BANCA TRANSILVANIA S.A.

Consolidated Financial Statements
31 December 2009

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

TRANSLATOR'S EXPLANATORY NOTE:

The above is provided as a free translation from Romanian which is the official and binding version.

INDEPENDENT AUDITORS' REPORT
(free translation[1])

The Shareholders
Banca Transilvania S.A.

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

6 In our opinion, the accompanying consolidated financial statements of Banca Transilvania S.A. and its subsidiaries present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

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

Emphasis of matters

7 Without qualifying our opinion, we draw attention to the following:

- As presented in Notes 3j, 19 and 20 to the consolidated financial statements, the Group has estimated the impairment loss provision for loans and advances to customers and net lease investments at RON 826,912 thousand based on the internal methodologies developed and applied as at 31 December 2009. We draw attention to the limitations mentioned in Note 3j and to the uncertainties on the local financial markets regarding the operating environment and assets valuation mentioned in note 4f to the consolidated financial statements.

- As presented in Note 2c to the consolidated financial statements, the Group has presented in Euros for the convenience of readers the amounts reported in Lei in the consolidated balance sheet and in the consolidated income statement. This presentation does not form part of the audited financial statements.

Other Matters

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

Report on conformity of the administrators' report with the consolidated financial statements

In accordance with the Order of the National Bank of Romania no. 13/2009, article no. 223, point (e) we have read the accompanying administrators' report on the consolidated financial statements of Banca Transilvania S.A. and its subsidiaries (the "Group") prepared in accordance with International Financial Reporting Standards as endorsed by the European Union as at and for the year ended 31 December 2009. The administrators' report as presented from page 1 to 22 is not a part of the Group's consolidated financial statements. In the administrators' report we have not identified any financial information which is not consistent, in all material respects, with the information presented in the Group's consolidated financial statements as at 31 December 2009.

Please refer to the original signed Romanian version

For and on behalf of KPMG Audit SRL:

Cezar Gabriel Furtuna

registered with the Chamber of Financial
Auditors of Romania under no. 1626/2003

KPMG AUDIT SRL

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

Bucharest, 29 March 2010

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

	Note	2009 RON thousand	2008 RON thousand	Convenience Translation* 2009 EUR thousand	Convenience Translation* 2008 EUR thousand
Interest income		2,109,440	1,545,740	497,826	419,730
Interest expense		(1,355,111)	(953,056)	(319,805)	(258,793)
Net interest income	8	754,329	592,684	178,021	160,937
Fee and commission income		417,098	428,533	98,435	116,364
Fee and commission expense		(46,293)	(47,379)	(10,925)	(12,865)
Net fee and commission income	9	370,805	381,154	87,510	103,499
Net trading income	10	143,201	69,511	33,795	18,875
Other operating income	11	48,441	42,977	11,432	11,670
Operating income		1,316,776	1,086,326	310,758	294,981
Net impairment losses on assets	12	(490,784)	(157,564)	(115,825)	(42,785)
Personnel expenses	13	(349,124)	(386,033)	(82,393)	(104,823)
Depreciation and amortization	23, 24	(68,042)	(63,137)	(16,058)	(17,144)
Other operating expenses	14	(299,957)	(294,093)	(70,789)	(79,859)
Operating expenses		(1,207,907)	(900,827)	(285,065)	(244,611)
Share of profits/(losses) in associates	22	10,298	(28,581)	2,430	(7,761)
Profit from sale of associates and joint ventures	22, 38	38,596	268,814	9,109	72,994
Profit before income tax		157,763	425,732	37,232	115,603
Income tax expense	15	(21,048)	(65,745)	(4,967)	(17,852)
Profit for the year		136,715	359, 987	32,265	97,751
Profit for the year attributable to:					
Equity holders of the Bank		138,323	361,672	32,644	98,209
Non-controlling interest		(1,608)	(1,685)	(379)	(458)
Profit for the year		136,715	359,987	32,265	97,751
Basic earnings per share		0.1304	0.3368		
Diluted earnings per share		0.1304	0.2964		

* Refer to Note 2c

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
As at 31 December

	Note	2009 RON thousand	2008 RON thousand	Convenience Translation* 2009 EUR thousand	Convenience Translation* 2008 EUR thousand
Profit for the year		136,715	359,987	32,265	97,751
Other comprehensive income, net of income tax					
Fair values gains/(losses) from available for sale investments (net of deferred tax)		44,405	(65,890)	10,480	17,892
Other changes		2,950	(17,853)	696	(4,848)
Total comprehensive income for the period		184,070	276,244	43,441	110,795
Total comprehensive income attributable to:					
Equity holders of the Bank		186,692	276,028	44,059	74,952
Non-controlling interest		(2,622)	216	(618)	59
Total comprehensive income for the period		184,070	276,244	43,441	75,011

* Refer to Note 2c

The consolidated financial statements were approved by the Board of Directors on 29 March 2010 and were signed on its behalf by:

Horia Ciorcila
Chairman

Maria Moldovan
Chief Financial Officer

CONSOLIDATED BALANCE SHEET
As at 31 December

	Note	2009 RON thousand	2008 RON thousand	Convenience Translation* 2009 EUR thousand	2008 EUR thousand
Assets					
Cash and cash equivalents	16	3,186,997	3,698,738	753,748	928,119
Placements with banks	17	1,535,915	828,608	363,255	207,922
Financial assets at fair value through profit and loss	18	44,865	14,522	10,611	3,644
Loans and advances to customers	19	11,481,759	10,884,901	2,715,519	2,731,331
Net lease investments	20	271,312	380,779	64,167	95,548
Investment securities, available-for-sale	21	2,573,466	798,250	608,643	200,304
Investment securities, held-to-maturity	21	11,654	11,655	2,756	2,925
Investments in associates	22	42,404	28,663	10,029	7,192
Property and equipment	23	305,000	385,404	72,135	96,709
Intangible assets	24	12,389	14,628	2,930	3,671
Goodwill	24	8,369	8,369	1,979	2,100
Deferred tax asset	25	16,719	21,068	3,954	5,287
Other assets	26	122,181	73,140	28,898	18,351
Total assets		19,613,030	17,148,725	4,638,624	4,303,103
Liabilities					
Deposits from banks	27	259,134	38,325	61,287	9,617
Deposits from customers	28	14,989,199	12,097,091	3,545,054	3,035,504
Loans from banks and other financial institutions	29	2,160,404	2,877,809	510,951	722,124
Other subordinated liabilities	30	253,665	239,685	59,994	60,144
Debt securities issued	31	1,262	63,601	298	15,959
Other liabilities	32	111,332	175, 877	26,330	44,133
Total liabilities		17,774,996	15,492,388	4,203,914	3,887,481
Equity					
Share capital	33	1,176,237	1,149,595	278,189	288.466
Treasury shares		(333)	(200)	(79)	(50)
Share premiums		97,684	76,566	23,103	19.213
Retained earnings		354,157	265,677	83,761	66.665
Reevaluation reserve		22,543	23,852	5,332	5,985
Other reserves	34	179,948	130,427	42,560	32,728
Total equity attributable to equity holders of the Bank		1,830,236	1,645,917	432,866	413,007
Non-controlling interest		7,798	10,420	1,844	2,615
Total equity		1,838,034	1,656,337	434,710	415,622
Total liabilities and equity		19,613,030	17,148,725	4,638,624	4,303,103

* Refer to Note 2c

The consolidated financial statements were approved by the Board of Directors on 29 March 2010 and were signed on its behalf by:

Horia Ciorcila
Chairman

Maria Moldovan
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

In RON thousand	Attributable to equity holders of the Bank							
	Share capital	Treasury shares	Share premiums	Reevaluation reserves	Other reserves	Retained earnings	Non-controlling interest	Total
Balance as at 31 December 2008	1,149,595	(200)	76,566	23,852	130,427	265,677	10,420	1,656,337
Total comprehensive income for the period								
Profit for the year	-	-	-	-	-	138,323	(1,608)	136,715
Other comprehensive income, net of income tax								
Transfer from reevaluation surplus to retained earnings	-	-	-	(1,309)	-	1,309	-	-
Fair value gains from available for sale investments (net of deferred tax)	-	-	-	-	44,405	-	-	44,405
Other changes	-	-	-	-	1,376	2,588	(1,014)	2,950
Total comprehensive income for the period		--	-	(1,309)	45,781	142,220	(2,622)	184,070
Increase in share capital through conversion of bonds	26,642	-	-	-	-	-	-	26,642
Increase in share premiums through incorporation of differences from the conversion of bonds	-	-	21,118	-	-	-	-	21,118
Distribution to statutory reserves	-	-	-	-	3,740	(3,740)	-	-
Acquisition of treasury shares	-	(133)	-	-	-	-	-	(133)
Distribution of dividends for 2008 financial year	-	-	-	-	-	(50,000)		(50,000)
Contributions by and distributions to owners	26,642	(133)	21,118	-	3,740	(53,740)	-	(2,373)
Balance as at 31 December 2009	1,176,237	(333)	97,684	22,543	179,948	354,157	7,798	1,838,034

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2008

In RON thousand	Attributable to equity holders of the Bank							
	Share capital	**Treasury shares**	**Share premiums**	**Reevaluation reserves**	**Other reserves**	**Retained earnings**	**Non-controlling interest**	**Total**
Balance as at 31 December 2007	700,979	-	98,602	24,061	172,957	266,371	10,204	1,273,174
Total comprehensive income for the period								
Profit for the year	-	-	-	-	-	361,672	(1,685)	359,987
Other comprehensive income, net of income tax								
Transfer from reevaluation surplus to retained earnings	-	-	-	(209)	-	209	-	-
Fair value gains from available for sale investments (net of deferred tax)	-	-	-	-	(65,890)	-	-	(65,89)
Other changes	-	-	-	-	-	(19,754)	1,901	(17,853)
Total comprehensive income for the period	-	-	-	(209)	(65,890)	342,127	216	276,244
Increase in share capital through appropriation of retained earnings	319,461	-	-	-	-	(319,461)	-	-
Increase in share capital through incorporation of share premiums	98,602	-	(98,602)	-	-	-	-	-
Cash contribution to share capital	30,553	-	76,566	-	-	-	-	107,119
Distribution to statutory reserves	-	-	-	-	23,360	(23,360)	-	-
Acquisition of treasury shares	-	(200)	-	-	-	-	-	(200)
Contributions by and distributions to owners	448,616	(200)	(22,036)	-	23,360	(342,821)	-	106,919
Balance at 31 December 2008	1,149,595	(200)	76,566	23,852	130,427	265,677	10,420	1,656,337

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December

In RON thousand	Note	2009	2008
Cash flow from/ (used in) operating activities			
Profit for the year		136,715	359,987
Adjustments for:			
Depreciation and amortization	23,24	68,042	63,137
Impairments and write-offs of financial assets		490,784	161,492
Share of profit in associates, net of dividends		10,298	28,581
Fair value adjustment of financial assets at fair value through profit and loss		(17,203)	51,208
Profit from sale of associates and joint ventures		(38,596)	(268,814)
Income tax expense	15	21,048	65,745
Other adjustment		(85,769)	36,995
Net profit adjusted with non-monetary elements		585,319	498,331
Changes in operating assets and liabilities			
Change in investment securities		(1,702,780)	(371,893)
Change in placements with banks		(101,705)	(4,000)
Change in loans and advances to customers		(1,034,093)	(2,537,511)
Change in net lease investments		104,893	(89,164)
Change in financial assets at fair value through profit and loss		(13,140)	(1,912)
Change in other assets		(51,168)	(20,350)
Change in deposits from banks and customers		3,114,883	1,618,937
Change in other liabilities		(5,918)	8,450
Income tax paid		(82,943)	(106,280)
Net cash from/ (used in) operating activities		813,348	(1,005,392)
Cash flow from / (used in) investing activities			
Net acquisitions of property and equipment and intangible assets		(24,138)	(154,035)
Net proceeds from sale of associates and joint ventures		44,693	299,330
Proceeds from sale of equity investments		-	721
Acquisition of subsidiaries (net of cash acquired) and investments in associates		(24,039)	(4,696)
Dividends collected		2,017	4,338
Net cash flow from/(used in) investing activities		(1,467)	145,658
Cash flow from / (used in) financing activities			
Proceeds from increase of share capital		-	107,119
Subscription of non-controlling interest to the share capital of subsidiaries		-	584
Net proceeds/(payments) from loans from banks and other financial institutions, subordinated liabilities and debt securities issued		(681,477)	1,014,407
Payments for dividends		(48,793)	-
Payments for treasury shares		(12,297)	-
Net cash flow from financing activities		(742,567)	1,122,110
Net increase in cash and cash equivalents		69,314	262,376
Cash and cash equivalents as at 1 January		4,462,650	4,200,274
Cash and cash equivalents as at 31 December		4,531,964	4,462,650

Reconciliation of cash and cash equivalents with statement of financial position

In RON thousand	**Note**	**31 December 2009**	**31 December 2008**
Cash and cash equivalents	16	3,186,997	3,698,738
Placements with banks, less than 3 months maturity		1,349,220	770,649
Less accrued interest		(4,253)	(6,737)
Cash and cash equivalents in the cash flow statement		4,531,964	4,462,650

Cash flows from operating activities include:

In RON thousand	**2009**	**2008**
Interest collected	2,066,742	1,537,442
Interest paid	1,377,312	875,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Banca Transilvania Group (the "Group") includes the parent bank, Banca Transilvania S.A. (the "Bank") and its subsidiaries domiciled in Romania and Moldova. The consolidated financial statements of the Group for the year ended 31 December 2009 include the Bank's and its subsidiaries' (together referred to as the "Group") financial statements. The subsidiaries include the following companies:

Branch	Field of activity	31 December 2009	31 December 2008
BT Securities S.A.	Investments	95.50%	95.50%
BT Leasing Transilvania IFN S.A.	Leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
BT Direct IFN S.A.	Leasing (consumer loans)	100.00%	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management S.A.I S.A.	Asset management	80.00%	80.00%
BT Solution Agent de Asigurare S.R.L.	Insurance	95.00%	95.00%
BT Safe Agent de Asigurare S.R.L.	Insurance	99.98%	99.98%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance	99.99%	99.99%
BT Account Agent de Asigurare S.R.L.	Investments	100.00%	100.00%
BT Compania de Factoring IFN S.A.	Factoring	100.00%	50.00%
BT Finop Leasing S.A.	Leasing	51.00%	51.00%
BT Aegon S.A.	Pension	-	50.00%
BT Consultant S.R.L.	Financial brokering	100.00%	100.00%
BT Evaluator S.R.L.	Financial brokering	100.00%	100.00%
Medicredit Leasing IFN S.A.	Leasing	57.39%	57.39%
Rent-a-Med S.R.L.	Rental of medical equipments	57.39%	57.39%
BT Leasing MD SRL	Leasing	100.00%	100.00%

The Group has the following principal lines of business: banking, which is performed by Banca Transilvania S.A. ("the Bank"), leasing and consumer finance, which is performed mainly by BT Leasing Transilvania S.A., BT Finop Leasing S.A., Medicredit Leasing IFN S.A. and BT Direct IFN S.A., advisory services provided by Rent-a Med S.R.L., asset management which is performed by BT Asset Management S.A. (in which the Bank holds between 83.94% and 92.17 %) and investments on capital markets which are performed by the other subsidiaries presented above.

