



Pillar III Disclosures

31 December 2010

1. Regulatory vs accounting consolidation

Banca Romaneasca, on individual level, draws up financial statements in accordance with Romanian Accounting Standards (RAS).

Banca Romaneasca together with NBG Leasing IFN SA set up a factoring company, NBG Factoring Romania SA, incorporated in the last quarter of 2010, entity which is included in the consolidated financial statements of Banca Romaneasca for December 2010. The factoring company is consolidated for prudential purposes in accordance with International Financial Reporting Standards (IFRS) using the global consolidation method, as Banca Romaneasca has control over NBG Factoring Romania SA (99% of shares).

2. REGULATORY OWN FUNDS AND CAPITAL ADEQUACY

2.1 Own Funds' structure

Regulatory capital is classified under two main categories: Tier I and Tier II capital, according to the National Bank of Romania Regulation no. 18/23/2006 regarding own funds of credit institutions and investment firms.

Tier I capital includes the Bank's shareholders equity, net result, capital premium and eligible reserves. The following items are deducted from Tier I capital:

- income tax and penalties for reserves. According to NBR Regulation no. 18/23/2006 the reserves have to be presented net of any tax obligation, foreseeable at the moment of computation of own funds¹⁾.
- intangible assets;
- non arm's length transactions according to NBR Regulation no.18/23/2006.

Tier II capital includes fixed assets revaluation reserve adjusted with the fiscal tax, foreseeable at the time of computation of own funds and the subordinated loan from National Bank of Greece.

Regulatory Capital structure (RON)	31.12.2010 (individual level)	31.12.2010 (consolidated level)
Total Regulatory Capital	1,026,174,639	1,147,893,769
Tier I Capital	736,296,436	869,381,769
Share capital	748,648,220	835,339,541
Capital premium	-	-
Net Result	(72,228,780)	(30,059,319)
Reserves	111,730,378	128,606,151
Credit Risk Reserve	34,761,674	34,761,674
Legal Reserve	17,345,634	17,345,634
Other Reserves	72,808,275	72,808,275
Retained earnings	-	3,690,568
Profit distribution	-	-
Income tax & late penalties	(13,185,205)	(13,185,205)
NBG Factoring participation (50%) individual level / minority interest consolidated level	(990,000)	18,502
Intangible assets	(50,863,382)	(51,337,901)
Non arm's length transactions	-	-
Tier II Capital	289,878,203	278,512,000
Fixed assets revaluation reserve	14,698,847	-
NBG Factoring participation (50%)	(990,000)	-
Income tax of fixed assets revaluation reserve	(2,342,644)	-
Subordinated loan	278,512,000	278,512,000

1) - taxes and late penalties for reserves are due if and when the initial destination of reserves is changed;
- such taxes are deducted from tier 1, no matter if the bank does not have for the foreseeable future any intention to change the initial destination of reserves;

2.2 Capital adequacy

2.2.1 Capital requirements

The table below presents the capital requirements of Banca Romaneasca as of 31.12.2010, in accordance with NBR Regulation no.13/18/2006 regarding minimum capital requirements. For credit risk the bank uses standardized approach according to NBR Regulation no.14/19/2006 on credit risk treatment, and for operational risk the basic indicator approach, in accordance with NBR Regulation 24/29/2006 regarding minimum capital requirements for operational risk. In case of market risk the bank computes capital requirements for foreign exchange risk, in accordance with NBR Regulation no. 22/27/2006 regarding capital adequacy of credit institutions and investment firms.

	RON	
Credit risk & Counterparty Credit Risk (Standardized Approach)	Capital Requirements (individual level)	Capital Requirements (consolidated level)
Asset Class		
Central governments or central banks	-	-
Regional governments or local authorities	741,761	729,912
Administrative bodies and noncommercial undertakings	-	-
Multilateral development banks	-	-
International organizations	-	-
Financial Institutions, out of which: - counterparty credit risk	12,800,901 3,017,854	12,801,055 3,017,854
Corporate	95,383,785	94,264,267
Retail	70,256,132	70,669,699
Secured by real estate property	77,113,599	76,526,020
Past due items	5,028,027	13,761,062
Regulatory high-risk categories	-	-
Covered bonds	-	-
Short-term claims on institutions and corporate	-	-
Collective investment undertakings	-	-
Other assets	13,179,571	14,601,547
Total Credit Risk & Counterparty Risk	274,503,776	283,353,562
Market Risk	-	-
Foreign exchange	4,004,571	2,415,474
Operational Risk	58,264,008	59,551,481
Total Capital Requirements	336,772,355	345,320,517

