10	1,023	0.10
Visa Europe Limited	Cards transactions	10	0.07	-	-
Total		92,845		94,339	

The unlisted equity securities classified as available-for-sale are stated at cost. The participations held by the Bank to Transfond represents a mandatory requirement for all commercial banks that operate in Romania and cannot be sold on the market. During 2010 the Fenix (Hellas) – Agentie de asigurari SRL sent to the Bank the notification regarding the decision of dissolution and liquidation of the Company. The Bank held 1 (one) share in the company that represented 0.18%. In 2010 The Bank received 1 (one) share from Visa Europe Limited in amount of EUR 10.

(ii) Snap Euronotes were issued in 2000 as a result of restructuring of a loan granted to Rossiysskiy Kredit Bank, a Russian financial institution. Under the restructuring agreement, Russian Ruble (“RUR”) denominated Snap Euronotes were issued in the amount of RUR 17,879,400 equivalent (EUR equivalent 432,494).

The Snap Euronotes were repayed in the year 2010 (RUR denominated amounts), based on a final lump sum denominated in RUR. The Snap Euronotes had an interest rate of 3.3% p.a.

(all amounts expressed in EUR unless stated otherwise)

16. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2010	(%)	31 December 2009	(%)
Analysis by type of customer				
Gross loans and advances				
Retail	90,347,126	48%	40,458,182	33%
- Mortgage loans	31,977,409	17%	15,740,456	13%
- Consumer loans	57,894,779	31%	24,328,107	20%
- Cards	474,938	0%	389,619	0%
Corporate	96,009,969	52%	83,122,726	67%
- services	16,969,226	9%	14,509,807	12%
- leasing	1,361,036	1%	2,356,107	2%
- trade	24,394,246	13%	17,689,196	14%
- other industries	30,305,513	16%	28,611,895	23%
- construction	5,936,483	3%	7,273,101	6%
- food	1,311,397	1%	1,712,421	1%
- other	15,732,068	8%	10,970,199	9%
Total portfolio before allowance	186,357,095	100%	123,580,908	100%
Impairment of Retail Loans	(4,666,814)		(1,247,587)	
Impairment of Corporate Loans	(15,033,782)		(10,496,396)	
Allowance for impairment on loans and advances	(19,700,596)		(11,743,983)	
Total	166,656,499		111,836,925	
Current	41,549,251		42,729,709	
Non-current	125,107,248		69,107,215	

(all amounts expressed in EUR unless stated otherwise)

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(a) Allowance for impairment on loans and advances

The movements in the allowance for impairment on loans and advances are as follows:

	31 December 2010		31 December 2009	
	Corporate	Retail	Corporate	Retail
At beginning of the year	10,496,396	1,247,587	3,066,995	342,555
Loan impairment charges	4,885,823	3,496,834	7,480,397	922,733
Translation differences	(348,437)	(77,607)	(50,996)	(17,701)
At end of the year	15,033,782	4,666,814	10,496,396	1,247,587

(b) Geographic sector risk concentrations

All corporate loans were extended to companies operating in Romania and the largest part of the individual loans is given to Romanian residents.

17. OTHER ASSETS

	31 December 2010	31 December 2009
Sundry debtors	575,521	464,263
Other prepayments	213,146	161,116
Derivative assets	-	8,531
Petty inventory	59,987	63,185
Total	848,654	697,095
Other financial assets	575,521	439,215
Other non financial assets	273,133	257,880
Total	848,654	697,095

Derivative assets represent the fair value of swap foreign exchange agreements outstanding as at 31 December 2009. No open position exists at the end of 2010.

17. OTHER ASSETS (CONTINUED)

The Bank uses as derivative instruments for economic hedging purposes currency forward and currency swaps. Currency forwards and swaps represent commitments to purchase foreign and domestic currency.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised 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 favourable (assets) or unfavourable (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 favourable or unfavourable, 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:

	31 December 2010	31 December 2009
Contract/notional amount	-	2,567,118
Fair value - asset	-	8,531

The Bank did not hold any derivative financial instruments at 31 December 2010.