Banca Transilvania S.A.

Banca Transilvania S.A. was incorporated in Romania in 1993 and is licensed by the National Bank of Romania to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for corporate and individuals from Romania. The Bank operates through its Head Office located in Cluj-Napoca, 63 branches, 414 agencies and 28 work units (2008: 63 branches, 419 agencies, 41 work units) throughout the country and in Cyprus (a branch opened in 2007). The Bank accepts deposits and grants loans, carries out fund transfers in Romania and abroad, exchanges currencies and provides banking services for its corporate and retail customers.

The Cyprus branch financial information as at 31 December 2009 was as follows: total assets – RON 8,446 thousand (31 December 2008: RON 22,851 thousand), total liabilities – RON 9,709 thousand (31 December 2008: RON 23,166 thousand), loss – RON 929 thousand (2008: loss – RON 1,200 thousand).

The principal activity of the Bank is to provide day-to-day banking and other financial services to corporate and individual clients. These include: customer deposits, domestic and international payments, foreign exchange transactions, working capital finance, medium term facilities, bank guarantees, letters of credit and also financial consultancy for micro and small enterprises operating in Romania.

The Bank's number of employees as at 31 December 2009 was 6,098 (31 December 2008: 6,466).

The registered address of the Bank is 8 Baritiu Street, Cluj-Napoca, Romania.

The structure of the equity holders of the Bank is presented below:

	31 December 2009	31 December 2008
The European Bank for Reconstruction and Development (the "EBRD")	14.61%	14.97%
Individuals, citizens of Romania	31.33%	39.91%
Domestic companies	20.01%	21.77%
Foreign individuals	3.52%	6.01%
Foreign companies	30.53%	17.34%
Total	100.00%	100.00%

The Bank's shares are listed on the Bucharest Stock Exchange and are traded under the symbol TLV.

BT Leasing Transilvania S.A.

BT Leasing Transilvania IFN S.A. was incorporated in 1995 as a privately owned joint-stock company, established under Romanian laws. It was initially incorporated under the name of LT Leasing Transilvania S.A., which was changed to the current name in February 2003. The company operates through its Head Office located in Cluj-Napoca, 1 branch and 22 working points (2008: 1 branch and 33 working points) throughout the country. The company leases various types of vehicles and technical equipment.

The number of employees as at 31 December 2009 was 108 (2008: 127). The registered address of BT Leasing Transilvania IFN S.A. is: 1 Baritiu Street, Cluj-Napoca, Romania.

2. Basis of presentation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, effective at the Group's annual reporting date, 31 December 2009.

In estimating impairment losses for loans and receivables and net lease investments, the Group has applied the internal methodology described in Note 3 (j) (vii) in order to assess impairment for loans and advances to customers and net lease investments.

Differences between IFRS and statutory financial statements

The accounting records of the Bank are maintained in RON in accordance with Romanian accounting law and the National Bank of Romania and the National Bank of Cyprus's banking regulations.

The subsidiaries maintain their accounting records in accordance with Romanian and Moldovan accounting law. All these accounts of the Bank and subsidiaries are defined hereafter as the statutory accounts.

These accounts have been restated to reflect the differences between the statutory accounts and IFRS. Accordingly, adjustments have been made to the statutory accounts, where considered necessary, to bring the financial statements into line, in all material aspects, with the IFRS.

The major changes applied to the statutory financial statements in order to bring them into line with the International Financial Reporting Standards as endorsed by the European Union are:

- grouping of numerous detailed items into broader captions;
- restatement adjustments required in accordance with IAS 29 ("Financial Reporting in Hyperinflationary Economies") due to the fact that Romanian economy was hyperinflationary until 31 December 2003 (refer to Note 3c);
- fair value and impairment adjustments required in accordance with IAS 39 ("Financial Instruments – Recognition and Measurement');
- setting up provisions for deferred tax, and
- presenting the necessary information in accordance with the IFRS.

(b) Basis of measurement

The consolidated financial statements of the Group are prepared on a fair value basis, for financial assets and liabilities held at fair value through profit and loss and available-for-sale instruments, except for those for which a reliable measure of fair value is not available.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost, reevaluated amount or historical cost. Non-current assets held for sale are stated at the lower of net carrying amount and fair value, less cost to sale.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Romanian lei "RON", which is the Bank's and the Group's functional and presentation currency, rounded to the nearest thousand.

Convenience translation

For the user's information, the restated RON figures have been presented in EUR, following the requirement of IAS 21 "The Effect of Changes in Foreign Exchange Rates". This presentation is not part of the audited financial statements.

According to IAS 21, since the functional currency is RON, for translation from RON to EUR the following procedures were followed:

- Assets, liabilities and equity items for all balance sheet items presented (i.e. including comparatives) were translated at the closing rate existing at the date of each balance sheet presented (31 December 2009: 4.4282 RON/EUR; 31 December 2008: 3.9852 RON/EUR);
- Income and expenses items for current period presented were translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange rates (average exchange rate in 2009: 4.2373 RON/EUR; average exchange rate in 2008: 3.6827 RON/EUR);
- All exchange differences resulting from translation in the current period are recognized directly in equity.

The restatement and presentation procedures used according to IAS 21, "The Effects of Changes in Foreign Exchange Rates", could result in differences between the amounts presented in EUR and the real values.

(d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS as endorsed by the European Union implies that the management uses estimation and judgments that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of the judgments used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.

The estimates and judgments are reviewed on an ongoing basis. The review of the accounting estimates are recognized in the period in which the estimate is reviewed if the review affects only that period or in the period of the review and future periods if the review affects both current and future periods.

Information about estimates used in the application of the accounting policies which carry a significant impact on the financial statements, as well as the estimates which involve a significant degree of uncertainty, are described in Notes 4 and 5.

(e) Changes in accounting policies

Effective 1 January 2009 the Group has changed its accounting policy regarding presentation of the consolidated financial statements.

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income; in respect of the consolidated statement of comprehensive income the Group elected the single statement approach.

Comparative information has been re-presented so that it also is in conformity with the revised standard.

(f) Other accounting developments

Disclosures pertaining to fair value and liquidity risk for financial instruments

The Group has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including reasons therefore, are required to be disclosed for each class of financial instruments.

Revised disclosures in respect of fair values of financial instruments are included in note 5.

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require to disclose the maximum amount of the guarantee that could be called. Revised disclosures in respect of liquidity risk are included in note 4.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities, except as explained in note 2 (e), which addresses changes in accounting policies.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those companies controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. When assessing control, potential voting rights that presently are exercisable or convertible must be taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control starts until the date that control ceases.

The Bank consolidates the financial statements of its subsidiaries in accordance with IAS 27 "Consolidated and separate financial statements". The list of the Group's branches is presented in Note 1.

(ii) Investment funds management

The Group manages and administrates assets invested in unit funds on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity by holding an interest higher than 50% in the respective unit fund.

(iii) Associates

Associates are those companies on which the Group may exercise a significant influence, but not control over the financial and operational policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates using the equity method, from the date that significant influence commences until the date that significant influence ceases. If the Group's share of losses from associates exceeds the carrying amount of the investment, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Banca Transilvania's share in these investment funds varies between minimum of 21.43% and maximum of 49.52%.

The Grup included its share from the associates losses and gains according to IAS 28 "Investment in associates".

(iv) Jointly controlled entities

Jointly controlled entities are those enterprises where there is a contractually agreed sharing of control over the economic activities of the respective entities, and exist only when the strategic financial and operating decisions relating to the activities require the unanimous consent of the parties sharing control. The consolidated financial statements include the Group's share of interest in a jointly controlled entity using proportionate consolidation in accordance with the provisions of IAS 31 „Interests in joined ventures".

At 31 December 2009, the Group does not own jointly controlled entities.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions as well as any unrealized gains resulted from the intra-group transactions have been eliminated in preparing the consolidated financial statements. Unrealized gains resulted from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized gains resulted from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are booked in RON at the official exchange rate at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated statement of financial position are retranslated to the functional currency at the exchange rate at that date.

The gains and losses related to the settlement and translations of these balances using the exchange rate at the end of the financial year are recognized in the income statement, except for the ones booked in equity as a result of applying hedge accounting.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale financial assets which are included in the fair value reserve in equity.

ii) Translation of foreign operations

The result and financial position of foreign operations, which have a functional currency different from the functional and presentation currency of the Group, are translated into the presentation currency as follows:

- assets and liabilities, both monetary and non-monetary, of this entity have been translated at the closing rate;
- income and expenses items of these operations have been translated at the average exchange rate of the period, as an estimate for the exchange rates from the dates of the transactions; and
- all resulting exchange differences have been classified as equity until the disposal of the investment.

The exchange rates of major foreign currencies were:

Currency	**31 December 2009**	**31 December 2008**	**Variation %**
Euro (EUR)	1: RON 4.2282	1: RON 3.9852	6.1%
US Dollar (USD)	1: RON 2.9361	1: RON 2.8342	3.6%

c) Accounting method for the effect of hyperinflation

According to IAS 29 and IAS 21, the financial statements of an entity whose functional currency of a hyperinflationary economy should be stated in terms of measuring unit current at the date of Consolidated statement of financial position i.e. non monetary items are restated using a general price index from the date of acquisition or contribution.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%.

The continuously decreasing inflation rates and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose functional currency was adopted by the Group ceased to be hyperinflationary, effective for financial periods starting at 1 January 2004. Therefore, the provisions of IAS 29 have no longer been adopted in preparing these financial statements.

Accordingly, the amounts expressed in measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these consolidated financial statements and do not represent appraised value, replacement cost, or any other measure of the current value of assets or the prices at which transactions would take place currently.

d) Interest income and expenses

Interest income and expenses related to financial investments are recognized in the income statement at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts 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 Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and commissions 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.

Fair value changes of derivative instruments held for risk management and other financial assets and liabilities held at fair value are presented in the net trading income.

e) Fees and commissions

Fee and commission income arises from financial services provided by the Group including commitment fees, card fees, cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services.

Fees and commissions directly attributable to the financial asset or liability origination (both income and expense) are included in the measurement of the effective interest rate. Loan commitment fees that are likely to be drawn down, are deferred, together with the related direct costs, and are recognized as an adjustment to the effective interest rate of the loan.

Other fee and commission income arising from the financial services provided by the Group including investment management services, brokerage services, and account services fees are recognized as the related service is provided in the income statement. Other fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

f) Net trading income

Net trading income represents the difference between the gain and loss related to the trading assets and liabilities and includes all fair value changes realized and unrealized and net foreign exchange differences.

g) Dividends

Dividend income is recognized in the income when the right to receive income is established. Income from equity investments and other non-fixed income investments is recognized as dividend income when incurred. Dividends are reflected as a component of other operating income.

Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Shareholders' Meeting. The only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these financial statements, prepared in accordance with IFRS, due to the differences between the applicable Romanian Accounting Regulations and IFRS as endorsed by the European Union.

h) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the interest expense and the reduction of the outstanding liability. The interest expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

i) Income tax expense

Income tax for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it relates to equity elements.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of the goodwill, the initial recognition of the assets and liabilities that come from transactions other than business mergers and which have no impact on the accounting profit nor on the fiscal one and differences related to investments in subsidiaries, as long as they are not considered to be reversed in the near future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the consolidated statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

The tax rate used to calculate the current and deferred tax position at 31 December 2009 is 16% (31 December 2008: 16%).

j) Financial assets and liabilities

(i) Classifications

The Group classifies its financial assets and liabilities in the following categories:

Financial assets or financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial instrument is classified in this category if acquired principally for the purpose of short term profit-taking or if so designated by management. Derivatives are also categorized as held for trading unless the derivative is a designated and effective hedging instrument. The financial instruments at fair value through profit or loss comprise listed equity securities and derivatives instruments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group, upon initial recognition, designates at fair value through profit and loss, those that the Group, upon initial recognition, designates as available for sale or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and receivables comprise loans and advances to banks and customers and net lease investments.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. As at 31 December 2009 and 31 December 2008 the Group included in this category certain treasury bills issued by the Ministry of Public Finance.

Available-for-sale financial assets are those financial assets that are designated as available for sale or are not classified as loans and advances, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale instruments include treasury bonds and other bonds eligible for discounting with central banks, investments in unit funds, equity investments and other investment securities that are not at fair value through profit and loss or held-to-maturity.