Capital Adequacy Ratios	Individual level	Consolidated level
Total Regulatory Capital	1,026,174,639	1,147,893,769
Total Capital Requirements	336,772,355	345,320,517
Total Capital Adequacy Ratio	24.38%	26.59%

2.2.2 Internal Capital Adequacy Assessment Process ("ICAAP")

According to Basel II Capital Adequacy Framework, Pillar I sets the ways of measuring risks, especially credit, market and operational risks and aims to the alignment of the capital requirements with the risks undertaken. The above rules are complemented by Pillar II, which sets the requirements for monitoring, assessing and controlling all material risks to which credit institutions are exposed. Those requirements are associated with the Internal Capital Adequacy Assessment Process (ICAAP) applied by credit institutions.

The Bank recognizes the importance of an effective Internal Capital Adequacy Assessment Process (ICAAP). The development and implementation of ICAAP aims at ensuring the adequacy of the credit institutions' own funds for covering the various types of material risks which they are exposed to, as a result of their business activities.

The ICAAP objectives are:

- the proper identification, measurement, control and overall assessment of all material risks;
- the development of the appropriate systems for the measurement and management of those risks;
- the internal evaluation of the capital required for the mitigation of risks (“internal capital”).

Banca Romaneasca has issued in 2010 the “Policy and Methodology for the Internal Capital Adequacy Assessment Process (ICAAP)” which was approved by the Executive Committee and Board of Directors. The bank proceeded to the implementation of ICAAP for the year 2010 by estimating the relevant internal capital for all major risk types. The ICAAP design briefly contains the following:

- Risk profile assessment
- Risk measurement and internal capital adequacy assessment
- Stress testing development, analysis and evaluation
- ICAAP reporting framework
- ICAAP documentation

Banca Romaneasca has recognized and analyzed under the ICAAP the following risks to which it is exposed, including also the risks addressed by regulatory capital (for which the capital requirement may be adjusted/differently approached): Credit risk and credit concentration risk, Operational risk, Market risk, Interest Rate Risk in the Banking Book (IRRBB), Liquidity risk, Country risk, Reputation risk, Model risk, Residual risk, Business risk, Strategic risk, Real estate risk, Regulation risk, Financial Investment risk, Capital access risk.

Internal capital requirements are computed per each risk type, then summed up for all the risks and compared with the assessed internal capital. Calculations were based on the methodologies that have already been developed in the ICAAP Framework. Results showed that the bank has sufficient capital to cover the material risks that it is exposed to in its business activities, registering a comfortable level of the solvency ratio (22.31%), much higher than the regulatory limit or the limit established through the Significant Risks Strategy. Also, further to the estimation performed for 2011, it resulted that the bank will not be in need for additional funding, not even under the more prudent scenario.

3. RISK MANAGEMENT FRAMEWORK

The bank acknowledges the need for enhanced risk management and risk control and has established the Risk Management Unit to properly measure, analyze, manage and control the risks entailed in all its business activities. The main responsibilities of Risk Management Unit are:

- In the area of risk management:
 - Ongoing risk monitoring and management of the lending portfolio;
 - Monitoring, evaluating risks undertaken by the business units and ensuring adequate risk management tools.
- In the area of risk control, part of risk management function:
 - Ensure the compliance with risk policies, by taking into consideration all risks identified through the risk assessment process.

The Risk Management Unit is headed by the Risk Executive Director, including the following structures, which address all types of risks: Corporate Credit Risk Division, Retail Credit Risk Division, Risk Control Division and Remedial Management Division.

3.1 Credit Risk

According to the bank’s Strategy for Significant Risks, the credit granting processes refers to:

- Sound, well-defined credit-granting criteria based on the particular target market, the borrower or counterparty, as well as the purpose and structure of the credit and its source of repayment.
- Credit limits that aggregate in a comparable and meaningful manner different types of exposures, at various levels: individual borrowers and counterparties, groups of connected borrowers and counterparties, industry limits, product limits
- Clearly established procedures for approving new credits as well as the amendment, renewal and re-financing of existing credits.