(all amounts expressed in EUR unless stated otherwise)

18. INTANGIBLE ASSETS

	Software	Software under development	Total
Year ended 31 December 2009			
Opening net book amount	489,305	400,368	889,673
Additions	258,529	142,042	400,572
Disposals	(12,875)	(261,638)	(274,514)
Amortisation charge	(238,860)	-	(238,860)
Exchange rate adjustments	(28,663)	(23,573)	(52,236)
Closing net book amount	467,436	257,199	724,635
At 31 December 2009			
Cost	1,685,863	257,199	1,943,062
Accumulated amortisation	(1,218,427)	-	(1,218,427)
Net book amount	467,436	257,199	724,635
Year ended 31 December 2010			
Opening net book amount	467,436	257,199	724,635
Additions	376,232	899,051	1,275,283
Disposals	-	(186,862)	(186,862)
Amortisation charge	(282,579)	-	(282,579)
Exchange rate adjustments	(1,234)	(131)	(1,365)
Closing net book amount	559,855	969,257	1,529,112
At 31 December 2010			
Cost	2,039,827	969,257	3,009,084
Accumulated amortisation	(1,479,972)	-	(1,479,972)
Net book amount	559,855	969,257	1,529,112

Starting July 2010 the Bank started to implement the New Core Banking System – Flexcube, that will replace actual Core Banking System UBSQL. The finalisation of the system is expected in mid 2011. The Bank records the expenses related to New Core Banking System implementation as "Software under development".

(all amounts expressed in EUR unless stated otherwise)

19. PROPERTY AND EQUIPMENT

	Land and buildings	Furniture and equipment	Assets in course of construction	Total
Year ended 31 December 2009				
Opening net book amount	4,469,662	2,118,041	3,128,534	9,716,237
Additions	2,497,423	1,442,895	1,071,639	5,011,957
Disposals	(96,988)	(220,720)	(3,776,678)	(4,094,386)
Depreciation charge	(797,266)	(611,468)	-	(1,408,734)
Exchange rate adjustments	(258,802)	(122,846)	(187,929)	(569,577)
Closing net book amount	5,814,029	2,605,902	235,566	8,655,497
At 31 December 2009				
Cost	7,147,073	4,604,481	235,566	11,987,120
Accumulated depreciation	(1,333,044)	(1,998,579)	-	(3,331,623)
Net book amount	5,814,029	2,605,902	235,566	8,655,497
Year ended 31 December 2010				
Opening net book amount	5,814,029	2,605,902	235,566	8,655,497
Additions	258,352	252,745	450,802	961,899
Disposals	-	(15,331)	(558,486)	(573,817)
Depreciation charge	(918,803)	(678,167)	-	(1,596,970)
Impairment charges	(265,615)	-	-	(265,615)
Exchange rate adjustments	(56,130)	(22,974)	6,652	(72,452)
Closing net book amount	4,831,833	2,142,175	134,534	7,108,542
At 31 December 2010				
Cost	7,311,016	4,567,121	134,534	12,012,671
Accumulated depreciation	(2,479,183)	(2,424,946)	-	(4,904,129)
Net book amount	4,831,833	2,142,175	134,534	7,108,542

The disposals of assets in course of construction represents the additions to buildings and other tangible fixed assets categories. The movement from assets in course of construction to buildings represents the finalisation of the construction works of the leased premises for the branches network development. The transfers from assets in course of constructions to furniture and equipment are fixed assets put in function.

(all amounts expressed in EUR unless stated otherwise)

20. DEPOSITS FROM BANKS

	31 December 2010	31 December 2009
Current accounts and sight deposits	1,042,935	722,856
Term deposits from other banks	126,590,427	76,711,825
Total	127,633,362	77,434,681
Current	21,883,362	12,134,681
Non-current	105,750,000	65,300,000

21. DEPOSITS FROM CUSTOMERS

	31 December 2010	31 December 2009
Current accounts	18,307,512	15,297,548
Saving accounts	8,441,574	2,241,362
Sight deposits	1,936,485	7,139,899
Term deposits	58,069,130	51,194,457
Restricted deposits	2,260,590	2,486,583
Total	89,015,291	78,359,849
Current	86,004,631	78,355,895
Non-current	3,010,660	3,953

Restricted deposits represent collateral deposits made by customers in respect of credit commitments or other transactions.

