BANCA ROMÂNEASCĂ S.A.
Member of the NBG Group

Pillar III Disclosures

31 December 2013

Content

1. REGULATORYVS.ACCOUNTINGCONSOLIDATION

BancaRomaneasca issued for the year 2013 the financial statements as per IFRS, at both individual and consolidated level.

Consolidated IFRS financial statements of BancaRomaneasca includes the Bank subsidiary "NBG Leasing Romania S.A." which is consolidated using the fully consolidation method as the company is controlled by the bank with 93.57% of shares, following the acquisition since 2012.

Capital adequacy for closing 2013 is based on the bank financial statements as of December 31, 2013 (IFRS individual level and consolidated level).

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 as prudential adjustments:

- 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 funds.
- intangible assets;
- 50% BROM participation in NBG Leasing Romania S.A.
- 50% subordinated loan granted to NBG Leasing Romania S.A.
- Non arm's length transactions according to NBR Regulation no.18/23/2006.
- 50% Prudential filters for credit risk provisions (net of taxes)
- Unrealized gains for available for sales reserves (net of taxes)

Tier II capitalincludes the subordinated loan from National Bank of Greece and fixed assets revaluation reserves less following prudential adjustments:

- 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 funds.
- 50% BROM participation in NBG Leasing Romania S.A.
- 50% subordinated loan granted to NBG Leasing Romania S.A.
- the difference between Tier II level and ½ Tier 1 level
- 50% Prudential filters for credit risk provisions (net of taxes)

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	31.12.2013 IFRS individual level	31.12.2013 IFRS consolidated level	31.12.2012 IFRS individual level	31.12.2012 IFRS consolidated level
Total Regulatory Capital	**517,945**	**792,338**	**659,685**	**939,321**
of which: *equity & subordinated loans* (-) Deductions	*1,126,845* *(437,110)*	*1,140,299* *(106,093)*	*1,123,205* *(349,662)*	*1,136,491* *(65,043)*
Tier 1	**446,514**	**528,225**	**526,472**	**638,169**
(+) share capital	835,340	835,340	835,340	835,340
(+) Retained earnings	(243,144)	(344,667)	(182,072)	(206,863)
(+) Reserves	71,354	102,647	68,214	71,606
(-) Deductions	(217,035)	(65,246)	(195,010)	(65,043)
Minority interest		151		3,130
Tier II	**71,431**	**264,113**	**133,213**	**301,152**
(+) Subordinated loan	291,506	304,960	287,866	301,152
(-) Deductions	(220,075)	(40,847)	(154,652)	-

2.2 Capital adequacy

2.2.1 Capital requirements

The table below presents the capital requirements of BancaRomaneascaas of 31.12.2013, 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.

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Credit risk & Counterparty Credit Risk (Standardized Approach)	**Capital Requirements 31.12.2013 (individual)**	**Capital Requirements 31.12.2013 (consolidated)**
Asset Class		
Central governments or central banks	-	-
Regional governments or local authorities	84	124
Administrative bodies and noncommercial undertakings	92	112
Multilateral development banks	-	-
International organizations	-	-
Financial Institutions, out of which:	3,989	3,990
- counterparty credit risk	895	895
Corporate	44,875	47,457
Retail	67,764	76,344

Secured by real estate property	54,143	55,015
Past due items	3,797	17,020
Regulatory high-risk categories	31,472	42,786
Covered bonds	-	-
Short-term claims on institutions and corporate	-	-
Collective investment undertakings	-	-
Other assets	9,326	16,718
Total Credit Risk & Counterparty Risk	**215,542**	**259,567**
Market Risk	**2,143**	**11,789**
Foreign exchange	2,143	11,789
Operational Risk	**33,883**	**34,573**
Total Capital Requirements	**251,568**	**305,929**

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Capital Adequacy Ratios	**Individual 31.12.2013**	**Consolidated 31.12.2013**
Tier 1 Capital	446,514	528,225
Total Regulatory Capital *	517,945	792,338
Total Capital Requirements	251,568	305,929
Tier I Capital Adequacy Ratio	**14.20%**	**13.81%**
Total Capital Adequacy Ratio	**16.47 %**	**20.72 %**

* In accordance with Regulation 18/23/ 2006 regarding the own funds of the credit institutions and investment firms (article 29 point 1) the prudential filters are not deducted from consolidated own funds.

