



**ProCredit Bank**

Romania

*Annual Report 2008*



ProCredit Bank

Romania

Annual report 2008

## Key Figures

	EUR '000		Change
	2008	2007*	
<b>Balance Sheet Data</b>			
Total Assets	293,253	281,435	4.2%
Gross Loan Portfolio	215,763	213,834	0.9%
Business Loan Portfolio	163,219	164,426	-0.7%
EUR < 10,000	72,514	71,859	0.9%
EUR > 10,000 < 50,000	53,586	57,839	-7.3%
EUR > 50,000 < 150,000	19,978	20,305	-1.6%
EUR > 150,000	17,141	14,423	18.8%
Agricultural Loan Portfolio	36,785	29,204	26.0%
Housing Improvement Loan Portfolio	9,998	12,633	-20.9%
Other	5,761	7,572	-23.9%
Allowance for Impairment on Loans	5,716	5,322	7.4%
Net Loan Portfolio	210,047	208,513	0.7%
Liabilities to Customers	151,355	160,752	-5.8%
Liabilities to Banks and Financial Institutions (excluding PCH)	95,428	79,499	20.0%
Shareholders' Equity	24,741	19,150	29.2%
<b>Income Statement</b>			
Operating Income**	25,058	23,778	5.4%
Operating Expenses***	27,043	22,647	19.4%
Operating Profit Before Tax	(1,984)	1,131	-275.4%
Net Profit	(1,962)	0,947	-307.2%
<b>Key Ratios</b>			
Cost/Income Ratio	96.60%	87.35%	
ROE	-8.94%	4.90%	
Capital Ratio	16.26%	12.19%	
<b>Operational Statistics</b>			
Number of Loans Outstanding	41,671	39,269	6.1%
Number of Loans Disbursed within the Year	19,879	26,487	-24.9%
Number of Business and Agricultural Loans Outstanding	34,821	31,775	9.6%
Number of Deposit Accounts	142,379	106,804	33.3%
Number of Staff	1,121	899	24.7%
Number of Branches and Outlets	40	35	14.3%

\* Some figures differ from those in the 2007 Annual Report, as they have been adjusted to reflect new calculation methods related to operating income and operating expenses.

\*\* Operating income includes net interest income, net fee and commission income, net trading income, other operating income and net impairment loss on financial assets.

\*\*\* Operating expenses include personnel expenses, operating lease expenses, depreciation and amortisation and other operating expenses.

<hr/>	
Mission Statement	4
<hr/>	
Letter from the Board of Administrators	5
<hr/>	
The Bank and its Shareholders	6
<hr/>	
<hr/>	
The ProCredit Group: Responsible Banks for Ordinary People	8
<hr/>	
ProCredit in Eastern Europe	11
<hr/>	
<hr/>	
Highlights in 2008	14
<hr/>	
Management Business Review	16
<hr/>	
Special Feature	24
<hr/>	
Risk Management	26
<hr/>	
<hr/>	
Branch Network	30
<hr/>	
Organisation, Staff and Staff Development	32
<hr/>	
Business Ethics and Environmental Standards	35
<hr/>	
<hr/>	
Our Clients	36
<hr/>	
<hr/>	
Financial Statements	40
<hr/>	
<hr/>	
Contact Addresses	74
<hr/>	

## Mission Statement

*ProCredit Bank Romania is a development-oriented full-service bank. We offer excellent customer service and a wide range of banking products. In our credit operations, we focus on lending to very small, small and medium-sized enterprises, as we are convinced that these businesses create the largest number of jobs and make a vital contribution to the economies in which they operate.*

*Unlike other banks, our bank does not promote consumer loans. Instead we focus on responsible banking, by building a savings culture and long-term partnerships with our customers.*

*Our shareholders expect a sustainable return on investment, but are not primarily interested in short-term profit maximisation. We invest extensively in the training of our staff in order to create an enjoyable and efficient working atmosphere, and to provide the friendliest and most competent service possible for our customers.*



## Letter from the Board of Administrators

Domestic consumption generated significant economic growth during 2008, Romania's second full year as a member of the European Union. This consumption was fuelled by relatively easy access to credit, rising wages, ample foreign direct investment and a stable leu that was strong against the euro, leading to cheaper imports. Consumer sentiment was high at the start of the year, as were real estate prices and the general level of indebtedness among private individuals, companies, and the government. However, this expansion created a false sense of security by making Romania appear to be insulated from the impacts of the international financial crisis. Economic growth also had unwelcome side effects, including an annual average inflation rate of 6.3% (well above the National Bank of Romania's target of 3.8%), an external deficit of 12.1%, and high volatility in interest and exchange rates.<sup>1</sup> The final bill was more than most people expected: both Fitch and Standard & Poor's downgraded Romania's rating to sub-investment grade in the last quarter of 2008.