(all amounts expressed in EUR unless stated otherwise)

22. OTHER LIABILITIES

	31 December 2010	31 December 2009
Amounts in course of settlement	1,043,785	228,042
Other liabilities	572,738	616,388
Social contributions and other taxes payable	257,752	274,561
VAT and other taxes payable	153,608	155,467
Provision for liabilies and risk	710,945	67,329
Lease liabilities	256,943	328,335
Total	2,995,771	1,670,121
Other financial liabilities	1,872,364	615,468
Other non financial liabilities	1,123,407	1,054,653
Total	2,995,771	1,670,121

Provision for liabilities and risk

	Provisions for operational risk	Provisions for untaken holday	Provision for closing branches	Provision for employees bonuses	Total
At beginning of the year	67,329	-	-	-	67,329
Provisions charges	-	289,234	268,798	165,562	723,594
Recoveries from privisions written-off	(67,622)	-			(67,622)
Translation differences	293	(5,056)	(4,699)	(2,894)	(12,356)
At end of the year	-	284,178	264,099	162,668	710,945

(all amounts expressed in EUR unless stated otherwise)

23. SUBORDINATED DEBT

	31 December 2010	31 December 2009
Subordinated debt	-	5,933,852
Current	-	21,171
Non-current	-	5,912,682

Emporiki Bank of Greece S.A. granted to the Bank in 2009 a subordinated loan in amount of RON 25,000,000, with a tenor of 10 years and a floating interest rate ROBOR 1M plus a margin equal 1.91% per annum.

For accounting purposes the Bank presents the subordinated debt as a liability. However, from regulatory point of view the subordinated debt in the amount of RON 25,000,000 is treated as part of the Bank's own funds.

During 2010 the subordinated loan was converted into share capital according General Meeting of Shareholders Decision dated 12 April 2010.

24. SHARE CAPITAL

	31 December 2010	31 December 2009
Court registered share capital	69,923,371	46,378,583
Restatement in accordance with IAS 29	7,238,655	7,333,839
Total	77,162,030	53,712,422

In February 2010, Emporiki Bank Romania S.A. received a share capital increase of RON 78,517,500 equivalent of EUR 19,000,000 from the main shareholder Emporiki Bank of Greece S.A.

The share capital booked in the local currency and is presented in the IFRS financial statements in EUR using closing foreign exchange rate of EUR/RON 4,2282.

(all amounts expressed in EUR unless stated otherwise)

24. SHARE CAPITAL (CONTINUED)

The statutory share capital of the Bank represents 175,586 shares (31 December 2009: 114,919 shares) of RON 1,706 (31 December 2009: RON 1,706 each). The shareholders of the Bank at 31 December 2010 and 31 December 2009 were as follows:

	31 December 2010		31 December 2009	
	(Shares)	(%)	(Shares)	(%)
Emporiki Bank S.A. (Greece)	174,844	99.59	114,177	99.35
John S. Andropoulos	341	0.19	341	0.30
Athena Hellenic Engineering, Industrial and Touristic Company	341	0.19	341	0.30
Emporiki Bank (Bulgaria) AD	60	0.03	60	0.05
Total	175,586	100	114,919	100.00

Due to the fact that the Bank was in breach of Company Law no. 31/1990 as at 31 December 2010, the shareholders decided in 2010 to cover the accumulated losses up to 31 December 2009 by the decrease of the share premium and the decrease of the share capital of the Bank with the equivalent amount. The reductions became effective in 2011. For more details please see Note 32.

25. RESERVES

In accordance with the Romanian legislation, the Bank must allocate the statutory profit as dividends or transfer it 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. Beginning from 1 January 2004, under Romanian banking legislation the Bank is required to create the following reserves from appropriation of the profit of the year calculated under RAR:

	31 December 2010	31 December 2009
General banking risk reserve	305,974	310,069
Statutory reserve	241,136	244,365
Other reserves	16,010	16,225
Total	563,120	570,659
Revaluation reserve	368	185,465
Translation reserve	236,229	(39,504)
Total	799,717	716,620

(all amounts expressed in EUR unless stated otherwise)

25. RESERVES (CONTINUED)

Movements in reserves were as follows:

(a) General banking reserve

	31 December 2010	31 December 2009
At 1 January	310,069	328,976
Exchange differences	(4,095)	(18,907)
At 31 December	305,974	310,069

The general banking reserve is appropriated from the statutory gross profit at the rate of 1% of the balance of the assets carrying specific banking risks.