The Bank's objective is to maintain appropriate on-going credit administration, measurement and monitoring processes, including in particular:

- Sufficient and fully documented credit risk policies, ensuring consistency across the Bank and acknowledging key regulatory requirements.
- Information systems and analytical techniques that enable measurement and monitoring of credit risk inherent in all relevant activities, providing adequate information/reports on the composition of the loan portfolio and its evolution, including identification of any specific risks (like for example concentration risk).

The Bank follows adequate internal controls over the credit risk related processes, including:

- Proper management of the credit-granting functions ensuring that credit exposures are within set limits.
- Periodical early remedial actions on deteriorating credits, managing problem credits and similar workout situations.
- Independent, ongoing assessment of the credit risk management processes by Internal Audit, covering in particular the credit risk systems/models employed by the Bank.

3.1.1 Credit Policy for the Corporate Portfolio

The bank's Corporate Credit Policy serves to provide the employees with the fundamentals in managing credit risk in the Corporate Banking Portfolio regarding identification, measurement, approval, monitoring and reporting credit risk. The credit policy establishes the principles to be followed in the credit granting activity in order to ensure sound practices and a good quality corporate loan portfolio. The policy has been designed in accordance with the current best practice standards and in compliance with the regulatory framework in place. The control of the credit risk is performed in accordance with the provisions of the policy and in conjunction with the Lending Norm, the Risk Management Strategy for Significant Risks and other relevant procedures.

3.1.2 Credit Policy for the Retail Portfolio

The bank undertakes and manages retail credit risk, but the achievement of predetermined targets has to be corroborated with satisfying the clientele's needs and maintaining simultaneously a healthy portfolio. The credit policy has a fundamental role in the achievement of this triple balance.

The Credit Policy for the Retail Banking Portfolio sets the credit criteria, the policies and procedures which determine the framework for managing and minimizing the retail credit risks undertaken by the bank. The Policy serves to establish a common approach for managing retail banking risk and to set the framework for the basic credit criteria.

The basic aim is to approach clients in accordance with the rules and the risk appetite of the Bank.

3.2 Market Risk

The most significant types of Market Risk to which the Bank is exposed are the following:

- Interest Rate Risk
- Foreign Exchange (FX) Risk

Foreign Exchange Risk arises from the bank's Open Currency Position ("OCP"). In order to ensure the correct estimation and the efficient management and monitoring of the Market Risk that derives from the bank's activities, Risk Management Unit calculates on a daily basis the Value-at-Risk of the Open Currency Position. The bank performs spot, forward and foreign currency swap transactions. Transactions may be performed only with pre approved counterparties. The Open Currency Position Risk monitoring is assured through the observance of the regulatory limits imposed by NBR regulation as well as through internally defined limits.

For monitoring the impact of the **Interest Rate Risk**, the bank produces periodically the Interest Rate Gap Report, which estimates the interest rate risk in the balance sheet.

The market risk has been limited during 2010 as the bank has not been involved in trading activities. All the securities – treasury bills, certificates of deposit issued by NBR and bonds issued by the Romanian Government – are booked in the available for sale portfolio due to lack of any transaction activity and intention of transaction further to their acquisition on the primary or secondary market.

3.3 Liquidity Risk

For monitoring the impact of the liquidity risk, the bank employs the following methodologies:

- Monitors Liquidity Gap Report
- Monitors Large Providers of Funds

The bank's objective regarding the liquidity risk is to maintain an adequate liquidity level provided that the necessary sources are ensured to support the budget objectives. ALCO has the responsibility to monitor the liquidity of the bank and its evolution on each category of assets and liabilities.

The Treasury Division has the responsibility to monitor and to assure the day to day liquidity of the bank's operations.

3.4 Operational Risk

Banca Romaneasca has implemented the Operational Risk Management Framework, in order to address operational risks effectively and meet the requirements of regulatory compliance. Through this framework are applied four methodologies for monitoring the operational risk:

- Risk and Controls Self Assessment (RCSA)
- Key Risk Indicators (KRIs)
- Loss Event Data Collection
- Action Planning

Risk Management Unit also reviews and monitors the bank's operational risk profile on an ongoing basis, developing and implementing appropriate action plans with a view to ensuring that the necessary measures are in place for preventing or mitigating operational risks. The main responsibilities are: monitoring operational risk events, reporting to and updating the operational loss database, computing and reporting synthetic data to the management of the bank, monitoring and assessing the outsourced activities, testing and maintaining "Business Continuity and Crisis Management Framework Procedure".