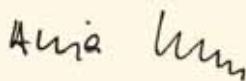
In the last quarter of the year, the global financial crisis and a lack of external funding resulted in increased competition for deposits and also eventually brought lending to individuals and the real estate sector to a halt. In addition, asset quality problems began to emerge due to irresponsible consumer lending practices at many institutions: some banks, for instance, had issued loans denominated in foreign currencies based on a "credit analysis" that consisted merely in checking the borrower's identity card.

True to its mission, ProCredit Bank continued to foster a savings culture rather than one of spending, focusing on the small-scale savers who provide more than 63% of the bank's funding. Despite turmoil in the credit markets, the bank was able to obtain a EUR 37 million syndicated loan in October. It also received EUR 10 million in new equity in April. ProCredit Bank Romania was rated BB+ by Fitch in November, putting the bank on an equal footing with its larger competitors.

While most banks sought to accelerate asset growth through consumer and real estate lending in 2008, ProCredit Bank maintained a conservative approach, focusing on its core areas of competence – small business loans and agricultural lending. Our emphasis was on maintaining an excellent level of loan portfolio quality. Indeed, our responsible and prudent approach is proving to be our main asset as we move into a challenging year of economic uncertainty.

Despite the rising cost of funding, we continued to improve our institutional infrastructure throughout the year. We invested in the expansion of our branch network, opening five more offices, and hired over 400 new employees, boosting the total number of ProCredit Bank staff to over 1,000 by year-end. Furthermore, we strengthened our internal management structures to prepare the bank to meet the current challenges while building important foundations for the future.

On behalf of the Board of Administrators, I would like to thank our dedicated staff and shareholders for their invaluable contributions to our institution, and to express our gratitude to our customers for their loyalty. We realise that the current economic problems will remain with us for some time to come. Nevertheless, we are confident that tenacity and hard work together with our transparent approach and a commitment to providing simple, straightforward products constitute a sound basis for the successful development of our bank in 2009 and beyond.



Anja Lepp  
Chairperson of the Board of Administrators

### Members of the Board of Administrators as of December 31, 2008<sup>2</sup>

Anja Lepp  
Ana Maria Mihaescu  
Hanns Martin Hagen  
Thomas Nikola Debelic  
Dietrich Ohse  
Ivaylo Blagoev

### Members of the Executive Committee as of December 31, 2008

Gian Marco Felice  
(General Manager)  
Asmus Rotne  
(Deputy General Manager)  
Dana Enache  
(Division Director)  
Marius Sindile  
(Division Director)

<sup>1</sup> Romanian National Institute of Statistics

<sup>2</sup> at year-end, one of the seven seats on the Board of Administrators was vacant

## The Bank and its Shareholders

ProCredit Bank Romania is a member of the ProCredit group, which is led by its Frankfurt-based parent company, ProCredit Holding. ProCredit Holding is the majority owner of ProCredit Bank Romania and now holds 42.3% of the shares.

ProCredit Bank Romania was founded in May 2002 as Banca de Microfinantare MIRO SA by an alliance of international development-oriented investors. Their goal was to establish a new kind of financial institution that would meet the demand of small and very small businesses in a socially responsible way. The primary aim was not short-term profit maximisation but rather to deepen the financial sector and contribute to long-term economic development while also achieving a sustainable return on investment.

The founding shareholders of ProCredit Bank Romania were IFC, Deutsche Investitions- und Entwicklungsgesellschaft (DEG), the European Bank for Reconstruction and Development (EBRD), ProCredit Holding, Commerzbank, and the Netherlands Development Finance Company (FMO). Over the years, ProCredit Holding, working closely with the consulting company IPC, has consolidated the ownership and management structure of all the ProCredit banks and financial institutions to create a truly global group with a clear shareholder structure and to bring to each ProCredit institution all the synergies and benefits that this implies.

Today's shareholder structure of ProCredit Bank Romania is outlined below. Its current share capital is EUR 26.3 million.