(ii) Recognition

Financial assets and financial liabilities are initially recognized at fair value plus, in case of financial assets and financial liabilities not carried at fair value through profit or loss, directly attributable transaction costs.

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

(iii) Derecognition

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

The Group enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(iv) Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Amortized cost measurement

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

(vi) Fair value measurement

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the date of consolidated statement of financial position. Where a fair value cannot be reliably estimated, equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(vii) Identification and measurement of impairment

Assets held at amortized cost

At each balance sheet date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset ("loss generating event"), and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

It is probable that the identification of a single event responsible for the impairment is difficult. Impairment may have been caused by the combined effect of multiple events. The losses expected as a result of the future events, regardless of their probability, are not recognized.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the variable interest rate at current rate, specified in the contract. The asset's accounting value can be decreased directly or by using an impairment account. The expense with the impairment loss is recognized in the income statement.

If during a future period, an event that took place after the date of the impairment recognition generates decrease in the impairment expense, the formerly recognized impairment loss is reversed either directly or through the adjustment of an impairment account. The impairment decrease is recognized through profit and loss.

Loans and advances to customers and net lease investments

The Group, based on its internal impairment assessment methodology included observable data on the following loss events that came to its attention as objective evidence that loans and advances to customers and net lease investments or groups of assets were impaired:

(a) significant financial difficulty of the borrower (lessee) determined in accordance with the Group's internal rating system;
(b a breach of contract, such as a default or delinquency in interest or principal payments of the borrowers (individually and in the same group of borrowers);
(c) the lender, for economic or legal reasons relating to the borrower's or lessee's financial difficulty, granted to the borrower a concession that the lender would not otherwise consider such as the rescheduling of the interest or principal payments;
(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
(e) credible information indicating a measurable decrease in the estimated future cash flows of a group of financial assets from the date of the initial recognition, regardless of the fact that the decrease cannot be identified for each asset, including:
    i) unfavorable change in the payment behavior of the Group's debtors, or
    ii) national or local economic circumstances that can be correlated to the loss / depreciation of the Group's assets.

The Group first assesses whether objective evidence of impairment exists as described above, individually for loans to customers and net lease investments that are individually significant, and individually or collectively for loans to customers and net lease investments that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the loans to customers and net lease investments in groups with similar credit risk characteristics and collectively assesses them for impairment. Loans and advances to customers and net lease investments that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The calculation of the present value of the estimated future cash flows of a collateralized loan and net lease investments reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, loans and advances to customers and net lease investments are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the industry for corporate clients and small and medium enterprises and on the basis of significant types of products for individuals).

Management considers that these characteristics chosen are the best estimate of similar credit risk characteristics relevant to the estimation of future cash flows for groups of such loans and net lease investments 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 loans and advances to customers and net lease investments that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans and net lease investments with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Due to the inherent limitation regarding historical experience in obtaining information regarding loans and advances and net lease investments individually impaired, the historical loss ratios, the complexity of the methodology used, the estimated impairment may differ from the one obtained if the Group had sufficient historical experience in obtaining reliable information regarding timing and amount of future cash flows.

The Group reviews on a regular basis the methodology and the premises used for estimating the future cash flows in order to diminish the differences between the estimated losses and the real ones.

Available-for-sale financial assets

For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be released directly from equity and recognized in profit or loss even though the financial asset has not been derecognized.

The amount of the cumulative loss that is released from equity and recognized in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in income statement.

Impairment losses recognized in income statement for an investment in an equity instrument classified as available for sale shall not be released through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

Financial assets carried at cost

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

(viii) Designation at fair value through profit and loss

The Group has designated financial assets and liabilities at fair value through profit and loss when it:

- eliminates or significantly reduces an evaluation or recognition mismatch ("accounting error") which might have arisen from the measurement of the assets and liabilities or from the recognition of their gain or loss based on different principles;
- they are part of a group of financial assets or liabilities managed, evaluated and reported to the management on a fair value basis according to the risk management documentation / investment strategy; or
- they are hybrid contracts through which an entity can reflect the entire contract at fair value through profit and loss.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

k) Cash and cash equivalents

Cash and cash equivalents comprise: cash on hand, unrestricted balances held at the National Bank of Romania and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are recognized at amortized cost in the consolidated statement of financial position.

l) Trading assets and liabilities

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

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

m) Derivatives

(i) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the Consolidated statement of the financial position.

When a derivate is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in statement of comprehensive income as a component of net trading income.

(ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Group accounts for embedded derivatives separately from the host contract when the host contract is not itself carried through profit and loss, and the characteristics of the embedded derivatives are not clearly and closely related to the host contract. Separate embedded derivatives are accounted for depending on their classification, and are presented in Consolidated statement of the financial position together with the host contract.

Loans and advances and net lease investments are presented net of provision for impairment losses. Provision for impairment losses are made against the carrying amount of loans and advances and net lease investments that are identified as being impaired based on regular reviews of outstanding balances to reduce these assets to their recoverable amounts.

n) Loans and advances and net lease investments

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

When the Group is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances. Consumer loans granted to customers are also included in net lease investments.

Loans and advances and net lease investments are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method as described in the accounting policy 3(d) above, except when the Group chooses to carry the loans and advances and net lease investments at fair value through profit or loss as described in accounting policy 3(j) (viii) above.

Loans and advances are presented net of allowances for impairment. These allowances for impairment of loans and advances to customers and net lease investments are constantly evaluated for presenting these assets to their recoverable amounts.

o) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit and loss or available-for-sale.

(i) Held-to-maturity

Held-to-maturity investments are carried at amortized cost using the linear method. The linear amortization method used to determine the amortized cost for held-to-maturity investments represent the management's best estimate for the value of the corresponding amortization and the impact of applying the effective interest rate method would not be material. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Fair value through profit and loss

The Group carries some investment securities at fair value, with fair value changes recognized immediately in profit or loss as described in accounting policy 3(l).

(iii) Available-for-sale

Debt securities such as treasury bills issued by the Government of Romania are classified as available-for-sale assets.

The Group considered that the effective transaction prices would be between the informative BID-ASK quotations obtained, which are rather an interval within which the Group could have realistically negotiated the quotations for each series and taking into account the volume of its portfolio, and thus, the Bank used in its estimation an average price for each series.

Other securities such as investments in unit funds are classified as available-for-sale assets and are carried at their market prices.

Other equity investments in listed or unlisted companies are classified as available-for-sale assets and are carried at the fair value. Where no reliable estimate of fair value is available, equity investments are stated at restated cost less impairment.

Interest income is recognized in profit and loss using effective interest method. Dividend income is recognized in profit and loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit and loss.

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

Change in accounting policy

In October 2008 the International Accounting Standards Board ("IASB") issued Reclassification of Financial Assets (Amendments to IAS 39 "*Financial instruments: Recognition and Measurement and IFRS 7 Financial instruments: Disclosures*"). The amendment to IAS 39 permits an entity to transfer from the available-for-sale category to the loans and receivables category a non-derivative financial asset that otherwise would have met the definition of loans and receivables if the entity has the intention and ability to hold that financial asset for the foreseeable future or until maturity.
The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective retrospectively from 1 July 2008.

Pursuant to these amendments, the Group reclassified certain non-derivatives financial assets out of available-for-sale investment securities into placement with banks. For details on the impact of this reclassification, see note 21.

p) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at their cost or revalued amount less accumulated depreciation value and impairment losses. Capital expenditure on property and equipment in the course of construction is capitalized and depreciated once the assets enter into use.

Leases in term of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(ii) Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iii) Depreciation

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

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

Buildings	50 years
Leasehold improvements (average)	7 years
Computers	3 years
Furniture and equipments	3 – 20 years
Vehicles	4 – 5 years

The leasehold improvements are depreciated over the rental contract period, which varies between 1 and 52 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

q) Intangible assets

(i) Goodwill and negative goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries. Goodwill represents the difference between the cost of the acquisition and the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. Negative goodwill is recognized immediately in profit and loss, after reanalyzing the manner of identification and valuation of the assets, liabilities and identifiable contingent liabilities and measurement of the acquisition cost.

Acquisition of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of buy.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Negative goodwill is recognized immediately in the income statement, after assets, liabilities and contingent liabilities identification and measurement of acquisition cost.

(ii) Software

Costs associated with developing or maintaining software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is three years.

r) Financial lease – lessee

Group's lease agreements transferring substantially all the risks and rewards of ownership to the lessee are classified under financial lease. Upon initial recognition, leasing payments are recognized at a value equal with the minimum between the fair value and current value of minimum leasing payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leasing agreements represent operating leases and the assets making the object of that leasing agreement are not recognized in the the Group's consolidated statement of financial position.

s) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows and which is independent from other assets and groups. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of any goodwill allocated to that cash generating unit (group of units) and to any other assets of the unit based on book value weight.

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

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

t) Deposits from customers

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

u) Debt securities issued and loans from banks and other financial institutions

Borrowings such as loans from banks and other financial institutions and debt securities issued are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs occurred. Debt securities and loans from banks and other financial institutions are subsequently stated at amortized cost.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

v) Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and to reasonably estimate the obligation's value. To determine the provision, the future cash flows are discounted using a pre-tax discount rate, which reflects the current market conditions and risks incurred by the respective liability.

w) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

x) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

The Bank and its subsidiaries, in the normal course of business, makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank and its subsidiaries are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the income statement as incurred. The Bank and its subsidiaries do not have any further obligations.

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

y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

z) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

aa) Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

ab) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements. None of these standards will have an impact on the financials, except for:

- IFRS 9 *Financial Instruments*, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognized in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss. This standard was not yet adopted by European Union.

  The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

  Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.
- Revised IFRS 3 *Business Combinations* (effective for annual periods beginning on or after 1 July 2009). The scope of the revised Standard has been amended and the definition of a business has been expanded. The revised Standard also includes a number of other potentially significant changes including:
  - All items of consideration transferred by the acquirer are recognized and measured at fair value as of the acquisition date, including contingent consideration.
  - Subsequent change in contingent consideration will be recognized in profit or loss.
  - Transaction costs, other than share and debt issuance costs, will be expensed as incurred.
  - The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have no impact on the financial statements with respect to business combinations that occur before the date of adoption of the revised Standard.

- Revised IAS 27 *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009). In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The Group has not yet completed its analysis of the impact of the revised Standard.
- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for annual period beginning on or after 1 February 2010). The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances. The amendments to IAS 32 are not relevant to the Group's financial statements as the Group has not issued such instruments at any time in the past.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for annual periods beginning on or after 1 July 2009). The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances. The amendments to IAS 39 are not relevant to the Group's financial statements as the Group does not apply hedge accounting.
- IFRIC 12 *Service Concession Arrangements* (effective for first annual reporting period beginning on or after 1 April 2009). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations as none of the Group entities have entered into any service concession arrangements.
- IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2010). IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognized by reference to the stage of completion of the contract activity in the following cases:
    - the agreement meets the definition of a construction contract in accordance with IAS 11.3;
    - the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and
    - the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses.

  In all other cases, revenue is recognized when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery).

  IFRIC 15 is not relevant to the Group's financial statements as the Group does not provide real estate construction services or develop real estate for sale.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after 1 July 2009). The Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation. IFRIC 16 is not relevant to the Group's financial statements as the Group has not designated any hedges of a net investment in a foreign operation.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective prospectively for annual periods beginning on or after 1 November 2009). The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognized in equity as adjustments to the amount of the distribution. When the dividend payable is settled, the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognized in profit or loss. As the Interpretation is applicable only from the date of application, it will have no impact on the financial statements for periods prior to the date of adoption of the interpretation.
- IFRIC 18 *Transfers of Assets from Customers* (effective prospectively for annual period beginning on or after 1 November 2009). The Interpretation requires an entity that receives a contribution in the scope of the Interpretation to recognize the item as an asset at its fair

value if the transferred item meets the criteria for property, plant, and equipment in IAS 16, *Property, Plant and Equipment*. The Interpretation also requires the entity to recognize the amount as revenue; the timing of revenue recognition depends on the facts and circumstances of the particular arrangement. IFRIC 18 is not relevant to the Group's financial statements as the Group does normally receive contributions from customers.

4. Financial Risk Management

a) Introduction

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Taxation risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.

Risk management framework

The risk management is an important part of all the decisional and business processes within the Group.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has appointed the Management Committee, Risk Management Committee, Asset and Liability Committee (ALCO), Operations Risk Committee, Credit Committee (lending policy), HQ Credit and Risk Committee (loan approval), Credit and Risk Committee within Branches/Agencies, in charge with drafting/and or monitoring risk management policies in their specified areas. The Board of Directors periodically reviews the activity of these committees.

The Board of Directors monitors the Group's compliance with the risk policies and the appropriateness of the general risk management framework related to the risks the Group is exposed to.

Banca Transilvania S.A.'s strategy regarding significant risk management focuses over the realization of the budgeted ratios in a controlled risk environment which ensures both the normal continuity of the business and the protection of the shareholders and clients' interest. Banca Transilvania S.A. ensures that its risk management strategy is adequate in terms of undertaken risk profile, nature, size and business complexity and also in correlation with its business plan.

Risk management policies and systems are reviewed regularly (mainly annually) with the participation of the Executive Management Committee, Risk Management Committee and responsible persons within the involved departments in order to reflect the changes in the market conditions, products and services provided.

The Group's Audit Committee reports to Board of Directors and is responsible for with monitoring compliance with the Bank's risk management procedures. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit performs regular and ad-hoc reviews of risk management controls and procedures, the results being reported to the Audit Committee.

The Board of Directors and management committees of the subsidiaries which constitute the Group are responsible for significant risk management, in correlation with their business characteristics and the legislation in force.

b) Credit risk

(i) Credit risk management

The Group is exposed to credit risk through its trading, lending, leasing and investing activities, as well as in cases of guarantee issues. Credit risk associated with trading and investing activities is mitigated through selecting counterparties of good credit standings and monitoring their activities and ratings and through the use of exposure limits and when appropriate by collateral.