For operational risk mitigation and in order to reduce the impact of operational loss, the bank has concluded two insurance policies, as follows:

- Bankers Insurance and Electronic and Computer Crime Insurance
- Directors and Officers' Liability and Company Indemnity Policy

3.5 Capital Adequacy

In order to ensure the Bank's compliance with the regulatory framework as well as to provide the Bank's Management with consistent risk management information Risk Management Unit is responsible for reporting capital requirements and capital adequacy, large exposures (Regulation 16/21/2006 and further Regulation no.14/24/2010 regarding large exposures of credit institutions and investment firms).

For the calculation of capital adequacy, a specialized software application is used, configured in order to calculate risk-weighted assets according to the bank's approach on each portfolio, in accordance with the current "Basel II" framework. Risk Management Unit submits regularly and consistently all the required reports to the National Bank of Romania.

4. CREDIT RISK

4.1 Definitions and general information

For accounting purposes, “past due” exposures are those amounts which are past due for at least 1 day, other than those “impaired”. For accounting purposes, “impaired” exposures are those exposures for which regulatory provisions are computed and registered.

4.2 Provisions calculation

4.2.1 Credit risk provisions

As of 2010, specific credit risk provisions were calculated in compliance with NBR Regulation no. 3/2009, as subsequently amended. For the computation of provisions, the loan portfolio is split into 5 categories of classification (Standard, Watch, Substandard, Doubtful and Loss) by applying simultaneously the following three criteria: debt service, financial performance/rating of the client (from A to E), initiation of legal procedures.

If legal procedures have been initiated the loans are classified into the category Loss 2.

If no legal procedures have been initiated, the loans are classified according to the matrix below:

Financial performance	A	B	C	D	E
Debt service					
0 –15 days	Standard	In observation	Substandard	Doubtful	Loss 1
16 – 30 days	In observation	Substandard	Doubtful	Loss 1	Loss 1
31 – 60 days	Substandard	Doubtful	Loss 1	Loss 1	Loss 1
61 – 90 days	Doubtful	Loss 1	Loss 1	Loss 1	Loss 1
minimum 91 days	Loss 2	Loss 2	Loss 2	Loss 2	Loss 2

In case no legal procedures have been initiated and in case all amounts of that loan register a debt service of maximum 90 days, the gross exposures are diminished by related collaterals considered as deductible.

In case legal procedures have been initiated or in case the client registers a debt service of more than 90 days (Loss 2 category), the eligible collaterals to be deducted are adjusted by applying a 0.25 coefficient. The collaterals for the interest related to the above mentioned exposures are not taken into account, the coefficient applied having the value of zero.

The net exposure resulted after the deduction of collaterals is provisioned with following percentages:

Loan classification category	Provisioning coefficient for loans (others than the loans denominated in foreign currency or indexed at the exchange rate of a foreign currency, granted to unhedged individuals*)	Provisioning coefficient for loans denominated in foreign currency or indexed at the exchange rate of a foreign currency, granted to unhedged individuals*)
Standard	0	0,07
In observation	0,05	0,08
Substandard	0,2	0,23
Doubtful	0,5	0,53
Loss	1	1

4.2.2 T-bills & Bonds

T-bills and the Bonds are classified depending on the initial intention in securities held for trading, securities available for sale (placements securities) and securities held until maturity. As per our current strategies, securities are held neither for trading and neither until maturity, being classified as available for sale securities. A fair value is calculated, using the traditional bond pricing (present value of future cash flows

* The term „unhedged individual” means individual which does not generate positive net inflows denominated in the same currency with the loan, which would allow the reimbursement in time of each instalment (principal and interest).

discounted using interest rates derived from firm/informative quotes from market makers), the securities portfolio being recognized at the smallest value between the purchase value and the fair value.