Shareholder <sup>1</sup> (as of Dec. 31, 2008)	Sector	Headquarters	Share	Paid-in Capital (in EUR)
ProCredit Holding	Investment	Germany	42.34%	11,135,770
Commerzbank	Banking	Germany	21.03%	5,530,123
EBRD	Banking	UK	16.53%	4,346,614
KfW	Banking	Germany	8.78%	2,310,189
IFC	Banking	USA	8.02%	2,108,721
IPC	Consulting	Germany	3.30%	868,032
<b>Total Capital</b>			<b>100%</b>	<b>26,299,449</b>

<sup>1</sup> On 31 December, approval of the current shareholder structure from the regulatory authorities was still pending.



**ProCredit Holding** is the parent company of a global group of 22 ProCredit banks. ProCredit Holding was founded as Internationale Micro Investition-en AG (IMI) in 1998 by the pioneering development finance consultancy company IPC.

ProCredit Holding is committed to expanding access to financial services in developing countries and transition economies by building a group of banks that are the leading providers of fair, transparent financial services for very small, small and medium-sized businesses as well as the general population in their countries of operation. In addition to meeting the equity needs of its subsidiaries, ProCredit Holding guides the development of the ProCredit banks, provides their senior management, and supports the banks in all key areas of activity, including banking operations, human resources and risk management. It ensures that ProCredit corporate values, best-practice banking operations and Basel II risk management principles are implemented group-wide.

IPC is the leading shareholder and strategic investor in ProCredit Holding. IPC has been the driving entrepreneurial force behind the ProCredit group since the foundation of the banks.

ProCredit Holding is a public-private partnership. In addition to IPC and IPC Invest (the investment vehicle of the staff of IPC and ProCredit), the other private shareholders of ProCredit Holding include the Dutch DOEN Foundation, the US pension fund TIAA-CREF, the US Omidyar-Tufts Microfinance Fund and the Swiss investment fund responsAbility. The public shareholders of ProCredit Holding include KfW (the German promotional bank), IFC (the private sector arm of the World Bank), FMO (the Dutch development bank) and BIO (the Belgian Investment Company for Developing Countries).

ProCredit Holding has an investment grade rating (BBB-) from Fitch Ratings Agency. As of the end of 2008, the equity base of the ProCredit group is EUR 387 million. The total assets of the ProCredit group are EUR 4.8 billion.

**COMMERZBANK**  **Commerzbank AG**, established in 1870, is Germany's second-largest bank and one of the leading financial institutions in Europe. The bank is a competent provider of financial services, primarily for private customers and small- and medium-sized enterprises (SMEs). It also manages major corporate customers and institutions in Europe as well as multinational enterprises around the world. Commerzbank aims to enhance its market share among these core target groups and, in particular, to establish itself as the number one bank for Germany's SME market.

Commerzbank runs a nationwide banking network in its domestic market. Following the acquisition of Dresdner Bank, it is the leading bank for private and corporate banking with some 1,200 branches in Germany and a strong presence in Central and Eastern Europe. In Asia and the US, the bank is active in all major commercial centres.

Commerzbank AG is the parent company of a global financial services group. The group's operating business is organised into five segments providing each other with mutually beneficial synergies: Private Customers, Mittelstandsbank (SME bank), Central & Eastern Europe, Corporates & Markets and Commercial Real Estate / Shipping.



The **European Bank for Reconstruction and Development (EBRD)** was established in 1991. It

aims to foster the transition towards open, market-oriented economies and to promote private and entrepreneurial initiative in countries from Central Europe to Central Asia that are committed to democracy, pluralism and market economics. The EBRD seeks to help its countries of operations to implement structural and sectoral economic reforms, promoting competition, privatization and entrepreneurship. In fulfilling its role as a catalyst of change, the Bank encourages cofinancing and foreign direct investment from the private and public sectors, helps to mobilize domestic capital, and provides technical cooperation in relevant areas.



**KfW Entwicklungsbank (KfW Development Bank)**: On behalf of the German

federal government, KfW Entwicklungsbank finances investments and accompanying advisory services in developing and transition countries. Its aim is to build up and expand the social and economic

infrastructure of the respective countries, and to advance sound financial systems while protecting resources and ensuring a healthy environment.

KfW Entwicklungsbank is a leader in supporting microfinance and is involved in target group-oriented financial institutions around the world. It is part of KfW Bankengruppe (KfW Banking Group), which has a balance sheet total of EUR 395 billion (as of December 31, 2008). KfW Bankengruppe is one of the ten biggest banks in Germany and is AAA-rated by Moody's, Standard & Poor's and Fitch Ratings.