The Group's primary exposure to credit risk arises through its loans and advances to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Group is exposed to credit risk on various other financial assets, including derivative instruments and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the Consolidated statement of financial situation. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and issued guarantees (see Note 36).

In order to minimize the risk, the Group has certain procedures meant to assess the clients before granting the loans, to observe their capacity of reimbursing the principal and related interests during the entire period of the loans and to establish exposure limits.

The Board of Directors delegated the responsibility for credit risk management to the Management Committee, Banking Risk Management Committee ("CARB"), Credit Committee (lending policy), Credit and Risk committee within the Bank's headquarters (loan approval), Credit and Risk committees within the branches / agencies at local level. Furthermore, inside the Group operates the Risk Management Department, which reports to the HQ committees previously presented and has the following responsibilities:

- Identifying and assessing the specific risks within the lending activity;
- Complying with internal regulations specific for the lending activity;
- Elaborating proposals for reducing specific risks, to maintain sound lending standards;
- Monitoring the granted loans, in accordance with the client's financial performance, type of loan credit, the nature of collateral and debt service, according to the internal lending norms;
- Approving and valuating ratio computation regarding lending competence assignment/modification according to the specific internal policies;
- Periodical revision and recommendation of accepted risk levels to the Risk Management Committee;
- Identifying, monitoring and controlling credit risk at branch level;
- Complying with internal norms, NBR regulations and legislation in force regarding the lending activity performed in the bank's units;
- Drafting of proposals to reduce specific risks, to maintain lending standards within the branches;
- Risk analysis for new/changes of credit products, including recommendations to the involved directions;
- Approving computed counterparty exposure limits
- Accepting proposals from specialized departments;
- Periodical assessment and presentation of reports to CARB and the Board of Directors regarding the evolution of significant risks (risk implications, forecasts).

Each Branch / Agency implements at local level the Group policies and regulations regarding the credit risk, having loan approval competencies established by the Management Committee. Each Branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to HQ approval.

The Internal Audit Department and the Risk Inspection Department within the Risk Management Department carries out periodical verifications of the branches and agencies.

The Group classified the exposures according to the risk level of the potential financial losses. The risk classification system is used for assessing the risk monitoring activities and the rapport with the customers. The scoring system reflects different levels of the default risk and is reviewed periodically.

Credit risk exposure

- Credit risk concentration arising from financial instruments is applied for client groups or third parties with similar economic characteristics and whose repayment capacity is similarly affected by the economic environment changes. Main credit risk concentration results from individual exposure and type of clients as concerns the loans and advances granted by the Group, commitments to extend facilities, leasing investments and issued guarantees.

- Total on and off-balance sheet economic sector risk concentrations are presented in the table below:

	31 December 2009	**31 December 2008**
Individuals	38.90%	39.25%
Trading	16.39%	17.42%
Production	13.37%	12.89%
Construction	7.10%	6.91%
Transport	5.05%	4.68%
Services	4.19%	4.54%
Real estate	3.02%	2.71%
Agriculture	3.31%	2.31%
Free lancers	1.45%	1.64%
Chemical industry	1.07%	1.47%
Mining industry	0.85%	0.75%
Telecommunications	0.76%	0.49%
Energy industry	0.74%	0.37%
Fishing industry	0.06%	0.06%
Governmental bodies	0.05%	0.02%
Others	1.88%	2.72%
Total	100.0%	100.0%

At 31 December 2009, total on and off balance sheet exposures was RON 14,367,107 thousand (31 December 2008: RON 14,295,182 thousand).

The amounts reflected in the previous paragraph reflect the maximum accounting loss that would be recognized at reporting date if the customers failed completely to perform as contracted and any collateral or security proved to be of no value.

The Group holds collateral against loans and advances to customers in the form of pledge over cash deposits, mortgage interests over property, guarantees and other pledge over equipments and/or receivables. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are generally not updated except when a loan is individually assessed as impaired. Collateral is generally not held over loans and advances to banks.

The Group writes off a loan / security balance (and any related allowances for impairment losses) when it determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Group uses ratings associated with financial performance for the individually tested loans as well as for the collectively assessed ones, according to Group policies, each credit risk class can be associated with a certain rating, starting with the lowest risk rating (1) to the category of loans for which legal procedures of debt recovery were initiated (6).

The credit risk exposures for loans and advances to customers and net lease investments as at 31 December 2009 and 2008 are presented below:

		Loans and advances granted to customers and net lease investments	
In RON thousand	**Note**	**31 December 2009**	**31 December 2008**
Past due and individually impaired			
Grade 4		696,594	433,850
Grade 5		399,561	275,786
Grade 6		815,107	182,292
Gross amount		1,911,262	891,928
Allowance for impairment	19,20	-633,629	-179,758
Carrying amount		1,277,633	712,170
Past due but not individually impaired			
Grade 1-2		446,084	53,030
Grade 3		326,740	127,484
Grade 4		-	-
Grade 5		-	-
Gross amount		772,824	180,514
Allowance for impairment	19,20	(14,101)	(2,372)
Carrying amount		758,723	178,142
Past due comprises			
15-30 days		503,248	110,992
30-60 days		128,786	69,522
60-90 days		140,790	-
90-180 days		-	-
Gross amount		772,824	180,514
Neither past due nor impaired			
Grade 1		9,442,575	9,611,209
Grade 3		453,323	898,102
Gross amount		9,895,898	10,509,311
Allowance for impairment	19,20	(179,183)	(133,943)
Carrying amount		9,716,715	10,375,368
Total carrying amount		11,753,071	11,265,680

In addition, the Group had entered into lending commitments of RON 2.883.018 thousand (31 December 2008: RON 2.713.429 thousand), mainly with counterparties graded 1-3.

No outstanding or impaired investment securities and bank placements.

Past due and individually impaired loans

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement.

Past due but not individually impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that an individual impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

The Group sets an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio, The main components of this allowance are an individual loan loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when the Group's Risk Committee/ Board of Directors determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade:

In thousand RON	**Gross amount**	**Carrying amount**
31 December 2009		
Grade 4	696,594	639,134
Grade 5	399,561	396,579
Grade 6	815,107	241,920
Total	1,911,262	1,277,633
31 December 2008		
Grade 4	433,850	423,198
Grade 5	275,786	262,943
Grade 6	182,292	26,029
Total	891,928	712,170

The Group holds collateral against loans and advances to customers in the form of mortgage interests over land and buildings, property, inventory, insurance policies, financed assets that represent objects of the lease agreements, on which the Group has the ownership right until the end of the contracts, and other guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and periodical updates on collaterals.

An estimate of the value of collateral and other security enhancements held against financial assets is shown below:

In thousand RON	**31 December 2009**	**31 December 2008**
Against past due and individually impaired		
Property	1,897,359	890,222
Debt securities	361,328	155,943
Other	159,598	27,578
	2,418,285	1,073,743
Against past due but not individually impaired		
Property	918,468	1,359,921
Debt securities	81,357	91,536
Other	108,909	16,965
	1,108,734	1,468,422
Against neither past due nor impaired		
Property	10,287,866	10,128,060
Debt securities	2,038,774	808,906
Other	1,090,340	212,929
	13,416,980	11,149,895
Total	16,943,999	13,692,060

c) Liquidity risk

Liquidity risk is the general policy of the institution's inability to honor their debt outstanding at maturity date. The Group is concerned on the counteract of this type of risk in the 2 components: the difficulties in procuring funds on the relative maturity date, necessary to refinance current assets or the inability to convert an asset into cash at a value near its fair value, in a reasonable period of time.

The group has access to a diverse funding base. Funds are raised using a broad range of instruments including bank deposits from customers or partners, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves flexibility to attract funds, limiting dependence on one type of financing and on one type of partner and lead to an overall decrease of costs of fundraising. The group tries to maintain a balance between continuity and flexibility of attracting funds, through contracting debts with different maturities and different currencies. The Group continually assesses liquidity risk by identifying and monitoring changes in funding, and diversifying the funding sources.

The financial assets and liabilities of the Group analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2009 as follows:

In RON thousand	**Up to 3 months**	**3 – 6 months**	**6 – 12 months**	**1 – 3 years**	**3 – 5 years**	**Over 5 years**	**Without maturity**	**Total**
31 December 2009								
Financial assets								
Cash and cash equivalents	3,186,997	-	-	-	-	-	-	3,186,997
Placements with banks	1,369,877	48,541	1,289	106,208	-	10,000	-	1,535,915
Financial assets at fair value through profit and loss	-	-	-	-	-	-	44,865	44,865
Loans and advances to customers	1,396,737	1,199,316	2,137,453	1,918,937	1,027,804	3,801,512	-	11,481,759
Net lease investments	31,325	29,222	54,497	125,035	31,233	-	-	271,312
Financial assets available for sale	521,680	704,094	730,120	388,608	165,055	32,722	31,187	2,573,466
Held-to-maturity investments	308	10,566	-	780	-	-	-	11,654
Investment in associates entities	-	-	-	-	-	-	42,404	42,404
Other assets	112,853	2,195	2,255	2,938	1,218	722	-	122,181
Total financial assets	6,619,777	1,993,934	2,925,614	2,542,506	1,225,310	3,844,956	118,456	19,270,553
Financial liabilities								
Deposits from banks	258,914	220	-	-	-	-	-	259,134
Deposits from customers	10,276,642	1,115,635	544,609	950,209	2,078,030	24,074	-	14,989,199
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	425,967	175,838	316,542	789,900	571,199	135,885	-	2,415,331
Other liabilities	110,330	167	292	543	-	-	-	111,332
Total financial liabilities	11,071,853	1,291,860	861,443	1,740,652	2,649,229	159,959	-	17,774,996
Maturity surplus / (shortfall)	(4,452,076)	702,074	2,064,171	801,854	(1,423,919)	3,684,997	118,456	1,495,557

In RON thousand	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 – 5 years	Over 5 years	Without maturity	Total
31 December 2008								
Financial assets								
Cash and cash equivalents	3,698,738	-	-	-	-	-	-	3,698,738
Placements with banks	770,649	4,833	137	30,108	22,881	-	-	828,608
Financial assets at fair value through profit and loss	-	-	-	-	-	-	14,522	14,522
Loans and advances to customers	1,282,126	1,031,805	1,629,430	1,884,016	1,092,347	3,965,177	-	10,884,901
Net lease investments	55,691	35,940	67,463	186,019	35,666	-	-	380,779
Financial assets available for sale	212,910	141,199	107,653	233,019	60,660	25,717	17,092	798,250
Held-to-maturity investments	9	566	-	10,300	780	-	-	11,655
Investment in associates entities	-	-	-	-	-	-	28,663	28,663
Other assets	68,808	1,346	1,110	658	1,218	-	-	73,140
Total financial assets	6,088,931	1,215,689	1,805,793	2,344,120	1,213,552	3,990,894	60,277	16,719,256
Financial liabilities								
Deposits from banks	36,183	2,142	-	-	-	-	-	38,325
Deposits from customers	8,682,485	814,280	237,087	600,326	1,741,549	21,364	-	12,097,091
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	381,495	306,357	584,733	1,054,652	641,699	212,159	-	3,181,095
Other liabilities	174,237	196	325	1,119	-	-	-	175,877
Total financial liabilities	9,274,400	1,122,975	822,145	1,656,097	2,383,248	233,523	-	15,492,388
Maturity surplus / (shortfall)	(3,185,469)	92,714	983,648	688,023	(1,169,696)	3,757,371	60,277	1,226,868

d) Market risk

Market risk is the risk that changes depending on market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Exposure to market risk – trading portfolio

The Group controls its exposure to market risk by daily monitoring the market value of the trading portfolio relating to a system of limits of "stop loss" type approved by the Assets and Liabilities Committee. The trading portfolio comprises: fixed-income securities issued in Romania or on the European markets (government bonds, bonds whose issuer is rated not less than the sovereign rating) denominated in LEI or EURO and shares issued by Romanian entities traded on the Bucharest Stock Exchange (that are not directly exposed to interest and foreign exchange risk, being exposed to price risk).

Exposure to interest rate risk –non-trading portfolio

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring GAP's interest rates and by having pre-approved limits for re-pricing bands. Assets and Liabilities Committee is the monitoring body for compliance with these limits and is assisted by Treasury Department in its day-to-day monitoring activities.

Interest rate risk

Managing interest rate risk within the variation limits of the interest rate is supplemented by monitoring the sensitivity of the Group financial assets and liabilities in different standard scenarios of interest rate. The monthly standard scenarios include the parallel decrease or increase of the interest curve with 100 and 200 basis points.

An analysis of the Bank's interest carrying assets and liabilities sensitivity to the increase or decrease in the market interest rates is set out below:

	200 basis points Increase RON thousand	200 basis points Decrease RON thousand	100 basis points Increase RON thousand	100 basis points Decrease RON thousand
As at 31 December 2009				
Average for the period	38,411	(38,411)	19,205	(19,205)
Minimum for the period	(12,057)	12,057	(6,029)	6,029
Maximum for the period	99,859	(99,859)	49,929	(49,929)
As at 31 December 2008				
Average for the period	(7,386)	7,386	(3,693)	3,693
Minimum for the period	(47,072)	2	(23,536)	1
Maximum for the period	(2)	47,072	(1)	23,536

In the sensitivity analysis regarding interest rate variation the Bank has computed the impact over the interest margin over the future financial exercise by taking into consideration the interest rate resetting date for assets and liabilities recorded in the balance sheet as follows: the Bank divided the assets and liabilities bearing fixed interest rate from the ones bearing variable interest rate and for each category the following split was made: less than 1 week, 1 week – 3 months, 3 – 6 months, 6 – 12 months, 1 – 3 years and 3 – 4 years; for the assets and liabilities with variable interest rate the future interest cash flows were recomputed by modifying the interest rate by +/- 100 and 200 basis points.