The following tables present the analysis of the bank's exposures by geographical region, by economic sector and by remaining maturity:

Total gross exposures per asset classes before credit mitigation techniques

RON	Average for 2010	31.12.2010
Asset Class		
Central governments or central banks*	1,779,184,406	1,686,226,621
Regional governments or local authorities	1,254,086	0
Administrative bodies and noncommercial undertakings	-	-
Multilateral development banks	-	-
International organizations	-	-
Financial Institutions**, out of which:	384,797,766	293,708,491
- counterparty credit risk	72,962,753	65,877,037
Corporate (excl. past due)	1,715,833,102	1,584,186,351
Retail (excl. past due and secured by residential real estate property)	1,683,713,027	1,748,228,574
Secured by residential real estate property (excl. past due)	2,763,052,368	2,754,069,976
Past due items***	381,051,779	474,817,014
Regulatory high-risk categories	-	-
Covered bonds	-	-
Short-term claims on institutions and corporate	-	-
Collective investment undertakings	-	-
Other assets	393,055,842	393,882,383
Total Gross Exposure	9,101,942,375	8,935,119,410

* Includes T-bills and Bonds issued by the Romanian Government

** Are included exposures to banks (nostro accounts, placements with other banks and counterparty credit risk)

*** Past due items represent exposures which register more than 90 days past due

Total net* assets by remaining maturity

RON 31.12.2010	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Total assets	1,579,286,978	277,009,168	424,903,461	1,085,940,870	4,292,113,310	7,659,253,787

* Net assets are total gross assets from which are deducted provisions and amortizations

Total loan portfolio, impaired exposures and past due amounts by economic sector

2010 RON	Total loan portfolio*, out of which:	Total outstanding (principal only)	Impaired exposures**	Total Provisions	Past due amounts***
<i>Total loan portfolio, out of which:</i>	6,392,037,971	5,721,321,017	1,148,811,737	449,602,795	26,142,893
Individuals	4,375,945,676	4,271,973,002	661,894,432	301,971,558	3,805,508
Agriculture	41,259,825	30,209,771	1,455,241	372,569	50,104
Manufacture of food, beverage and tobacco	124,478,156	79,233,040	12,221,196	3,128,759	4,029,205
Construction	248,848,111	104,665,156	48,779,815	16,913,830	2,646,803

Banca Romaneasca SA
Pillar III Report

Wholesale Trade	272,322,707	222,861,659	95,991,551	33,172,681	6,247,064
Retail Trade	127,916,637	111,495,235	43,196,057	19,734,618	1,290,295
Sales of Motor Vehicles	89,894,802	39,083,232	23,168,800	7,832,351	49,055
Consumer & Mortgage Finance	26,569,903	26,562,817	-	-	-
Local Public Administration	18,544,036	18,544,036	-	-	-
Real Estate	162,486,019	127,995,308	35,712,315	23,362,675	249,326
Leasing	147,935,854	119,953,251	108,208,083	4,671,622	-
Manufacture of fabricated metal products, except machinery and equipment	60,255,114	50,987,338	35,677,676	3,478,925	5,271,468
Land transport; transport via pipelines	32,737,387	31,043,957	16,808,285	2,400,952	317,602
Manufacture of rubber and plastic products	34,844,427	21,165,372	1,387,384	751,836	576,039
Manufacture and storage of chemicals and chemical products	4,607,970	4,290,901	4,496,110	3,338,143	-
Hotels and restaurants	18,209,776	17,534,665	1,358,161	103,783	44,991
Supporting and auxiliary transport activities; activities of travel agencies	6,988,149	6,276,178	2,581,381	1,834,781	12,976
Extraction of crude petroleum and natural gas; service activities related to oil and gas extraction, excluding surveying	194,393,787	76,086,957	-	-	-
Electricity, gas, steam and hot water supply	49,929,106	49,365,637	-	-	-
Others	353,870,529	311,993,505	55,875,250	26,533,711	1,552,456
T-bills & Bonds	680,961,260	660,662,625	226,789,082	1,823,448	-
TOTAL	7,072,999,231	6,381,983,642	1,375,600,819	451,426,243	26,142,893

* Total loan portfolio comprises on balance sheet exposure, undrawn facilities and contingent exposure

** Impaired exposures represent exposures for which provisions are registered (covering partially/entirely the exposure)

*** Past due amounts represent amounts with at least 1 day of delay, but for which no provisions were registered. Past due exposures for which provisions were constituted are included in the impaired exposures.