**IFC**, a member of the World Bank Group, creates

opportunity for people to escape poverty and improve their lives. We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments. Our new investments totaled \$16.2 billion in fiscal 2008, a 34 percent increase over the previous year. For more information, visit [www.ifc.org](http://www.ifc.org).



**IPC – Internationale Projekt Consult GmbH**, a Frankfurt-

based company, was founded in 1981. Since then, IPC has provided sound consulting and management services for meaningful development projects. The company has been particularly successful in its activities in the financial sector, a field in which IPC has been involved since 1984. IPC advises banks in developing countries and transition economies on how to build their capacity to provide financial services to very small, small and medium-sized enterprises. For more than two decades, IPC has set new standards in the establishment of target group-oriented financial institutions. It founded ProCredit Holding, and remains that company's leading shareholder and strategic investor. From the very beginning, IPC has been the driving entrepreneurial force behind the ProCredit group. Moreover, by providing advisory assistance to the ProCredit banks in the first few years of their operations, it has helped the group to build sound and stable financial institutions in countries around the world. IPC's advisory services for the ProCredit banks cover management consulting, institution building, branch network expansion, and, most importantly, staff training.

## The ProCredit Group: Responsible Banks for Ordinary People

The ProCredit group comprises 22 financial institutions whose business focus is on providing responsible banking services in transition economies and developing countries. We aim to provide accessible, reliable services to small businesses and the ordinary people who live and work in the neighbourhoods in which we operate. Today our 21,400 employees, working in 814 branches, serve 2.9 million customers in Eastern Europe, Latin America and Africa.

The first ProCredit banks were founded more than a decade ago with the aim of making a significant development impact by promoting the growth of small businesses. We sought to achieve this by providing loans tailored to their requirements and offering attractive deposit facilities that would enable and encourage low-income individuals and families to save. The group has grown strongly over the years – today we are one of the leading providers of banking services to small business clients in most of the countries in which we operate.

Our development mission and socially responsible approach remain as relevant today as they have ever been. Indeed, their importance has been underscored by the global financial crisis and the challenges this has created for individual clients as well as for national economies. The impact of the “credit crunch” will differ from country to country and from region to region, but now more than ever our customers need a reliable banking partner. That is why we have consistently applied the principles that have defined the ProCredit group since its foundation.

Our mission is to provide credit in a responsible manner to very small, small and medium-sized enterprises, as we are convinced that these businesses create the largest number of jobs and make a vital contribution to the local economy. Unlike most other banks operating in our markets, we avoid aggressive consumer lending and all speculative lines of business. Instead, the ProCredit banks work in close contact with their clients to gain a profound understanding of the problems small businesses face and the opportunities that are available to them.

Our tailored credit technology reflects the realities of our clients’ operating environment. Developed by the German consulting firm IPC, this

technology combines careful individual analysis of all credit risks with a high degree of standardisation and efficiency. It enables ProCredit institutions to reach a large number of small businesses while maintaining high loan portfolio quality. By making the effort to know our clients well and build long-term working relationships based on trust and understanding, we are well positioned to support them not only when the economy is buoyant, but also during a downturn.

Furthermore, our targeted efforts to foster a savings culture in our countries of operation have enabled us to build a stable deposit base. ProCredit deposit facilities are appropriate for a broad range of customers, and for low-income groups in particular. We offer simple savings products with no minimum deposit requirement. ProCredit banks place great emphasis on children’s savings products and on running financial literacy campaigns in the broader community. In addition to deposit facilities, we offer our clients a full range of standard non-credit banking services.

The ProCredit group has a simple business model: lending to a diverse range of enterprises and mobilising local deposits. As a result, our banks have a transparent, low-risk profile. We do not rely heavily on capital market funding and have no exposure to complex financial products. Furthermore, our well-trained staff are highly flexible and able to provide competent advice to clients, guiding them through difficult times. Despite the turmoil of the global financial markets, the performance of the ProCredit group has been remarkably stable: we ended 2008 with approximately 15.4% year-on-year growth in assets over the year and a comfortable level of profitability.

Our shareholders have always taken a conservative, long-term view of business development, aiming to strike the right balance between a shared developmental goal – reaching as many small enterprises and small savers as possible – and achieving commercial success.