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 completed 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").

In this respect, the bank has developed an internal regulatory framework respectively the Policy and Methodology for the Internal Capital Adequacy Assessment Process (ICAAP).

The bank performed the ICAAP exercise for the year 2013 by estimating the relevant internal capital for all major risk types. The ICAAP contains the following:
- Risk profile assessment
- Risk measurement and internal capital adequacy assessment
- Stress testing development, analysis and evaluation
- ICAAP reporting framework
- ICAAP documentation

BancaRomaneasca has recognized and analyzed under the ICAAPthe following risksto which it is exposed, including also the regulatory risks (for which the capital requirement may be adjusted/differently approached): credit risk, including credit concentration risk, residual risk and FX on lending, operational risk, market risk – FX risk, interest rate risk in the banking portfolio, liquidity risk, countryrisk, reputation risk,strategic risk and uncontrollable risks.

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 (14.12% at individual level and 19.56% at consolidated level), much higher than the regulatory limit or the limit established through the Significant Risks Strategy. Also, further the capital planning performed for 2014, it resulted that the bank will not be in need for additional funding.

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, analyse, 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:
  - On-going 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, Remedial Management Division and Risk Monitoring Department.

3.1 Credit Risk

According to the bank's Strategy for the Management of 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'sobjective 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 provideswith the fundamentals in managing credit risk inthe 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 designedin accordance with the current best practice standards and in compliance with the regulatory framework in place. The control of the credit risk is performedin accordance with the provisions of the policy and in conjunction with the Lending Norm, the Risk Management Strategyfor Significant Risks and other relevant procedures.

3.1.2 Credit Policy for the Retail Portfolio

Thebank 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 whichdetermine 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 monthly the Interest Rate Gap Report, which estimates the interest rate risk in the balance sheet.

The market risk has been limited during 2013 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 several liquidity indicators
- 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

BancaRomaneasca 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, monitoring the fraud suspicious transactions and the evolution of the implementation of actions related to cases of fraud, ttesting and maintaining "Business Continuity and Crisis Management Framework Procedure".
For operational risk mitigation andin 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 consistentrisk management information,Risk Management Unitis responsible for reporting capital requirements and capital adequacy, large exposures (Regulation no. 14/24/2010regarding large exposures of credit institutions and investment firms).

For the calculation of capital adequacy, a specialized software application is configured and usedin order to calculate risk-weighted assets according to the bank's approach oneach portfolio, in accordance with the current "Basel II" framework. Risk Management Unit submits regularly and consistently all the requiredreports 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" while "impaired" exposures are those exposures for which individual and collective provisions are computed and registered.

4.2 Provisions calculation

4.2.1 Credit risk provisions

As of 2013, credit risk provisions were calculated according to International Financial Reporting Standards ("IFRS") principles.The bank has elaborated its own policy regarding impairment of financial assets for the purposes of preparing BROM's individual and consolidated financial statements in accordance with IFRS.

The Policy applies to:

(a) All loans (including leasing receivables) that are subject to impairment assessment, in accordance with IAS 39.58. It applies to all loans that are carried at amortised cost, including loans that have been designated as hedge items in a fair value hedge of interest rate risk (see also IAS 39.IG.E.4.4). The Policy does not apply to loans that have been designated as at fair value through profit or loss because they are directly measured at fair value, which includes credit losses.

(b) Other receivables and prepayments

(c) Off-Balance sheet items (e.g. letters of credit, letters of guarantee and commitments to extend credit),

(d) Investments in debt and equity securities, classified as Available-for-Sale ("AFS"), Held-to-Maturity ("HTM"), or Loans and Receivables ("LAR").