Geographical concentration of total loan portfolio, impaired exposures and past due amounts (excluding T-bills and Bonds)

31.12.2010 RON	Total loan portfolio, out of which:	Total outstanding (principal only)	Impaired exposures	Past due amounts
BUCHAREST	2,912,293,416	2,361,112,965	539,198,762	11,276,298
SOUTH-EAST	696,945,083	645,662,810	114,038,502	5,772,345
NORTH-WEST	634,454,479	622,286,726	95,024,398	1,604,322
CENTER	540,427,794	524,763,008	98,975,395	4,854,561
WEST	401,470,639	388,535,330	76,086,905	360,152
NORTH-EAST	490,022,992	477,666,913	85,344,134	1,384,858
SOUTH	410,471,424	400,815,337	89,881,362	561,885
SOUTH-WEST	305,952,144	300,477,928	50,262,279	328,473
TOTAL	6,392,037,971	5,721,321,017	1,148,811,737	26,142,893

Provision movement for credit risk (loan portfolio)

<i>RON</i>	2010	2010
	Provisions for principal	Provisions for interest
Balance at 1 January	228,932,621	48,822,306
Net expenses with provisions	128,617,281	40,147,358
Loss from exchange rate differences	2,788,067	295,163
Balance at 31 December	360,337,969	89,264,827

4.3 Portfolio under the Standardized Approach

The following External Credit Rating Institutions (“ECAI”) are used to risk weight exposures under the Standardized Approach:

- Standard & Poor's
- Moody's
- Fitch

The asset classes for which ECAI ratings are used are the following: Exposures to Central Governments and Central Banks and Exposures to Financial Institutions.

The table below presents the exposure amounts, before and after credit risk mitigation, as of 31.12.2010, allocated to the credit quality steps.

Exposures to Financial Institutions (RON mio)

Credit quality step	Exposure amount before Credit Risk mitigation	Exposure amount after Credit Risk mitigation
1	3.32	3.32
2-3	30.86	30.86
4-5	257.72	257.72
6	-	-
Total	291.90	291.90

4.4 Credit risk mitigation techniques

In accordance with Regulation no.19/24/2006 regarding credit risk mitigation techniques, Banca Romaneasca accepts the following instruments for mitigation of credit risk:

- Unfunded credit protection (guarantees) from: central administrations and central banks, regional administrations and local authorities, credit institutions;
- Funded credit protection: cash deposits, debt securities and material collaterals: residential and commercial real estate properties, other physical collaterals.

4.4.1 Revaluation of material collaterals

The estimation of the market value of the collaterals accepted by the bank is performed according to the stipulations of the “Guide for evaluation of collaterals on lending” issued by ANEVAR (Romanian National Valuators Association) and the provisions of International Financial Reporting Standards, in compliance with the requirements from NBR regulations (Regulation no.3/2009 and Regulation no.18/2009 with its further amendments).

The estimation of the market value (equal to the fair value) of collaterals is performed periodically in order to:

- deduct the collaterals value from the exposure within the computation of necessary credit risk provisions;
- recognize the value of collaterals that can be taken into account as credit risk mitigation, when determining the risk weighted value of exposures, in order to compute the minimum capital requirements for credit risk.

The values of the collaterals have to be monitored frequently as follows:

- a) in case of residential real estates the valuation has to be performed at least once at every three years and for the commercial real estates the valuation has to be performed once per year.
In case that the evolution of the prices on the real estate market, according to the data disclosed by National Statistical Institute, reflect a decrease over 20%, end of year N versus end of year N-1, the bank will perform a new valuation of the real estate collaterals that have the previous evaluation older than 12 months.
- b) in case of tangible goods the valuation has to be performed at least once per year.

In addition, valuation of collaterals may be necessary during the validity of the loan in certain specific cases (when are analyzed operations of replacing existing exposures or when are analyzed new operations having joint collaterals with other existing loans), according to Bank's regulations in lending or/and valuation area and/or according to the necessities resulted in the process of analysis/approval/monitoring process of the bank's exposures.

The valuation of collaterals is performed by external valutors or internal valutors of the bank, members of ANEVAR (Romanian National Valutors Association).

Total exposure covered by **cash collateral deposits** and **guarantees received from banks and local public administration (RON)** as of 31.12.2010

Exposure class	Cash collateral deposits (Eligible financial collateral)	Guarantees received from banks / central government / local public administration (eligible guarantees)
Corporate	56,684,203	37,716,748
Retail	26,025,409	429,731,835
Past due items	2,005,286	-
Total	84,714,898	467,448,583

The rest of the exposures are covered by other types of collaterals.

5. COUNTERPARTY CREDIT RISK

For the efficient management of counterparty risk, the Bank has established a framework of counterparty limits. The list with counterparties is maintained and updated by the Risk Management Unit. For the implementation of new limits to counterparties or the increase of the existing limits, the endorsement of the NBG Risk Management Division is required. The monitoring of the limits is performed by the Risk Management Unit which also reports in this respect to the management of the bank and to NBG Risk Management Division.