Strong shareholders provide a solid foundation for the ProCredit group. It is led by ProCredit Holding AG, a German-based company that was founded by IPC in 1998. ProCredit Holding is a public-private partnership. The private shareholders include: IPC and IPC Invest, an invest-

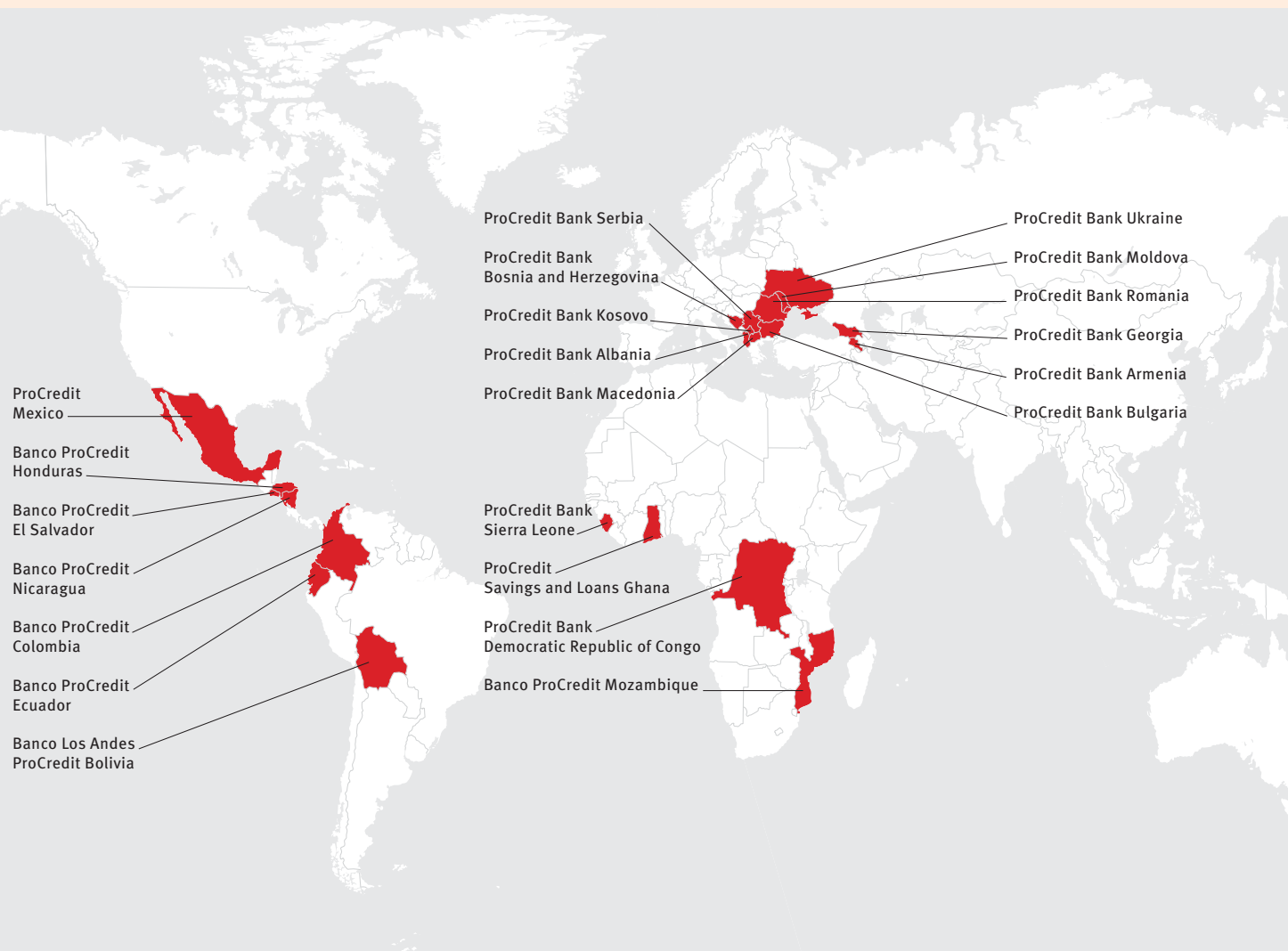
ment vehicle set up by IPC and ProCredit staff members; the Dutch DOEN Foundation; the US pension fund TIAA-CREF; the US Omidyar-Tufts Microfinance Fund; and the Swiss investment fund responsAbility. The public shareholders include the German KfW Bankengruppe (KfW banking group); IFC, the private sector arm of the World Bank; the Dutch development bank FMO; and the Belgian Investment Company for Developing Countries (BIO). The group also receives strong support from the EBRD and Commerzbank, our minority shareholders in Eastern Europe, and from the IDB in Latin America.