Based on the Bank's sensitivity analysis according to the methodology presented above it can be observed that the impact over the Bank's profit over the next 3 years is limited. The most significant impact is recorded between 3 and 4 years, which gives the Bank enough time to adjust to current market conditions. The average for the period included in the table above represents the average monthly impact of the change in interest rates over the Bank's profit (according to the methodology presented above) and the minimum and maximum included represents the annual potential impact over the profit for the time interval 3 – 4 years.

The Group is exposed to interest rate risk mainly from exposures to adverse changes in the market interest rates to the extent that interest-earning assets and interest-earning liabilities mature or re-price at different times or in differing amounts. The main sources of interest rate risk are imperfect correlation between the maturity (for fixed interest rates) or re-pricing date (for floating interest rates) of the interest-bearing assets and liabilities, adverse evolution of the slope and shape of the yield curve (the unparallel evolution of the interest rate yields of the interest-earning assets and interest-earning liabilities), imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics and the options embedded in the Group's products.

Asset-liability risk management activities are conducted in the context of the Group's sensitivity to interest rate changes. In general, the Group is more sensitive on foreign currency instruments because its foreign currency interest-earning assets have a longer duration and re-price less frequently than foreign currency interest-bearing liabilities.

The Group is less sensitive to local currency instruments as most of the assets and liabilities bear floating rates.

The Group attempts to maintain a net positive position for interest-bearing financial instruments. To achieve this, the Group uses a mix of fixed and floating rate interest instruments on which it attempts to control the mismatching of the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates or, if earlier, the dates on which the instruments mature.

The interest rates related to the local currency and the major foreign currencies as at 31 December 2009 and 2008 were as follows:

Currency	Interest rate	31 December 2009	31 December 2008
Leu (RON)	Robor 3 months	10.65%	15.46%
Euro (EUR)	Euribor 3 months	0.700%	2.89%
Euro (EUR)	Euribor 6 months	0.994%	2.97%
US Dollar (USD)	Libor 6 months	0.42969%	1.75%

Range of interest rates

The following table shows the interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during financial year 2009:

	RON Range		USD Range		EUR Range	
Assets	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Cash and cash equivalents	0%	7%	0%	1.29%	0%	4.60%
Placements with banks	4%	20.5%	0.1%	2.35%	0.01%	6.70%
Loans and advances to customers	0%	48.0%	2.89%	16%	6.5%	12.0%
Net lease investments	0%	38%	-	-	4.58%	17.5%
Investment securities	6%	17.2%	-	-	4.125%	8.5%
Liabilities						
Deposits from banks	4%	14%	0.10%	1.25%	0.10%	4%
Deposits from customers	0.15%	23.97%	0.10%	5%	0.10%	10.86%

Interest rates on loans from banks and other financial institutions, subordinated loans and debt securities are presented in the notes 30, 31 and 32 respectively.

The following table shows the interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during financial year 2008:

	RON Range		USD Range		EUR Range	
Assets	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Cash and cash equivalents	0%	7%	0%	1.3%	0%	4%
Placements with banks	2%	65%	1%	6.5%	1.4%	7.5%
Loans and advances to customers	0%	38%	4.6%	13.%	0%	17.5%
Net lease investments	0%	38%	-	-	5.4%	18.3%
Investment securities	6%	14.2%	-	-	-	-
Liabilities						
Deposits from banks	2%	27.5%	1%	5.8%	4.2%	7.3%
Deposits from customers	0%	23.2%	0.1%	5%	0%	10%

A summary of the Group's interest rate gap position on interest bearing instruments as at 31 December 2009 is as follows:

In RON thousand	Less than 6 months	6 – 12 months	1 – 3 years	3 – 5 years	More than 5 years	Non sensitive	Total
31 December 2009							
Financial assets							
Cash and cash equivalents	3,186,997	-	-	-	-	-	3,186,997
Placements with banks	1,418,418	1,289	106,208	-	10,000	-	1,535,915
Financial assets at fair value through profit and loss	44,865	-	-	-	-	-	44,865
Loans and advances to customers	6,991,886	4,223,639	265,076	1,158	-	-	11,481,759
Net lease investments	148,806	113,285	8,096	1,125	-	-	271,312
Financial assets available for sale	1,253,769	730,120	388,608	165,055	32,722	3,192	2,573,466
Held-to-maturity investments	10,874	-	780	-	-	-	11,654
	13,055,615	5,068,333	768,768	167,338	42,722	3,192	19,105,968
Financial liabilities							
Deposits from banks	259,134	-	-	-	-	-	259,134
Deposits from customers	11,385,953	3,481,518	96,359	5,574	19,795	-	14,989,199
Loans from banks and other financial institutions, other subordinated loans and debt securities	2,324,223	78,545	12,563	-	-	-	2,415,331
	13,969,310	3,560,063	108,922	5,574	19,795	-	17,663,664
Net position	(913,695)	1,508,270	659,846	161,764	22,927	3,192	1,442,304

A summary of the Group's interest rate gap position on interest bearing instruments as at 31 December 2008 is as follows:

In RON thousand	**Less than 6 months**	**6 – 12 months**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**	**Non sensitive**	**Total**
31 December 2008							
Financial assets							
Cash and cash equivalents	3,698,738	-	-	-	-	-	3,698,738
Placements with banks	775,482	137	30,108	22,881	-	-	828,608
Financial assets at fair value through profit and loss	14,522	-	-	-	-		14,522
Loans and advances to customers	6,670,084	3,907,556	307,261	-	-	-	10,884,901
Net lease investments	291,367	76,462	12,238	712	-	-	380,779
Financial assets available for sale	370,785	103,047	233,019	60,469	24,284	6,646	798,250
Held-to-maturity investments	875	-	10,000	780	-	-	11,655
	11,821,853	4,087,202	592,626	84,842	24,284	6,646	16,617,453
Financial liabilities							
Deposits from banks	38,325	-	-	-	-	-	38,325
Deposits from customers	9,483,779	2,495,658	93,119	3,704	20,815	-	12,097,075
Loans from banks and other financial institutions, other subordinated loans and debt securities	2,929,806	240,083	11,206	-	-	-	3,181,095
	12,451,910	2,735,741	104,325	3,704	20,815	-	15,316,495
Net position	(630,057)	1,351,461	488,301	81,138	3,469	6,646	1,300,958

Currency risk

The Group is exposed to currency risk through transactions in foreign currencies against RON. Currency Risk Management Group is based on strict position limits and "stop-loss", monitored in real time. There is also a balance sheet risk that the net monetary assets and liabilities in foreign currencies will take a different value when translated into RON as a result of currency movements.

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2009 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other**	**Total**
Monetary assets					
Cash and cash equivalents	1,459,226	1,591,057	109,047	27,667	3,186,997
Placement with banks	756,014	718,637	44,042	17,222	1,535,915
Financial assets at fair value through profit and loss	44,865	-	-	-	44,865
Loans and advances to customers	7,254,863	3,946,838	202,672	77,386	11,481,759
Net lease investments	24,098	247,213	-	1	271,312
Financial assets available for sale	1,879,843	693,623	-	-	2,573,466
Held-to-maturity investments	11,654	-	-	-	11,654
Investments in associates	42,404	-	-	-	42,404
Other assets	113,508	7,391	1,088	194	122,181
Total monetary assets	11,586,475	7,204,759	356,849	122,470	19,270,553
Monetary liabilities					
Deposits from banks	99,225	159,478	428	3	259,134
Deposits from customers	9,576,154	5,043,749	342,524	26,772	14,989,199
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	380,944	1,996,688	37,699	-	2,415,331
Other debts	65,285	42,361	2,436	1,250	111,332
Total monetary liabilities	10,121,608	7,242,276	383,087	28,025	17,774,996
Net currency position	1,464,867	(37,517)	(26,238)	94,445	1,495,557

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2008 are presented below:

In RON thousand	RON	EUR	USD	Other	Total
Monetary assets					
Cash and cash equivalents	1,383,312	2,122,928	181,106	11,392	3,698,738
Placement with banks	371,658	351,960	73,839	31,151	828,608
Financial assets at fair value through profit and loss	14,522	-	-	-	14,522
Loans and advances to customers	7,221,483	3,468,753	194,665	-	10,884,901
Net lease investments	49,016	331,360	-	403	380,779
Financial assets available for sale	798,087	163	-	-	798,250
Held-to-maturity investments	11,655	-	-	-	11,655
Investments in associates	28,663	-	-	-	28,663
Other assets	55,240	15,531	916	1,481	73,168
Total monetary assets	9,933,636	6,290,695	450,526	44,427	16,719,284
Monetary liabilities					
Deposits from banks	13,506	24,543	276	-	38,325
Deposits from customers	8,249,144	3,453,631	371,627	22,673	12,097,075
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	333,068	2,742,629	105,398	-	3,181,095
Other debts	135,323	35,452	3,630	1,516	175,921
Total monetary liabilities	8,731,041	6,256,255	480,931	24,189	15,492,416
Net currency position	1,202,595	34,440	(30,405)	20,238	1,226,868

e) Taxation risk

Starting 1 January 2007, as a result of Romania's accession to the European Union, the Bank had to adopt the regulations of the European Union, and prepared to applye European legislation changes.

The Romanian Government owns a number of agencies authorized to carry on the audit (control) of the companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested.

f) Operating environment

On 1 January 2007 Romania became a full member state of the European Union.

The process of risk repricing during 2007 and 2008 in the international financial markets severely affected the performance of those markets, including the Romanian financial and banking market, and fostered heightened uncertainty with regard to economic developments going forward.

The ongoing global credit and liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, lower level and difficult access to the capital market funding. The significant losses experienced in the global financial market could affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions similar to those applied to earlier transactions.
Identification and valuation of investments influenced by a lending market with low liquidities, the determination of compliance with debt agreement and other contract covenants, and the evaluation of significant uncertainties, bring their own challenges.

Such ongoing concerns that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and central banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping minimizing the effects of the financial crisis and finally restoring normal market functioning.

Due to current market conditions and economic crisis, the banking system has suffered due to decreased activity, but the Group managed to obtain favorable results for 2009.

Due to economic collapse of the entire banking system, records indicated growth of arrears to credit / financing and hence the provisions established by banks, such as net profit recorded in the banking system dropped significantly in 2009 compared to 2008.

Group management anticipates that the difficulties that have marked the Romanian economy will manifest in 2009 and during 2010, so the net cost of credit risk / financing will have a marked influence in 2010 on the financial results of banking sector in Romania, but it cannot fairly estimate the events that could have an effect on the Romanian banking sector and subsequently, on its financial statements.

Group management estimates for 2010 and a high level of provisions on loans / financing, comparable to 2009, with corresponding effects on the Group's financial statements, but cannot predict with rather high certainty the impact on the Group's financial statements as a result of the deterioration in financial market liquidity, impairment of financial assets affected by non-cash market conditions and high volatility of national currency and financial markets.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Bank’s business in the current circumstances by:

- adopting of the Bank’s strategy of intensive development
- establishing specific measures to address potential liquidity crisis;
- daily monitoring its liquidity position;
- better control of costs;
- an aggressive provisioning policy, granting maximum attention to portfolio of loans / financing quality and to risk management;
- gradually and selectively targeting the larger size operations - mainly growth of the corporate segment;
- improving customer service concept, based on cross-selling, finding fast solutions.

The national economy is constantly presenting the characteristic of an emergent market. Among these characteristics one can mention: significant current account deficit, the difference between Romania and the other EU member states, a market relatively undeveloped, low infrastructure and fluctuations in the currency exchange rate.

g) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group’s operations and are faced by all business entities.

The Group’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- a formalized approach over the continuity of the business with a focus on IT infrastructure (public services, hardware, software, human resources) due to its high degree of support during the activity;
- training and professional development for all business lines and for all the Group employees; development of ethical and business standards;
- risk mitigation, including insurance where applicable.

Internal Audit Department, Monitoring and Operational Risk Control Department and the management of the Group is monitoring the Bank's standards through regular control. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

h) Capital management

The Bank's regulatory capital based on the legal requirements in force regarding capital management includes:

- Tier 1 capital, which includes ordinary share capital, share premium, eligible reserves (for 31 December 2009 the computation was performed based on the National Bank of Romania ("NBR") regulation 18/2006 modified by the NBR Regulation 6/2009) after deductions of intangible assets, 50% of shares value and other investments in financial or credit institutions that exceed 10% of their share capital and 50% of the investments held in insurance and reinsurance companies;
- Tier 2 capital, which includes qualifying subordinated liabilities, fixed assets revaluation reserves after deduction of 50% of shares value and other investments in financial or credit institutions that exceed 10% of their share capital and 50% of the investments held in insurance and reinsurance companies

Starting 2008 the Bank applied the NBR Regulation 13/2006 regarding the computation of the minimum capital requirements and adopted:

- the standard approach regarding credit risk, based on Regulation 14/2006;
- the standard approach based on appendix I, II and IV of the NBR Regulation 22/2006 for the computation of the minimum capital requirements for the position risk, foreign exchange risk and commodity risk;
- the standard approach for the minimum capital requirements regarding operational risk based on the NBR Regulation 24/2006.

The Bank's regulatory capital as at 31 December 2009 and 31 December 2008 and the legal requirements regarding capital management as at 31 December 2009 and 31 December 2008 were as follows:

In RON thousand	**31 December 2009**	**31 December 2008**
Tier I	1,620,803	1,505,930
Tier II	156,267	199,362
Total Bank's capital	1,777,070	1,705,292
Risk weighted assets		n/a
Capital requirement for credit risk, counterparty risk, decrease in receivables and for incomplete transactions	848,946	797,949
Capital requirements for foreign exchange position and commodities	46,080	20,217
Capital requirements for operational risk	120,154	88,500
Total capital requirements	1,015,180	906,666

Note: In the computation of the Bank's own funds, profit for the years ended 31 December 2008 and 31December 2009 is included.