In order to ensure the compliance with the regulatory frameworkwere calculated as of 2013 also prudential provisions.
The prudential provisions were calculated in compliance with NBR Regulation no. 16/2012. 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 of the client (from A to E), initiation of legal procedures.
If legal procedures have been initiated the loans are classified into Loss 2 category.
If no legal procedures have been initiated, the loans are classified according to the matrix below:

Financial performance Debt service	A	B	C	D	E
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 related totheloan's interest are not taken into account the coefficient applied having zero value.

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 / Loss 2	1	1

*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).

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 flowsdiscounted using interest rates derived from firm/informative quotes from market makers).

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

Total grossexposures per asset classes before credit mitigation techniques

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	Average for 2013	**31.12.2013**
Asset Class		
Central governments or central banks*	2,045,938	2,244,276
Regional governments or local authorities	-	-
Administrative bodies and noncommercial undertakings	2,781	2,158
Multilateral development banks	-	-
International organizations	-	-
Financial Institutions**, out of which:	66,064	42,902
- counterparty credit risk	14,672	7,462
Corporate (excl. past due)	670,149	694,347
Retail (excl. past due and secured by residential real estate property)	1,809,356	1,892,001
Secured by residential real estate property (excl. past due)	1,957,931	1,934,004
Past due items***	605,215	639,370
Regulatory high-risk categories	419,406	427,490
Covered bonds	-	-
Short-term claims on institutions and corporate	-	-
Collective investment undertakings	-	-
Other assets	396,710	397,897
Total Gross Exposure	**7,973,550**	**8,274,445**

* 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* assetsby remaining maturity

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31.12.2013 – consolidated level	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Total assets	**1,714,854**	**273,186**	**560,239**	**1,821,302**	**3,073,904**	**7,443,485**

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31.12.2013 – standalone level	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Total assets	**1,532,803**	**264,808**	**528,800**	**1,775,074**	**3,136,184**	**7,237,669**

* 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

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31.12.2013	**Total loan portfolio*, out of which:**	**Total outstanding (principal only)**	**Impaired exposures*****	**Total Provisions**	**Past due amounts*****
Total loan portfolio, out of which:	**5,417,568**	**4,936,630**	**816,997**	**561,937**	**749,986**
Individuals	4,203,941	4,061,695	499,855	371,581	440,626
Agriculture	66,572	47,309	3,885	2,786	3,547
Manufacture of food, beverage and tobacco	85,597	74,182	37,850	23,823	41,325
Construction	226,153	59,860	14,428	9,313	15,596
Wholesale Trade	215,879	168,460	72,278	46,520	71,792
Retail Trade	49,475	41,460	23,275	16,885	22,960
Sales of Motor Vehicles	33,357	25,231	13,558	6,711	9,597
Consumer & Mortgage Finance	-	-	-	-	-
Local Public Administration	-	-	-	-	-
Real Estate	89,299	80,458	57,264	23,321	56,356
Leasing	47,941	25,019	325	251	339
Manufacture of fabricated metal products, except machinery and equipment	3,657	3,480	553	344	1,752
Land transport; transport via pipelines	20,815	18,738	4,959	2,864	5,290
Manufacture of rubber and plastic products	23,824	23,013	8,281	2,400	2,437
Manufacture and storage of chemicals and chemical products	13,372	12,549	13,353	6,112	10,001
Hotels and restaurants	32,696	31,778	1,777	2,053	4,085
Supporting and auxiliary transport activities; activities of travel agencies	7,041	5,695	4,621	3,021	6,458
Extraction of crude petroleum and natural gas; service activities related to oil and gas extraction, excluding surveying	-	-	-	-	-
Electricity, gas, steam and hot water supply	101,876	101,996	6,813	6,830	6,813
Others	196,073	155,706	53,923	37,123	51,013
T-bills & Bonds	1,082,374	1,051,040	-	-	-

TOTAL	**6,499,942**	**5,987,670**	**816,997**	**561,937**	**749,986**

*Total loan portfolio contains on balance sheet exposure, undrawn facilities and contingent exposure
**Impaired exposures represent exposures for which individual or collective 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 whichindividual or collective provisions were constituted are included in the impaired exposures.