(b) Statutory reserve

	31 December 2010	31 December 2009
At 1 January	244,365	259,265
Exchange differences	(3,229)	(14,900)
At 31 December	241,136	244,365

The statutory reserve is appropriated at the rate of 5% of the gross statutory profit, until the total reserve equals maximum 20% of the issued and fully paid up share capital (all based on figures from the statutory financial statements prepared in accordance with RAR).

(c) Other reserves

	31 December 2010	31 December 2009
At 1 January	16,225	17,213
Exchange differences	(215)	(988)
At 31 December	16,010	16,225

After reducing taxes and setting aside the reserves as discussed above, the remaining balance of the statutory net profit may be distributed to shareholders. Dividends may only be distributed from the statutory net profit determined in accordance with RAR, and available after covering the loss from the previous years.

(all amounts expressed in EUR unless stated otherwise)

25. RESERVES (CONTINUED)

(d) Revaluation reserve

	31 December 2010	31 December 2009
At 1 January	185,465	(149,794)
Exchange differences	(2,450)	8,609
Increase / decrease of the AFS fair value	(182,647)	326,650
At 31 December	368	185,465

(e) Translation reserve

	31 December 2010	31 December 2009
At 1 January	(39,504)	589,681
Increase / decrease of the translation reserve	275,733	(629,185)
At 31 December	236,229	(39,504)

As per policy from the note 2.2. c) all exchange differences resulting from the translation of balance sheet and income statement items, from the functional currency (RON) to the presentation currency (EUR), have been recognized directly as a separate component in equity, amounting to EUR (236,229) (2009: EUR (39,503)).

26. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days original maturity:

	31 December 2010	31 December 2009
Cash (Note 13)	4,303,282	3,699,755
Balances with the Central Bank (Note 13)	36,914,138	21,400,508
Current accounts and placements with banks (Note 14)	16,184,581	24,598,416
Total	57,402,001	49,698,679

(all amounts expressed in EUR unless stated otherwise)

27. CONTINGENCIES AND COMMITMENTS

Legal proceedings

As at 31 December 2010 there were a no major legal proceedings outstanding against the Bank.

Capital commitments

As at 31 December 2010 the Bank had capital expenditure contracted for but not recognized in these financial statements of EUR 134,533 in respect of leasehold improvements and equipment purchases (31 December 2009: EUR 284,260). The Bank's management is confident that future net revenues and funding will be sufficient to cover these commitments.

Where the Bank is the lessee, the future minimum lease payments under non cancellable operating leases for properties are as follows:

	31 December 2010	31 December 2009
No later than 1 year	1,752,182	2,131,416
Later than 1 year and no later than 5 years	5,222,915	6,029,025
Later than 5 years	2,104,994	3,922,264
Total	9,080,091	12,082,705

During 2010 the Bank didn't conclude new rental agreements and in the same time cancelled a part of the existing ones. Considering the present macroeconomic context generated by the financial crisis, the Bank initiated a renegotiation process of the lease contracts with the owners of the rented locations. The result of this process was a decrease of the monthly rental.

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, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, 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 authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk than a direct borrowing.

(all amounts expressed in EUR unless stated otherwise)

27. CONTINGENCIES AND COMMITMENTS (CONTINUED)

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The following table indicates the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers.

	31 December 2010	31 December 2009
Commitments to extend credit	14,547,334	15,683,097
Revocable commitments to extend credit	6,633,273	23,050,810
Documentary and commercial letters of credit	640,495	-
Guarantees given	4,281,672	4,557,292
Total	26,102,774	43,291,199

The revocable commitments to extend credit agreements are related to the corporate business lines.

Provision for credit related commitments:

	31 December 2010	31 December 2009
At the beginning of the year	-	68,849
Charge / (Release) for the year	-	(64,892)
Translation difference	-	(3,957)
At the end of the year	-	-

The Bank issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees 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.

A credit line agreement from Emporiki Bank of Greece of EUR 20 million (granting period November 2010 – October 2011) was available as at 31 December 2010. The credit line has an interest rate (EURIBOR for the relevant period + 4 % margin) for the relevant currency and a fee for undrawn amounts of 0.824%.