5. Use of estimates and judgments

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

Impairment losses on loans and advances

The Group reviews its loan and net lease investments portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Group 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 and net lease investments 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 (lessees) in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The loan impairment assessment considers the visible effects of current market conditions on the individual / collective assessment of loans and advances to customers' impairment. Hence, the Group has estimated the impairment loss provision for loans and advances to customers based on the internal methodology harmonized with Group policies and assessed that no further provision for impairment losses is required except as already provided for in the financial statements.

To the extent that the net present value of estimated cash flows differs by +/-5 percent, the impairment provision for loans and advances to customers would be estimated RON 7,899 thousand higher or RON 7,916 thousand lower (31 December 2008: RON 11,215 thousand higher or RON 8,001 thousand lower).

Fair value of financial instruments

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

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not traded in an active market (for example, unlisted treasury securities, bonds and certificates of deposit) is determined by using valuation techniques. The management uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at the date of the consolidated statement of the financial position.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates. The Group's percentage of this type of portfolio instruments is not significant.

The carrying amount of financial assets at fair value through profit and loss and of available-for-sale investment securities would be estimated RON 20,478 thousand lower (31 December 2008: 11,366 thousand RON), or more than RON 21,027 thousand (31 December 2008: 11,832 thousand RON), were the discount rate used in the discounted cash flow analysis to differ by +/- 10% from management's estimate.

The table below analyzes financial instruments measured at fair value at the end of the reporting period, the hierarchical levels:

In RON thousand	Note	Quoted market prices in active markets	Valuation techniques – observable inputs	Valuation techniques – unobservable inputs	Total
31 December 2009					
Financial assets at fair value through profit and loss	18	44,865	-	-	44,865
Investments securities, available for sale	21	27,995	2,545,471	-	2,573,466
31 December 2008					
Financial assets at fair value through profit and loss	18	14,522	-	-	14,522
Investments securities, available for sale	21	10,446	787,804	-	798,250

Financial assets and liabilities

The Group considered that the effective transaction prices would be situated between the informative BID-ASK quotations obtained, which are rather an interval within which the Group could have realistically negotiated the quotations for each series and taking into account the volume of its portfolio, and thus, the bank used in its estimation an average price for each series.

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3(j);
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by its accounting policy.

If the Group fails to keep these investments to maturity other than for the specific circumstances mentioned in IAS 39, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortized cost. If the entire class of held-to-maturity investments is tainted, the fair value would not be significantly different from the carrying amount.

6. Segment reporting

The business segment reporting format is the Group's primary basis of segment reporting. Transactions between business segments are conducted at arm's length.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's segment reporting comprises the following main business segments:

- *Corporate banking*. Within corporate banking the Group provides corporations with a range of banking products and services, including lending and deposit taking, providing cash management, foreign commercial business, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions.
- *Retail and SME banking*. The Group provides individuals and SMEs with a range of banking products and services, including lending (consumer loans, vehicles purchase, personal needs, and mortgages), savings and deposit taking business, payment services and securities business.
- *Leasing and customer finance*. Within leasing the Group includes financial products and services provided by the leasing and consumer finance arm of the Group.
- *Other*. Within other, the Group incorporates financial products and services provided to or by financial institutions including: management of securities, brokerage, factoring, logistic, real estate.
- *Treasury*: incorporating of work services for cash.

The allocation method of the Group income and expenses on segments was improved during 2009 in order to eliminate the limitation imposed by the IT system in the previous period.

Information about reporting segments as at 31 Decembe

In RON thousand	Corporate banking		Retail Banking and SME		Treasury		Leasing and consumer finance		Others		Elimination		Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Segment assets	5,054,451	4,668,514	6,652,651	6,667,609	7,477,738	5,511,295	515,482	651,737	288,359	214,325	(375,651)	(564,756)	-	-	19,613,030	17,148,724
Total assets	5,054,451	4,668,514	6,652,651	6,667,609	7,477,738	5,511,295	515,482	651,737	288,359	214,325	(375,651)	(564,756)	-	-	19,613,030	17,148,724
Segment liabilities	3,820,027	3,391,066	12,404,428	10,207,361	1,328,077	1,702,049	447,306	664,339	49,140	92,328	(273,982)	(564,756)	-	-	17,774,996	15,492,387
Total liabilities	3,820,027	3,391,066	12,404,428	10,207,361	1,328,077	1,702,049	447,306	664,339	49,140	92,328	(273,982)	(564,756)	-	-	17,774,996	15,492,387
Equity	-	-	-	-	-	-	-	-	-	-	-	-	1,838,034	1,656,337	1,838,034	1,656,337
Total equity and liabilities	3,820,027	3,391,066	12,404,428	10,207,361	1,328,077	1,702,049	447,306	664,339	49,140	92,328	(273,982)	(564,756)	1,838,034	1,656,337	19,613,030	17,148,724

Information about reportable segments as at 31 December

In RON thousand	Corporate banking		Retail Banking and SME		Treasury		Leasing and consumer finance		Other		Elimination		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net interest income	190,893	145,004	366,440	350,491	190,996	84,768	34,038	21,891	(2,457)	7,343	(25,581)	(27,091)	754,329	582,406
Net fee and commission income	119,798	130,667	275,872	270,653	(166)	(31)	7,130	6,468	(31,189)	14,687	(640)	(28,491)	370,805	393,953
Net trading income	22,328	24,947	34,767	43,152	67,705	63,029	1,191	2,746	12,980	9,224	4,230	(73,587)	143,201	69,511
Other operating income	-	-	-	-	735	-	39,605	39,700	103,146	336,054	(46,151)	(90,859)	97,335	284,895
Total income	333,019	300,618	677,079	664,296	259,270	147,766	81,964	70,805	82,480	367,308	(68,142	(220,028)	1,365,670	1,330,765
Personal expense	87,323	98,344	171,723	196,819	27,770	32,409	12,105	12,069	49,576	46,208	627	184	349,124	386,033
Other operating expense	64,885	69,375	128,367	139,749	24,250	25,303	15,260	35,102	35,016	76,691	(17,423)	(70,620)	250,355	275,600
Publicity expense	2,446	3,016	4,829	6,133	1,413	4,951	559	778	1,134	6,691	-	(526)	10,381	21,043
Depreciation and amortization	16,339	15,634	32,234	31,512	5,215	5,140	5,794	4,679	8,489	6,712	(29)	(540)	68,042	63,137
Other expense	10,090	6,300	20,136	12,657	3,252	2,065	22,438	-	5,840	2,192	(24,143)	(23,21)	37,613	-
Total	181,083	192,669	357,289	386,870	61,900	69,868	56,156	52,628	100,055	138,494	(40,968)	(94,716)	715,515	745,813
Impairment losses on assets	263,360	27,129	270,358	77,474	-	-	37,320	11,785	(5,886)	80,719	(74,368)	(39,572)	490,784	157,535
Gross profit attributable to equity holders of the Bank	(111,424)	80,820	49,432	199,952	197,370	77,898	(11,512)	6,392	(11,689)	148,095	(47,194)	(85,740)	159,371	427,417

7. Financial assets and liabilities

Accounting classifications and fair values

In RON thousand	Note	Financial assets at fair value through profit and loss	Held-to-Maturity	Loans and receivables (including net lease investments)	Available for sale	Other amortized cost	Total carrying amount	Fair value
31 December 2008								
Financial Assets								
Cash and cash equivalents	16	-	-	-	-	3,698,738	3,698,738	3,698,738
Placements with banks	17	-	-	-	-	828,608	828,608	828,608
Financial assets at fair value through profit and loss	18	14,522	-	-	-	-	14,522	14,522
Loans and advances to customers	19	-	-	10,884,901	-	-	10,884,901	10,884,901
Net lease investments	20	-	-	380,779	-	-	380,779	380,779
Investments securities	21	-	11,665	-	798,250	-	809,905	808,957
Total financial assets		14,522	11,665	11,265,680	798,250	4,527,346	16,617,453	16,616,505
Financial Liabilities								
Deposits from banks	27	-	-	-	-	38,325	38,325	38,325
Deposits from customers	28	-	-	-	-	12,097,075	12,097,075	12,087,959
Loans from banks and other financial institutions	29	-	-	-	-	2,877,809	2,877,809	2,877,809
Other subordinated loans	30	-	-	-	-	239,685	239,685	239,685
Debts securities issued	31	-	-	-	-	63,601	63,601	63,601
Total financial liabilities		-	-	-	-	15,316,495	15,316,495	15,307,379

In RON thousand	Note	Financial assets at fair value through profit and loss	Held-to-Maturity	Loans and receivables (including net lease investments)	Available for sale	Other amortized cost	Total carrying amount	Fair value
31 December 2009								
Financial Assets								
Cash and cash equivalents	16	-	-	-	-	3,186,997	3,186,997	3,186,997
Placements with banks	17	-	-	-	-	1,535,915	1,535,915	1,535,915
Financial assets at fair value through profit and loss	18	44,865	-	-	-	-	44,865	44,865
Loans and advances to customers	19	-	-	11,481,759	-	-	11,481,759	11,736,413
Net lease investments	20	-	-	271,312	-	-	271,312	271,312
Investments securities	21	-	11,654	-	2,573,466	-	2,585,120	2,584,971
Total financial assets		44,865	11,654	11,753,071	2,573,466	4,722,912	19,105,968	19,360,473
Financial Liabilities								
Deposits from banks	27	-	-	-	-	259,134	259,134	259,134
Deposits from customers	28	-	-	-	-	14,989,199	14,989,199	14,992,127
Loans from banks and other financial institutions	29	-	-	-	-	2,160,404	2,160,404	2,160,404
Other subordinated loans	30	-	-	-	-	253,665	253,665	253,665
Debts securities issued	31	-	-	-	-	1,262	1,262	1,262
Total financial liabilities		-	-	-	-	17,663,664	17,663,664	17,666,592

8. Net interest income

In RON thousand	2009	2008
Interest income		
Loans and advances to customers	1,636,683	1,320,811
Current accounts held with banks	99,026	77,805
Available-for-sale securities	274,327	52,067
Placements with banks	47,404	48,236
Net lease investments	52,000	46,821
Total interest income	2,109,440	1,545,740
Interest expense		
Deposits from customers	1,113,150	745,032
Loans from banks and other financial institutions	235,493	169,757
Deposits from banks	6,468	38,267
Total interest expense	1,355,111	953,056
Net interest income	754,329	592,684

9. Net fee and commission income

In RON thousand	2009	2008
Fee and commission income		
Transactions	286,508	262,029
Loans management and guarantees issuance	118,359	152,759
Other fee and commission income	12,231	13,745
Total fee and commission income	417,098	428,533
Fee and commission expense		
Bank commissions	37,430	26,921
Transactions	7,085	5,932
Total fee and commission expense	44,515	32,853
Net fee and commission income	370,805	381,154

10. Net trading income

In RON thousand	2009	2008
Net income from foreign exchange transactions (i)	104,524	138.936
Net income/ (expenses) from financial assets through profit and loss	15,922	(65,693)
Net expense from revaluation of assets and liabilities held in foreign currency	22,755	(3,732)
Net trading income	143,201	69,511

(i) Net income from foreign exchange transactions also includes the realized and unrealized gain and loss from spot and forward contracts.

11. Other operating income

In RON thousand	2009	2008
Rent income	10,081	7,801
Dividend income	2,031	5,268
Other operating income	36,329	29,908
Total	48,441	42,977

12. Impairment losses on assets

In RON thousand	2009	2008
Net charge of impairment losses on financial assets (i)	478,213	158,840
Loans and net lease investments written-off	13,915	2,681
Recoveries from loans previously written off	(1,344)	(3,957)
Net impairment losses on assets	490,784	157,564

(i) Net charge with impairment losses contains the following:

In RON thousand	Note	2009	2008
Loans and advances to customers	19	437,350	144,756
Net lease investments	20	39,748	9,266
Investment securities	21	(2,449)	348
Other assets	26	3,619	4,325
Property and equipment	23	(55)	145
Net charge with impairment losses		478,213	158,840

13. Personnel expenses

In RON thousand	2009	2008
Wages and salaries	260,073	286,908
Contribution to social security	53,774	55,867
Meal tickets and other taxes related to personnel	16,733	21,034
Contribution to health fund	17,249	19,473
Contribution to unemployment fund	1,295	2,751
Total	349,124	386,033

The Group's number of employees as at 31 December 2009 was 6,457 persons (31 December 2008: 6,866).

14. Other operating expenses

In RON thousand	2009	2008
Operating lease	90,273	81,420
Repairs and maintenance	33,286	32,922
Materials and consumables	18,873	39,164
Postage and telecommunications	31,428	35,743
Advertising and promotional expenses	11,815	21,044
Security	19,851	20,005
Taxes	24,826	13,208
Electricity and heating	12,690	12,488
Travel and transport	3,716	2,642
Legal, advisory and consulting	2,649	11,286
Loss on sale of property and equipment	2,894	1,113
Other operating expense	47,656	23,058
Total	299,957	294,093

15. Income tax expense

In RON thousand	Note	2009	2008
Current tax expense at 16% (2008: 16%) of taxable profits determined in accordance with Romanian Law		25,470	75,122
Adjustments from prior periods		(4,422)	(9,377)
Total income tax expense		21,048	65,745

Tax reconciliation

In RON thousand	2009	2008
Profit before tax	157,763	425,732
Taxation at statutory rate of 16% (2008: 16%)	25,242	68,117
Non-deductible expenses and non-taxable revenues and other permanent differences	(8,730)	(2,165)
Effect of carried forward losses	4,536	(207)
Taxation in the income statement	21,048	65,745

16. Cash and cash equivalents

In RON thousand	31 December 2009	31 December 2008
Minimum compulsory reserve (i)	2,871,310	3,420,964
Cash on hand	271,094	259,532
Current accounts held with other banks (ii)	44,593	18,242
Total	3,698,738	3,017,299

(i) As at 31 December 2009 the minimum compulsory reserve, held with the Central Bank, was established at 15% for RON and 25% for USD or EUR (31 December 2008: 18% for RON and 40% for USD or EUR) denominated funds. The balance of mandatory reserve can vary on a daily basis. The interest paid by the Central Bank for the reserve held by banks was 3.36% – 5.9% p.a. for RON denominated reserves, 1.27% - 2.8% p.a. for EUR and 0.89% - 1.24% p.a. for US Dollars denominated reserves. The mandatory reserve can be used by the Bank's day to day activities provided the average balance for the month is maintained within required formula.