Counterparty limits are set based on the credit rating of the financial institutions. The credit ratings are provided by well-known external ratings assessment institutions and more specifically by Moody's, Standard & Poor's and Fitch. The limits framework is revised according to the business needs of the bank and the prevailing conditions in the financial markets.

For capital requirements calculation purposes the bank calculates the exposure amount of derivatives by applying the Mark-to-Market ("MTM") methodology (NBR Regulation no. 20/25/2006). The exposure value is represented by the sum of current replacement cost and the potential future credit exposure. As of 31.12.2010 the bank's exposure at risk computed for OTC derivatives exposures subject to counterparty credit risk is in amount of RON 65,877,037. The above mentioned derivatives represent forward foreign exchange and interest rate swap contracts:

31.12.2010 RON	Exposure value	RWA	Capital requirements
Forward foreign exchange contracts	65,877,037	37,723,178	3,017,854

6. MARKET RISK

Banca Romaneasca does not have a Trading Book currently in place. Consequently, the Bank does not calculate capital charges against the market risk of the Trading Book. The only market risk related capital charges are the ones for the open currency position which are calculated according to NBR Regulation no. 22/27/2006 regarding capital adequacy of credit institutions and investment firms. As of 31.12.2010 the market risk capital requirements for foreign exchange risk is RON 4,004,571.

The Bank uses the Value-at Risk methodology for monitoring the foreign exchange risk. The VaR estimates are used internally, as a risk management tool. The bank's Risk Management Unit calculates on a daily basis the VaR of the Bank's Open Currency Position, using a 99% confidence interval and 1-day or 10-day holding periods. The calculation of the VaR relies on the assumption that the returns on individual risk factors (exchange rates) follow a normal distribution.

7. EQUITY EXPOSURES NOT INCLUDED IN THE TRADING BOOK

Investments in shares that are not included in the trading portfolio are included in the available for sale portfolio. The available for sale investments in shares are recognized at fair value, as follows:

Security	Issuer	Currency	Acquisition Cost	Fair Value
Shares	SNCDDVM	RON	2,460	2,460
Shares	RI Monitor	RON	10,000	10,000
Shares	Transfond S.A.	RON	472,096	472,096
Shares	Biroul de Credit	RON	324,740	324,740
Shares	Master Card International	USD	9,629	9,629
Shares	SWIFT	EUR	21,440	21,440
Shares	NBG Leasing	RON	1,800	1,800
Shares	NBG Factoring	RON	1,980,000	1,980,000

8. INTEREST RATE RISK IN THE BANKING BOOK

For monitoring and reporting the potential interest rate risk impact, Risk Management Unit has the responsibility of producing the Interest Rate Gap Report. The report estimates the interest rate risk for the entire balance sheet both from an earnings perspective (unrealized gain/loss in the event of a yield curve shift across time buckets for every meaningful currency in the balance sheet) and from a valuation perspective (Economic Value of Equity). The Earnings at Risk Indicator for each time bucket is calculated by applying the shift in the yield curve for each time bucket.

For measuring the Earnings at Risk indicator under normal conditions the following upward / downward shift in the yield curve assumptions are used: RON – 200 bps, EUR and other currencies – 50 bps, USD – 100 bps. The Earnings at Risk Indicator is calculated for the up-to-1 year interval and for the entire balance sheet, excluding any Trading positions.

For measuring the Earnings at Risk indicator under stress conditions the following upward / downward shift in the yield curve assumptions are used: RON – 400 bps, EUR and other currencies – 200 bps

Please find below the computation as of 31.12.2010 for EaR indicator:

Adjusted Earnings at Risk (RON)	Normal conditions		Stress Conditions	
	Total Balance Sheet	12 Months	Total Balance Sheet	12 Months
	± 20,198,486	±19,787,919	± 40,396,972	±39,575,839

The change in the Economic Value of Equity is calculated based on the methodology provided by the National Bank of Romania in Regulation 18/2009. It assumes a parallel shift (up and down) of 200 bps in interest rates for all maturities.

As of 31.12.2010 the change in the Economic Value stands at +1.59% of the Bank's Own Funds assuming a downward move in interest rates and -1.59% of the Bank's Own Funds assuming an upward move in interest rates.