ProCredit Holding is not only a source of equity for its subsidiaries, but also a guide for the development of the ProCredit banks, providing the personnel for their senior management and of-

fering support in all key areas of activity. The holding company ensures the implementation of ProCredit corporate values, best practice banking operations and Basel II risk management principles across the group. The group's business is run in accordance with the rigorous regulatory standards imposed by the German banking supervisory authority (BaFin).

ProCredit Holding and the ProCredit group place strong emphasis on human resource management. Our neighbourhood banking concept is not limited to our target customers and how we reach them, it is also about our staff: how we work with one another and how we work with our customers. The strength of our relationships with our customers will be central to working with them effectively in 2009 and achieving steady

*The international group of ProCredit institutions; see also [www.procredit-holding.com](http://www.procredit-holding.com)*





business results. A responsible neighbourhood bank approach requires a decentralised decision-making process and a high level of judgment and creativity from all staff members, especially our branch managers. Our corporate values embed principles such as honest communication, transparency and professionalism into our day-to-day business. Key to our success is therefore the recruitment and training of a dedicated staff. We maintain a corporate culture which strengthens the professional development of our staff, while fostering their deep sense of personal and social responsibility. This entails not only intensive training in technical and management skills, but also a continuous exchange of personnel among our member institutions in order to take full advantage of the opportunities for staff development that are created by their participation in a truly international group.

A central plank in our approach to training is the group's ProCredit Academy in Germany, which provides a three-year, part-time "ProCredit Banker" training programme for high-potential personnel from each of the ProCredit institutions. The programme includes intensive technical training

and also exposes participants to a very multicultural learning environment and to subjects such as anthropology, history, philosophy and ethics. The programme provides an opportunity for our future leaders to develop their views of the world, as well as their communication and staff management skills. The first year of ProCredit Academy participants graduated in September 2008. The professional development of local middle managers is further supported by three regional academies in Latin America, Africa and Eastern Europe, which provide similar off-site training for a larger number of people.

The group's strategy for 2009 will reflect the prevailing conditions of the countries in which we work. We plan to intensify our focus on loan portfolio quality and to offer personal support to our existing clients. We will continue to invest in our staff since it is their skills which enable us to work effectively with our clients under changing macroeconomic conditions. As responsible banks for ordinary people, with prudent policies and an excellent staff to ensure our steady performance, we look forward to consolidating our position in all our countries of operation.

## ProCredit in Eastern Europe

ProCredit operates in 11 countries across Eastern Europe. With more than 611,000 loans outstanding, it is the region's leading provider of banking services to very small, small and medium-sized businesses.

2008 proved to be a challenging year for the region. After several years of strong economic growth and rapid expansion of banking sector assets, the effects of the global financial crisis were felt in the latter half of the year as credit growth slowed and public trust wavered. Although the medium-term implications are not yet clear, the region will certainly be affected by both the worldwide economic downturn and, with the banking sector dominated by western European banks, the turmoil in the global financial sector. We anticipate lower economic growth and higher levels of market volatility in our countries of operation – conditions to which ProCredit and its clients must adapt.

Given our consistent, reliable approach, ProCredit institutions are well placed to succeed in the current economic environment. We have a stable, straightforward balance sheet and a highly diversified client base. Our expansion in the first half of the year continued to be strong. Growth levelled off during the final two quarters as we introduced more conservative lending policies in response to greater credit risk. Our staff focused on working closely with our debtors and retail clients to help them understand and respond to changing conditions.

Across the region, the focus of most other banks in recent years has been on corporate financing and consumer lending. In comparative terms, these institutions have neglected the provision of credit to small entrepreneurs and family businesses. At ProCredit, we consider such clients to be our core target group. We are their banking partner of choice, able to understand their needs and offer sound, professional advice. These businesses will remain the driving force behind economic growth and job creation across Eastern Europe, just as they have been since the collapse of Soviet influence and large, state-owned enterprises. As other banks provide fewer loans in the region, due to either domestic or international constraints, it will be more important than ever that we provide our clients with access to sufficient finance to support their operations.