(ii) Current accounts held with other banks are at immediate disposal of the Group and unencumbered.

17. Placements with banks

In RON thousand	31 December 2009	31 December 2008
Sight and term deposits placed at other banks	1,275,648	774,008
Loans and advances to banks (i)	260,267	54,600
Total	1,535,915	828,608

(i) Investment securities reclassified by the Group during 2009 from assets available for sale into loans and advances (see note 21 (iii)).

18. Financial assets at fair value through profit and loss

In RON thousand	31 December 2009	31 December 2008
Trading assets		
Listed equity investments (i)	44,865	14,522
Total	44,865	14,522

(i) All shares in listed companies are quoted on the Bucharest Stock Exchange.

As at 31 December 2009, the Group owns significant investments amounting to RON 40,337 thousand, in the following companies: SIF Banat-Crisana S.A., SIF Moldova S.A., SIF Oltenia S.A., SIF Muntenia S.A., SIF Transilvania S.A., BRD-Societe Generale S.A., Armax Medias S.A., SNP Petrom S.A., andi Argus Constanta S.A. (31 December 2008: RON 12,606 thousand).

19. Loans and advances to customers

The Group's commercial lending is concentrated on companies and individuals domiciled in Romania and Cyprus. Economic sector risk concentrations within the customer's loan portfolio as at 31 December 2009 and 31 December 2008, were as follows:

In RON thousand	31 December 2009	31 December 2008
Individuals	5,086,987	4,739,605
Trading	2,033,326	1,941,568
Manufacturing	1,494,532	1,259,192
Construction	626,186	596,094
Services	564,808	490,600
Transport	570,533	455,537
Real estate	426,200	344,005
Agriculture	423,798	289,953
Free lancers	274,128	231,318
Chemical industry	196,049	201,881
Mining industry	99,205	95,495
Telecommunications	38,808	86,535
Financial institutions	89,040	59,918
Energy industry	89,941	36,494
Fishing industry	7,726	7,160
Governmental bodies	1,726	1,847
Others	230,394	348,690
Total loans and advances to customers before provisions	12,253,387	11,185,892
Less provisions for impairment losses on loans	(771,628)	(300,991)
Total loans and advances to customers, net of provisions	10,884,901	8,484,048

Movement in provision for impairment loss on loans and advances to customers granted was as follows:

In RON thousand	**2009**	**2008**
Balance as at 1 January	300,991	156,235
Net impairment provision expense	437,350	144,756
Impairment assumed after the integral acquisition of the Factoring Company	33,287	-
Balance at 31 December	771,628	300,991

20. Net lease investments

The Group acts as a lesser under finance lease, mainly of motor vehicles and equipments. The leases are denominated in EUR, RON and MDL and typically run for a period between two and five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the leased based on fixed interest rates. The lease receivables are secured by the underlying assets and by other collateral. The breakdown of investments in leases according to their maturity is presented below:

In RON thousand	**31 December 2009**	**31 December 2008**
Investments in leases less than one year	182,915	208,664
Investments in leases between one and five years	192,738	248,860
Total investment in leases, gross	375,653	457,524
Unearned finance income	(49,057)	(61,663)
Total investments in leases, net	326,596	395,861
Impairment provisions	(55,284)	(15,082)
Total	271,312	380,779

The lease contracts are generated and managed through BT Leasing Transilvania IFN S.A., Medicredit Leasing IFN S.A., BT Leasing Moldova S.R.L. and BT Finop Leasing S.A. Net lease investments include also consumer finance facilities granted to the Group's customers by BT Direct IFN S.A.

The provision for net lease investments can be further analyzed as follows:

In RON thousand	**2009**	**2008**
Balance at beginning of the year	15,082	5,984
Net impairment provision expense	39,748	9,266
Foreign exchange difference	454	(168)
Balance at end of the year	55,284	15,082

21. Investment securities

In RON thousand	31 December 2009	31 December 2008
Investment securities available-for-sale		
Unlisted debt and other fixed income instruments:		
Treasury securities issued by the Government of Romania (i)	2,474,150	761,468
Eurobond issued by the Romanian Government	52,197	-
Bonds issued by the World Bank	-	9,281
Bonds and Eurobonds (ii)	15,932	10,409
Unit funds (iii)	6,320	-
Listed equity securities (iv)	21,675	10,446
Equity investment (v)	3,192	6,646
Equity investment, gross	3,192	9,095
Impairment provision on equity investment	-	(2,449)
Total investment securities available-for-sale	2,573,466	798,250
Investment securities held-to-maturity		
Treasury securities issued by the Government of Romania	11,654	11,655
Total investment securities held-to-maturity	11,654	11,655
Total investment securities	2,585,120	809,905

i) Treasury bills issued by the Romanian Government include treasury bills, coupon bonds and Benchmark bonds issued in RON, and Treasury bills with coupon issued by the Romanian Government in EUR.
As at 31 December 2009 treasury bills were in amount of RON 2,074,929 thousand (31 December 2008: RON 482,577 thousand) out of which RON 24,550 thousand (31 December 2007: RON 39,350 thousand) were pledged for other current operations (RoCLEAR, SENT, MASTERCARD and VISA).
As at 31 December 2009 benchmark bonds issued by the Ministry of Finance in amount of RON 399,221 thousand (31 December 2008: RON 278,891 thousand) mature in 2011 and 2013.

ii) The Group held on December 31, 2009 bonds amounting to: RON 15,932 thousand (RON 8,291 thousand on 31 December 31 2008) issued by Ralfi IFN International Leasing IFN SA, Alba Iulia municipality and the municipality of Bucharest.
Bonds issued by Ralfi IFN S.A. carry a variable interest rate of Robor 6M+1.75% (31 December 2009: 15.81%; 31 December 2008: 19.72%); Alba Iulia municipal bonds carry a variable interest rate of (ROBID 6M+Robor 6M) / 2 + 1.5% (31 December 2009: 10.5%; 31 December 2008: 15.5%); International Leasing bonds carry a variable interest rate of Robor 6M +2.25% (31 December 2009: 17.26%; 31 December 2008: 15.71%). Bonds in EUR issued by the Bucharest Municipality carry a fixed interest rate of 4.125%.

Reclassification out of available-for-sale investments securities into loans and advances

During 2007 the Group acquired Euro-bonds worth 56,912 thousand lei: fixed-interest bonds issued by BRD Societe Generale, by Alpha Bank and by Erste Bank.

The amendment to IAS 39 "Financial Instruments - Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosure" (described in accounting policy 3 (o) iii) the Group has reclassified the Euro bonds held in July 1, 2008 from the category available for sale securities to the category placements with banks. Group identified financial assets that have fulfilled the conditions imposed by this category (the non-derivative financial assets fixed and determinable payments that are not quoted on an active market) and held in the foreseeable future.

In RON thousand	1 July 2008 Carrying value	1 July 2008 Fair value	31 December 2008 Carrying value
Available-for-sale investment securities reclassified to loans and advances	54,227	54,227	54,600

As at 31 December 2008 Eurobonds did not have an active market therefore their fair value could not be reliably estimated.

The table below sets out the amounts actually recognized in profit and loss account and equity reserve during 2008 before and after reclassification:

In RON thousand	Profit or Loss	Reserve
Period before reclassification		
Interest income	2,151	
Net change in fair value		(5,806)
Period after reclassification		
Interest income	2,871	
Amount transferred from reserve to profit or loss		826

During 2009 the Grup acquired and classified as loans and advances Eurobonds issued by BRD Group, Rabobank and Royal Bank of Scotland.

Movement of the securities from this category is reflected in the following table:

In RON thousand	2009
Balance as at 31 December 2008	54,600
Acquisitions 2009	24,183
Coupon bonds	556
Amortization of the difference between face value and acquisition value (Interest income)	1,651
Balance as at 31 December 2009	80,990

Movement of the gross reserve regarding these financial assets is presented in the following table:

In RON thousand	2009	2008
Balance at the beginning of the year	(4,980)	-
Additions	-	(5,806)
Profit and loss transfers	1,638	826
Balance at the end of the year	(3,342)	(4,980)

The provision for equity investments can be further analyzed as follows:

In RON thousand	2009	2008
Balance at the beginning of the year	2,449	2,101
Net impairment provision expense	(2,449)	348
Balance at the end of the year	-	2,449

The movement in investment securities may be summarized as follows:

In RON thousand	**Available-for-sale**	**Held-to-maturity**
As at 1 January 2009	580,881	12,672
Additions (acquisitions and increase in value)	8,111,395	1,605
Disposals (sale, redemption and decrease in value)	6,336,180	1,605
As at 31 December 2009	2,573,465	11,655
As at 1 January 2008	580,881	12,672
Additions (acquisitions and increase in value)	1,191,837	7,987
Disposals (sale, redemption and decrease in value)	974,468	9,004
As at 31 December 2008	798,250	11,655

22. Investment in associates

During 2009 the investment held by the Group in BT Index, BT Clasic, BT Maxim, FdI Transilvania and Fondul Privat Comercial have been recognized and presented as investments in associates:

In RON thousand	**31 December 2009**	**31 December 2008**
Balance as at 1 January 2009	68,670	27,938
Additions	44,807	38,828
Share of profit / (loss)	10,298	(28,581)
Disposals	(41,364)	(50,254)
Balance as at 31 December 2009	42,404	28,663

During 2009 the Group sold 50% of the investment held in BT Aegon S.A. for a total amount of RON 44,693 thousand cashed in October 2009.

The table below provides information regarding the Group associates as at 31 December 2009:

In RON thousand	**2009**		**2008**	
	minimum	**maximum**	**minimum**	**maximum**
Interest held	21,43%	49,42%	23,88%	35,90%
Assets	3,469	14,017	4,534	18,867
Liabilities	4	2,554	9	12,632
Revenues	1,717	10,704	292	10,423

Revenues comprise net earned insurance premiums, trading and fund’s asset value.

23. Property and equipment

In RON thousand	Land and buildings	Computers and equipments	Vehicles	Assets in progress	Total
Gross carrying amount					
Balance as at 1 January 2008	187,439	146,017	30,943	44,602	409,001
Additions	1,316	56,374	15,486	80,361	153,537
Transfers from investments in progress	48,417	10,272	7,058	-	65,747
Disposals	(732)	(7,625)	(1,825)	(72,894)	(983,076)
Balance as at 31 December 2008	236,440	205,038	51,662	52,069	545,2091
Balance as at 1 January 2009	236,440	205,038	51,662	52,069	545,209
Additions	28	9,596	4,106	8,871	22,601
Transfers from investments in progress	47,506	7,659	387	-	55,552
Fixed assets from Compania de Factoring IFN SA acquisition	-	83	139	-	222
Disposals	(5,065)	(42,164)	(3,1190)	(56,9290	(107,277)
Disposals from BT Aegon sale	(53)	(148)	(90)	-	(291)
Balance as at 31 December 2009	278,856	180,064	53,085	4,011	516,016
Depreciation and impairment losses					
Balance as at 1 January 2008	36,771	62,818	9,493	-	109,082
Charge for the year	23,161	26,769	7,655	-	57,585
Accumulated depreciation of disposals	(329)	(6,148)	(530)	-	(7,007)
Impairment	-	-	145	-	145
Balance as at 31 December 2008	59,603	83,439	16,763	-	159,805
Balance as at 1 January 2009	59,603	83,439	16,763	-	159,805
Charge for the year	24,983	24,727	11,269	-	60,979
Charge for the year at BT Aegon	11	36	11		58
Accumulated depreciation of disposals	(3,253)	(4,783)	(1,657)	-	(9,693)
Assumed depreciation related to Compania de Factoring IFN SA acquisition	-	57	70	-	127
Accumulated depreciation of disposals related to BT Aegon sale	(40)	(123)	(42)	-	(205)
Accumulated impairment			(55)	-	(55)
Balance as at 31 December 2009	81,304	103,353	26,359	-	211,016
Net carrying amount					
Balance as at 1 January 2009	176,837	121,599	34,899	52,069	385,404
Balance as at 31 December 2009	197,552	76,711	26,726	4,011	305,000

As at 31 December 2009 the Group included in property and equipment the amount of RON 227 thousand (31 December 2008: RON 401 thousand) representing vehicles and equipments acquired through financial leasing. The Group included under tangible assets the amount of RON 620 thousand (31 December 2008: RON 33,283 thousand), representing vehicles and equipments acquired from the suppliers for financing such assets through finance lease. As at 31 December 2009 the Group had no pledged property, equipment or intangible assets.