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

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31.12.2013	**Total loan portfolio, out of which:**	**Total outstanding (principal only)**	**Impaired exposures**	**Past due amounts**
BUCHAREST	1,964,935	1,783,779	260,594	242,584
SOUTH-EAST	650,487	619,761	128,345	119,612
NORTH-WEST	545,934	528,882	80,120	60,768
CENTER	483,167	465,782	70,227	66,542
WEST	381,415	343,877	58,238	52,700
NORTH-EAST	466,759	442,556	76,619	69,052
SOUTH	623,012	463,176	99,674	98,034
SOUTH-WEST	290,250	277,876	42,553	40,062
- non residents	6,572	5,909	599	598
- N/A	5,035	5,033	29	35
TOTAL	**5,417,568**	**4,936,630**	**816,997**	**749,986**

Provision movement for credit risk(loan portfolio)

		RON k
Provision for impairment of loans and advances	**2013 (consolidated level)**	**2013 (standalone level)**
Provisions balance at the beginning of the period	**-435,796**	**-361,586**
Credit risk cost	-62,016	-37,548
Bad debts written off	339	339
Exchange differences	-1,994	-1,649
Sale of NPL's	19,007	-
Collection cost	1,717	1,717
Recoveries	-68	-68
At the end of the year (after restatement of unwind)	**-478,811**	**-398,795**

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 31.12.2013, allocated to the credit quality steps.

Exposures to Financial Institutions**RONk**

Credit quality step	Exposure amount before Credit Risk mitigation	Exposure amount after Credit Risk mitigation
1	3,936	3,936
2-3	7,806	7,806
4-5	4,418	4,418
6	22,767	22,767
Total	**38,926**	**38,926**

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 materialcollaterals: 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. 16/2012and 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 oftangible goods the valuation has to be performed at least once per year.

In addition, valuation of collaterals maybe 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. The valuation of collaterals is performed by external valuators or internal valuators of the bank, members of ANEVAR (Romanian National Valuators Association).

Total exposure covered by **cash collateral deposits** and **guarantees received from banks and local public administration**as of 31.12.2013

RON k

Exposure class	**Cash collateral deposits (Eligible financial collateral)**	**Guarantees received from banks / central government / local public administration (eligible guarantees)**
Corporate	29,331	9,500
Retail	146,099	386,451
Administrative organizations / PSE	954	-
Past due items	563	308
Regulatory high-risk categories	3,204	-
Total	**180,151**	**396,259**

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 31.12.2013 the Bank's exposure at risk computed for OTC derivatives exposures subject to counterparty credit risk is in amount of RON 7,461,867. The above mentioned derivatives represent forward foreign exchange contracts:

RON k

31.12.2013	**Exposure value**	**RWA**	**Capital requirements**
Forward foreign exchange contracts	7,462	11,193	895

6. MARKET RISK

BancaRomaneasca 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 31.12.2013 the market risk capital requirements for foreign exchange risk is RON 2,142,639.

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 (thousand)	Acquisition Cost	Fair Value
Shares	SNCDDVM	RON	2	2
Shares	RI Monitor	RON	10	10
Shares	Transfond S.A.	RON	472	472
Shares	Biroul de Credit	RON	272	272
Shares	Master Card International	USD	10	10
Shares	SWIFT	EUR	21	21
Shares	NBG Leasing	RON	66,978	66,978

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 – 150 bps, all other currencies – 75 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 – 300 bps, all other currencies – 150 bps.

Please find below the computation as of 31.12.2013 for Ear indicator:

RON k

Adjusted Earnings at Risk	Normal conditions		Stress Conditions	
	Total Balance Sheet	**12 Months**	**Total Balance Sheet**	**12 Months**
	± 8,039	± 2,666	± 16,078	± 5,331

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 31.12.2013 the change in the Economic Value stands at +8.46% of the Bank's Own Funds assuming a downward move in interest rates and -8.46% of the Bank's Own Funds assuming an upward move in interest rates.