(all amounts expressed in EUR unless stated otherwise)

27. CONTINGENCIES AND COMMITMENTS (CONTINUED)

Taxation risk

The taxation system in Romania is subject to varying interpretations and to constant changes, which may be retroactive in assessing tax penalties and interest. Although the actual tax due on a transaction may be minimal, penalties can be significant as they may be calculated based on the value of the transaction and can be as high as 0.01% per day. In Romania, tax periods remain open to tax audits for a period of 5 years from the end of the period. The last tax audit of the Bank was conducted in 2009 for the period 2004 until 2008. The management of the Bank is unaware of any specific tax risks. To minimise the Bank's exposure to taxation risk, the Bank's management makes use of professional advisory services on a regular basis.

28. CONCENTRATION OF ASSETS DUE FROM THE GOVERNMENT AND CENTRAL BANK

	31 December 2010	31 December 2009
Balances with the Central Bank	36,914,138	21,400,508
Government treasury bills	15,406,367	10,241,497
Total	52,320,505	31,642,005

The assets above represent 21% (31 December 2009: 17%) of the Bank's total assets.

The concentration of the of assets in relation with Central Bank increased during 2010 due to the shareholder's capital increase.

29. RELATED PARTY TRANSACTIONS

The Bank is owned by Emporiki Bank of Greece S.A. which owns 99.59% of the ordinary shares. In August 2006 Credit Agricole successfully closed a deal for acquisition of 82.48 % of Emporiki Bank of Greece S.A. As a result the ultimate parent of Emporiki Bank of Greece S.A. is Credit Agricole S.A.

The nature of the related party relationship for those related parties with whom the Bank entered into significant transactions or had significant balances outstanding at 31 December 2010 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

(all amounts expressed in EUR unless stated otherwise)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with its shareholders, Emporiki Bank S.A. (Greece), Emporiki Bank Bulgaria S.A. and Credit Agricole S.A.

Related parties transactions – direct shareholders

	31 December 2010	31 December 2009
Assets		
Loans and advances to banks – Current accounts		
Emporiki Bank of Greece	279,549	223,913
Loans and advances to banks - Sight deposits		
Emporiki Bank of Greece	3,000,025	3,500,022
Total	3,279,574	3,723,935
Liabilities		
Deposits from banks – Current accounts		
Emporiki Bank of Greece	58,498	56,941
Deposits from banks - Term deposits		
Emporiki Bank of Greece	126,590,427	76,711,825
Subordinated debt		
Emporiki Bank of Greece	-	5,933,852
Accrued expenses		
Emporiki Bank of Greece	44,588	178,438
Other liabilities - Sundry creditors		
Emporiki Bank of Greece	-	4,463
Emporiki Bank Bulgaria	30	-
Total	126,693,513	82,885,519
Off Balance		
Back up facility line from		
Emporiki Bank of Greece	20,000,000	20,000,000
Guarantees received from Credit Institution		
Emporiki Bank of Greece	8,500,000	11,000,000
Emporiki Bank Bulgaria	105,000	105,000
Guarantees given to Credit Institution		
Emporiki Bank of Greece	108,442	100,689

(all amounts expressed in EUR unless stated otherwise)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

	31 December 2010	31 December 2009
Income statement		
Interest and similar income		
Emporiki Bank of Greece	10,375	36,224
Interest and similar expense		
Emporiki Bank of Greece	(2,038,874)	(2,861,332)
Fee and commission expense		
Emporiki Bank of Greece	(234,254)	246,640
General and administrative expenses		
Emporiki Bank of Greece	-	(4,452)

Related parties transactions – other related group entities

	31 December 2010	31 December 2009
Liabilities		
Deposits from banks – Current accounts		
Emporiki Bank London Branch	984,438	665,914
Other liabilities - Accrued expenses		
Credit Agricole SA	8,706	4,935
	993,144	670,849
Income statement		
Fee and commission income		
Emporiki - London	520,988	483,118
Emporiki – Frankfurt	1,786	-
General and administrative income		
Credit Agricole SA	2,358	-
General and administrative expense		
Credit Agricole SA	(95,837)	(4,923)
Off balance		
Assigned loans to London Branch	59,285,698	67,280,011

(all amounts expressed in EUR unless stated otherwise)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Related Parties – Key management

	31 December 2010	31 December 2009
Assets		
Loans and advances to customers - Overdraft	3,702	2,742
Liabilities		
Due to customers - Current accounts	23,112	6,984
Due to customers - Saving accounts	246,469	14,813
Income statement		
Interest and similar income	292	384
Interest and similar expense	(6,713)	(874)
Management remuneration	(1,096,808)	(561,334)

The value presented as management remuneration represents the total costs for the Bank with wages, social contributions, medical insurance, rental expenses and flight tickets for management personel. The Bank does not offer other benefits to the management.