24. Intangible assets (including goodwill)

In RON thousand	Goodwill	Software
Gross carrying amount		
Balance as at 1 January 2008	8,369	34,622
Additions	-	22,568
Disposals		(13,577)
Balance as at 31 December 2008	8,369	43,613
Balance as at 1 January 2009	8,369	43,613
Additions	-	7,487
Intangible assets from Compania de Factoring IFN SA acquisition		360
Disposals	-	(2,709)
Disposals related to BT Aegon sale	-	(627)
Balance as at 31 December 2009	8,369	48,124
Accumulated depreciation		
Balance as at 1 January 2008	-	26,256
Charge for the year	-	5,552
Disposals	-	(2,823)
Balance as at 31 December 2008	-	28,985
Balance as at 1 January 2009	-	28,985
Charge for the year	-	6,890
Charge for the year BT Aegon SA	-	115
Net accumulated depreciation related to Compania de Factoring acquisition	-	66
Disposals	-	(33)
Disposals related to BT Aegon sale		(288)
Balance as at 31 December 2009	-	35,735
Net carrying amount		
As at 1 January 2009	8,369	14,628
As at 31 December 2009	8,369	12,389

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management.

The carrying amount of the goodwill of RON 8,369 thousand is allocated to BT Leasing IFN (RON 376 thousand) and Medicredit Leasing IFN S.A. (RON 7,993 thousand).

25. Deferred tax assets and liabilities

In RON thousand		31 December 2009	
	Asset	Liability	Net
Loans and advances to customers (including net lease investments)	85,716	-	85,716
Investment securities, available-for-sale	2,707	-	2,707
Investment in associates	18,175	-	18,175
Other assets	(2,104)	-	(2,104)
Total	104,494	-	104,494
Net temporary differences			104,494
Deferred tax asset at 16%			16,719

In RON thousand	31 December 2008		
	Asset	**Liability**	**Net**
Loans and advances to customers (including net lease investments)	47,854	-	47,854
Investment securities, available-for-sale	57,204	-	57,204
Investment in associates	26,180		26,180
Other assets	440	-	440
Total	131,678	-	131,678
Net temporary differences			131,678
Deferred tax liability at 16%			21,068

26. Other assets

In RON thousand	**31 December 2009**	**31 December 2008**
Amounts under settlement	7,765	29,148
Assets repossessed	42,331	13,082
Prepayments	13,922	11,307
Sundry debtors	13,208	10,403
VAT receivable	34,201	7,312
Other assets	19,240	6,840
Less provision for other assets	(8,486)	(4,952
Total	122,181	73,140

Movement in provision for impairment loss on other assets for the year was as follows:

In RON thousand	**2009**	**2008**
Balance as at 1 January	4,952	627
Net provision expense (Note 13)	3,619	4,325
Balance provision of acquired subsidiaries	(85)	-
Balance as at 31 December	8,486	4,952

27. Deposits from banks

In RON thousand	**31 December 2009**	**31 December 2008**
Sight deposits	16,296	1,176
Term deposits	242,838	37,149
Total	259,134	38,325

28. Deposits from customers

In RON thousand	**31 December 2009**	**31 December 2008**
Current accounts	2,119,953	2,128,314
Sight deposits	312,568	392,290
Term deposits	12,263,816	9,324,445
Collateral deposits	292,862	252,042
Total	14,989,199	12,097,091

Deposits from customers can be also analyzed as follows:

In RON thousand	**31 December 2009**	**31 December 2008**
Retail customers	9,998,613	7,600,847
Corporate customers	4,990,586	4,496,244
Total	14,989,199	12,097,091

29. Loans from banks and other financial institutions

In RON thousand	**31 December 2009**	**31 December 2008**
Loans from commercial banks	295,365	1,025,833
Romanian banks	187,861	574,139
Foreign banks	107,504	451,694
Loans from development banks (EBRD, IFC)	1,257,313	1,298,901
Other funds from financial institutions	607,726	553,075
Total	2,160,404	2,877,809

The interest rates range for loans from banks and financial institutions was as follows:

	2009		**2008**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	Euribor 6M+0.55%	9.65 %	Euribor 6M+0.65%	Variable 9.65% + 1%
LEI	8%	Robor 6M +3%	14.25%	Robor 3M + 5%
USD	Libor 6M+0.38%	Libor 6M + 3%	Libor 6M+0.38%	Libor 6M + 3%

30. Other subordinated liabilities

In 2006, the Group contracted a subordinated loan agreement with five credit institutions for EUR 60,000 thousand bearing an interest rate valid for the respective period EURIBOR + 3.4%. The inter-banking rate is, for each period, the annual interest rate offered for deposits in the respective currency, which is published on the reference page at 11:00 am, Brussels time. The loan shall be repaid by one installment on the seventh anniversary from the contract date.

The payments of any amounts payable under this contract are subordinated to the payment of all Senior Indebtedness, so that no amount shall be paid in respect of the loan in such bankruptcy, insolvency, winding-up or liquidation of the borrower or in any other similar event affecting the borrower, until all claims in respect of Senior Indebtedness admitted in such cases.

31. Debt securities issued

In September 2005 the Bank issued 2,290 convertible bonds with a par value of USD 10,000 each. The interest is payable semi-annually starting from 15 January 2006 until 15 July 2010. The rate for the first interest period was set at LIBOR USD 6 months + 3% and for subsequent interest periods, the rate will be established by the Payment Agent on the basis of: (i) LIBOR for such a period taking as a reference the inter-banking offered rate for USD deposits by the British Banker Association: plus (ii) a margin applicable to such period by reference to either the highest foreign currency credit rating given to Romania by S&P or the long term ratings in foreign currency given by Moody's on the Romanian government bonds applicable on the payment date.

The bonds cannot be prepaid or redeemed before the redemption date and the bond holder will not have the option of anticipated redemption, except in the case of bank liquidation. The redemption value is the par value.

The bondholders can convert at their discretion to common shares of the Bank starting from 1 November 2006 to 15 June 2010. The minimum convertible value per bondholder is USD 500 thousand and the total number of shares of a bond holder cannot exceed after the conversion 5% of the existing number of shares at the date of conversion. The conversion price will be determined at the date of conversion based on the average price between the daily maximum and minimum prices of the Bank's shares weighted to the daily volume of transactions during the previous 90 working days of the Bucharest Stock Exchange.

At 1 November 2007, the price establishing date, part of the bond holders exercised their rights of converting the bonds into shares. At that date 10 bonds in amount of USD 100 thousand were converted into shares. The number of shares was determined by dividing the RON equivalent of the principal outstanding that the bond holders decided to convert based on a spot exchange rate on the conversion date.

The communicated price was RON 0.8934 per share and the USD exchanged rate published by NBR on 1 November 2007 was RON 2.3094 per USD.

From the conversion resulted 258,490 shares, the share capital was increased with RON 25,849. Also, the Group booked conversion premiums in amount of RON 205,085. As at 31 December 2008 there were 2,188 bonds amounting USD 21,880 thousand.

In November 2009 a total of 2176 bonds were converted, each with a nominal value of USD 10 thousand. The conversion price, calculated as per the approved Prospect Offer, taking into account an exchange rate of 2.8927 USD / RON, was 1.5049 RON / share. From the conversion resulted a total of 41,826,801 shares, of which a total of 15,185,101 shares were buyback shares during 2009. As at 31 December 2009, there was a total of 12 unconverted bonds, worth USD 120 thousand.

32. Other liabilities

In RON thousand	**31 December 2009**	**31 December 2008**
Amounts under settlement	76,028	93,707
Other fees payable	11,860	44,234
Sundry creditors	12,734	24,673
Leasing liabilities (i)	1,243	1,932
Other liabilities	9,467	11,331
Total	111,332	175,877

(i) Future minimum lease payments under finance leases and the present value of the net minimum lease payments are as follows:

In RON thousand	**31 December 2009**	**31 December 2008**
Minimum lease payments		
2009	-	930
2010	769	736
2011	442	400
2012	134	126
Total minimum lease payments	1,345	2,192
Less future interest	(102)	(260)
Present value of minimum lease payments	1,243	1,932

33. Share capital

The statutory share capital of the Bank as of 31 December 2009 was represented by 1,086,337,883 ordinary shares of RON 1 each (31 December 2008: 1,059,696,183 shares of RON 0.1 each). The shareholders structure of the Bank is presented in Note 1.

34. Other reserves

As at 31 December 2009 and 31 December 2008 the reserves include the following:

In RON thousand	**31 December 2009**	**31 December 2008**
General banking risks (i)	77,893	77,893
Statutory reserve (ii)	104,329	100,589
Fair value gains/ (losses) taken to equity (net of tax) on available for sale investments	(2,274)	(48,055)
Total	179,948	130,427

Statutory reserves

In RON thousand	**2009**	**2008**
As at 1 January	100,589	77,229
Appropriations from profit	3,740	23,360
Total	104,329	100,589

(i) The general banking risks reserve include amounts set aside in accordance with local banking regulations for future losses and other unforeseen risks or contingencies, are separately disclosed as appropriations of profit. The general banking risks reserve is appropriated from the statutory gross profit at the rate of 1% of the balance of the assets carrying specific banking risks. The general banking risks reserve was set up, starting financial year 2004 up to the end of financial year 2006.

(ii) Statutory reserves represent accumulated transfers from retained earnings in accordance with local banking regulations that require 5% of the Bank's net profit and its subsidiaries to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Bank's share capital.

The statutory reserves are not distributable.

35. Related parties transactions

Transactions with shareholders

During the year ended 31 December 2009, the following banking transactions were carried out with the shareholders:

In RON thousand	**2009**	**2008**
Assets		
Loans to shareholders granted by Banca Transilvania SA, related interest and provisions	45	2,507
Liabilities		
Current accounts at BT, deposits, related	111,514	23,370
Loans from financial institutions	492,669	538,679
Subordinated loans	50,733	47,937
Income statement		
Interest income	29	310
Performance commission income	310	190
Interest, commission expense	38,126	17,564

Transactions with key management personnel

During the year ended 31 December 2009, the following banking transactions were carried out with key personnel:

In RON thousand	**2009**	**2008**
Assets		
Loans to key personnel granted by Banca Transilvania SA, related interest and provisions	88,971	74,148
Liabilities		
Current accounts at BT, deposits, related	40,412	24,894
Commitments to key personnel	456	2,769
Income statement		
Interest income	3,697	6,465
Commission expense	4,973	2,723

During 2009 the total salaries paid by the Bank to the Board of Directors members and executive management amounted to RON 3,897 thousand (2008: RON: 3,622 thousand).

36. Commitments and contingencies

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Maturities are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table as commitments assume that amounts are fully advanced.

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted.

In RON thousand	**31 December 2009**	**31 December 2008**
Guarantees issued	764,600	683,520
Loan commitments	1,861,059	1,725,593
Total	2,625,659	2,409,113

As at 31 December 2009, foreign currency transactions were due to purchase transactions amounting to EUR 500 thousand, USD 1,375 thousand and RON 6,175 thousand (31 December 2008: EUR 47,370 thousand sales operations and purchasing operations EUR 370 thousand). The outstanding transactions at 31 December 2009 have maturities until February 2009.

37. Earnings per share

Basic earnings per share

The calculation of basic earnings per share (basic and diluted) was based on net profit attributable to ordinary shareholders of RON 138,323 thousand (31 December 2008: RON 361,672 thousand) and on the weighted average number of ordinary shares outstanding during the year, calculated as follows:

	2009	**2008***
Ordinary shares issued as at 1 January	1,059,698,186	611,079,770
Effect of shares issued during the year	948,882	436,042,053
Weighted average number of shares as at 31 December	1,060,647,068	1,047,121,823
Weighted average number of shares as at 31 December 2007 retreated	n/a	1,073,763,523

* The number of shares related to 2008 was adjusted retrospectively.

Diluted earnings per share

The potential ordinary shares of the Bank are represented by the bonds convertible to outstanding shares (please refer to Note 31). The potential ordinary shares are anti-dilutive because their conversion to ordinary shares would increase earnings per share.

Because the calculation of the diluted earnings per share does not take into account the conversion of potential ordinary shares that would have an anti-dilutive effect, it is the same as the basic earnings per share.

38. Changes in Group structure

Acquisitions

In October 2009 the Group acquired 50% of the share capital of Compania de Factoring IFN SA, thus holding 99.18% of this company. Fair value of assets minus the fair value of liabilities acquired were considered equal to the Company's net assets, therefore the Group did not consider necessary to record goodwill following this transaction.

Sales

During 2009 the Group sold its entire holding of 50% of the share capital of BT Aegon SA for the amount of RON 44,693 thousand, after this transaction the Group recorded a profit of RON 38,596 thousand as compared to the value of the Company's net assets at the date of sale.

Other changes

BT Group's stake in BT Obligatiuni fund managed by BT Asset Management decreased from 80.4% (December 2008) to 11.23% (December 2009). The holdings of this fund are presented in the category of securities available for sale as of 31 December 2009.

39. Reconciliation of profit under IFRS and Romanian Accounting Standards

In RON thousand	2009	2008
Net profit under Romanian Accounting Standards	70,131	362,501
Fair value adjustment for investment securities	(51,959)	69,069
Reversal of dividends from subsidiaries	(2,894)	(27,923)
Adjustment to amortized cost and impairment of loans to customers	94,698	(31,332)
Net income related to subsidiaries sold/ acquired	9,259	-
Deferred tax income	4,422	9,371
Brokerage commissions income	-	12,840
Investment in associates(loss)	8,005	(25,362)
Income/ (loss) from consolidated funds	5,018	(9,198)
Other items	35	21
Net profit under IFRS	136,715	359,987

40. Reconciliation of equity under IFRS and Romanian Accounting Standards

In RON thousand	31 December 2009	31 December 2008
Equity under Romanian Accounting Standards	1,684,863	1,239,487
Loans related adjustments	44,038	(49,355)
Reevaluation of available-for-sale investments	15,479	2,272
Deferred tax	16,719	21,088
Other items	27	(2,531)
Equity under IFRS	1,838,034	1,656,337

41. Subsequent events

In February 2010 the Bank acquired 42.61% stake in Medicredit Leasing IFN SA from minority shareholders, owning at the date of these financial statements 99.99% of this company. This transaction had no impact on the financial statements for the year ended 31 December 2009.

Horia Ciorcila
Chairman

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