ProCredit has always emphasised the fact that consumer lending, which has been so aggressively pursued by other banks in Eastern Europe, has never been a line of business in which we wish to engage. Such loans can easily lead to over-indebtedness when banks advertise and disburse them irresponsibly in a competition to gain market share. We fear that the widespread practice of approving loans with an inadequate analysis of customers' repayment capacity may now exacerbate the problems that individuals and families face in less prosperous times. This poses further potential difficulties for the banking sector as a whole.

Our approach is to provide primarily business loans following a careful, individual analysis of each client's ability to meet his or her obligations. We have decentralised decision-making systems in place and a body of highly qualified staff who are able to conduct an efficient and reliable risk assessment even in more volatile economic conditions. ProCredit is guided by a responsible, long-term attitude towards business development. We aim to build lasting relationships with our clients and do not forget that a loan is also a debt. These values will be particularly pertinent when managing potential arrears in cases where clients have to adapt to lower than anticipated sales.

Our lending activities include the provision of agricultural loans; we are keen to support a sector that has been particularly neglected by other banks and that is vital for employment and social cohesion outside the main urban areas. We also provide housing improvement loans to help low-income families renovate their homes and improve energy efficiency.

Alongside its credit operations, ProCredit has invested strongly over the years in creating a savings culture amongst clients and the broader public. We believe that setting money aside can help protect savers against the uncertainties of life. This is perhaps truer now than ever before. The ratio of deposits to GDP in Eastern European countries is well below Western European levels, typically at around 50%. Through promotional events and direct, personal communication, we encourage people – particularly those who do not yet have a bank account – to make use of banking services and to regularly save a portion of their earnings.



We offer simple and reliable retail banking services, including flexible savings and deposit accounts to accommodate depositors' long- and short-term needs. Our belief in transparent, direct communication is particularly important in fostering clients' trust in these difficult times. We understand that our clients want to know in simple language how to save safely; they also want to access their money when they need it without unexpected complications. Thanks to the trust that the public has placed in ProCredit, local deposits are the principal source of funding for our lending activities to local businesses. We have therefore not had to rely on unpredictable capital markets. All the ProCredit institutions in Eastern Europe ended the year with a comfortable liquidity position and a stable, indeed increasing, net interest margin.

In line with our mission to reach clients in their neighbourhoods wherever they are, the ProCredit group continued to expand in 2008: we opened 116 branches and recruited more than 2,500 people in Eastern Europe alone, bringing the regional total to over 13,500 employees in 557 branches. In the coming year we will focus on strengthening our business operations from this base. We place a strong emphasis on transparency and will continue to run information campaigns in 2009 to

ensure that people understand the pricing of our products as well as those of our competitors.

Our staff is the key element in our approach to being a stable, down-to-earth and personal banking partner. The ProCredit group has a strong commitment to staff training, professional development and the cultivation of an open, honest communication culture. Staff exchanges, cross-border training programmes and regional workshops are an important part of our approach. In September 2008, construction was completed on the new Eastern European Academy, located near Skopje in Macedonia. Dedicated to the training of ProCredit middle managers, the Academy is an important channel for rapid and consistent communication region-wide and one that helps us adapt quickly to face new challenges: 210 managers have already graduated from the six-week intensive course since the facility was founded. A language centre at the Academy also provides residential English courses, maximising the potential for international exchange within the group. Like all prudent banks, we will continue to focus on efficient cost management in 2009 and beyond. Investment in our staff is however an ongoing commitment and will remain a central plank in the ProCredit Bank approach. A qualified, motivated and professional team lies at the root of our lasting success across Eastern Europe.