30. OTHER INFORMATION

Prior year reclassifications

The Bank made the following reclassifications regarding income statement items:

- the Bank includes in the “Fee and commission expense” related to customer transactions the charges related to card transactions payed to Visa, MasterCard and PayNet that were shown in Financial Statements prepared for year ended 2009 as “General and administrative expenses”;
- the Bank reclassified finance cost from financial leasing contracts from "General and administrative expenses" to "Interest and similar expense";
- the Bank reclassified expenses related to meal tickets granted to emplyees and medical services from "General and administrative expenses" to "Personnel expenses".

(all amounts expressed in EUR unless stated otherwise)

30. OTHER INFORMATION (CONTINUED)

In this respect, the comparative amounts were adjusted and reclassified in order to reflect the changes in presentation from current period as follows:

	31 December 2009 As presented in financial statements 2009	Adjusment	31 December 2009 Adjusted
General and administrative expenses	(6,791,890)	566,861	(6,225,029)
Fee and commission expense	(379,463)	(279,051)	(658,515)
Personnel expenses	(9,653,043)	(276,212)	(9,929,254)
Interest and similar expense	(7,609,667)	(11,598)	(7,621,265)
Total	(24,434,063)	-	(24,434,063)

31. OPERATING ENVIRONMENT OF THE BANK

The economy of Romania continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country; a low level of liquidity in the public and private debt and equity markets; and moderate inflation.

Additionally, the banking sector in Romania is particularly impacted by currency fluctuations and macroeconomic conditions. Furthermore, the need for further developments in the bankruptcy laws, in formalized procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Romania.

The prospects for future economic stability in Romania are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal and regulatory developments.

31. OPERATING ENVIRONMENT OF THE BANK (CONTINUED)

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch") has resulted in, among other things, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

The amount of provision for impaired loans is based on management's appraisals of these assets at the balance sheet date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in Romania for many types of collateral, especially real estate, has been severely affected by the recent volatility in global financial markets resulting in there being a low level of liquidity for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

The volume of wholesale financing has significantly reduced since August 2007. Such circumstances could affect the ability of the Bank to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The borrowers of the Bank may also be adversely affected by the financial and economic environment which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for borrowers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in their impairment assessments.

Management is unable to reliably estimate the effects on the Bank's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and interest rates. Management believes it is taking all the necessary measures to support the sustainability and growth of the Bank's business in the current circumstances.

The shareholders of the Bank have undertaken to provide funding support, if necessary, in order to address the impact of the financial crisis.

32. SUBSEQUENT EVENTS

As at 31 December 2010, the net assets of the Bank are below half of share capital, being in breach of Company Law no. 31/1990. In order to be compliant with regulatory requirements, the General Meeting of Shareholders decided in 2010 to cover the accumulated losses up to 31 December 2009 of RON 123,855,544.68 by a decrease of the share premium of RON 9,027.18 and a decrease of the share capital of the Bank of RON 123,846,517.50. On 28 January 2011, the reductions were registered in Trade Register.

Starting July 2010 the Bank started to implement the New Core Banking System – Flexcube, that will replace actual Core Banking System UBSQL. The finalisation of the system is expected in mid 2011. The implementation is based on the Group decision and is already in place in Bulgaria and Albania. The new system has the possibility to implement the IFRS principles as accounting base in order to facilitate the Bank transition to IFRS reporting for statutory purposes.

Following the Board of Directors decision from 25 November 2010, Pipera, Arad and Giurgiu branches will be closed in 2011 due to the low business potential of the area where the branches are situated and therefore the low performance of these branches. Pipera branch is not operational since March 2010, while Arad and Giurgiu will be effectively closed in 2011. The Bank recorded in these financial statements an impairment for improvements made to the branches an previously recognised in property and equipment and a provisions for the onerous rent contracts.