Name	Highlights*	Contact
<b>ProCredit Bank Albania</b>	Founded in October 1998 34 branches 40,619 loans / EUR 134.1 million in loans 177,630 deposit accounts / EUR 203.9 million 1,003 employees	Rruga Sami Frasheri Tirana Tel./Fax: +355 4 2 271 272 / 276 info@procreditbank.com.al www.procreditbank.com.al
<b>ProCredit Bank Armenia</b>	Founded in December 2007 4 branches 2,340 loans / EUR 16.7 million in loans 6,592 deposit accounts / EUR 6.7 million 203 employees	31, Moskovyan Str. Building 99 Yerevan 0002 Tel./Fax: + 374 10 514 860 / 853 info@procreditbank.am www.procreditbank.am
<b>ProCredit Bank Bosnia and Herzegovina</b>	Founded in October 1997 44 branches 65,277 loans / EUR 162.9 million in loans 113,096 deposit accounts / EUR 171.5 million 888 employees	Emerika Bluma 8 71000 Sarajevo Tel./Fax: +387 33 250 950 / 250 971 info@procreditbank.ba www.procreditbank.ba
<b>ProCredit Bank Bulgaria</b>	Founded in October 2001 87 branches 66,612 loans / EUR 578.9 million in loans 220,023 deposit accounts / EUR 341.9 million 1,955 employees	131, Hristo Botev Blvd. Sofia 1233 Tel./Fax: +359 2 813 51 00 / 51 10 contact@procreditbank.bg www.procreditbank.bg
<b>ProCredit Bank Georgia</b>	Founded in May 1999 58 branches 66,083 loans / EUR 221.8 million in loans 364,742 deposit accounts / EUR 126.1 million 1,815 employees	154 D. Agmashenebeli Ave. 0112 Tbilisi Tel./Fax: +995 32 20 2222 / 24 3753 info@procreditbank.ge www.procreditbank.ge
<b>ProCredit Bank Kosovo</b>	Founded in January 2000 60 branches 98,366 loans / EUR 439.6 million in loans 402,214 deposit accounts / EUR 570.0 million 1,158 employees	“Mother Tereze” Boulevard No. 16 10 000 Prishtina Tel./Fax: +381 38 555 777 / 248 777 info@procreditbank-kos.com www.procreditbank-kos.com
<b>ProCredit Bank Macedonia</b>	Founded in July 2003 40 branches 35,493 loans / EUR 129.1 million in loans 129,687 deposit accounts / EUR 127.6 million 791 employees	Bul. Jane Sandanski 109a 1000 Skopje Tel./Fax: +389 2 321 99 00 / 01 info@procreditbank.com.mk www.procreditbank.com.mk
<b>ProCredit Moldova</b>	Founded in December 1999 13 branches 13,221 loans / EUR 23.5 million in loans 175 employees	65, Stefan cel Mare Ave. office 900, Chisinau Tel./Fax: +373 22 836555 / 273488 office@procredit.md www.procredit.md
<b>ProCredit Bank Moldova</b>	Founded in December 2007 17 branches 2,973 loans / EUR 8.7 million in loans 9,226 deposit accounts / EUR 5.1 million 350 employees	65, Stefan cel Mare Ave. office 901, Chisinau Tel./Fax: +373 22 836555 / 273488 office@procreditbank.md www.procreditbank.md
<b>ProCredit Bank Romania</b>	Founded in May 2002 40 branches 41,948 loans / EUR 214.0 million in loans 142,379 deposit accounts / EUR 148.1 million 1,121 employees	62-64 Buzesti Str., Sector 1 011017 Bucharest Tel./Fax: +40 21 2016000 / 305 5663 headoffice@procreditbank.ro www.procreditbank.ro
<b>ProCredit Bank Serbia</b>	Founded in April 2001 86 branches 133,043 loans / EUR 453.3 million in loans 478,745 deposit accounts / EUR 332.3 million 2,058 employees	Milutina Milankovica 17 Belgrade Tel./Fax: +381 11 20 77 906/ 905 info@procreditbank.rs www.procreditbank.rs
<b>ProCredit Bank Ukraine</b>	Founded in January 2001 74 branches 45,858 loans / EUR 262.6 million in loans 105,656 deposit accounts / EUR 122.8 million 2,035 employees	107a Peremogy Ave. Kyiv 03115 Tel./Fax: +380 44 590 10 17 / 01 info@procreditbank.com.ua www.procreditbank.com.ua

\* The figures in this section have been compiled on the basis of the financial and operational reporting performed in accordance with group-wide standards; they may differ from the figures reported in the bank's local GAAP statements.

## Highlights in 2008

- ProCredit Bank Romania was serving more than 33,800 loan customers and over 89,400 retail customers at the close of 2008. The loan portfolio stood at EUR 216 million and deposits totalled EUR 151 million.
- ProCredit Bank expanded its network by adding five new facilities. We began operations in four more cities and opened an additional agency in Bucharest, bringing the total number of offices nationwide to 40.
- In October, the bank signed an agreement regarding provision of a syndicated loan in the amount of EUR 37 million. The EBRD arranged this transaction and also contributed EUR 15 million. The other members of the syndicate were international commercial banks. The transaction had been under negotiation since the first half of 2008 and was concluded during a difficult period for international capital markets, once again demonstrating the market's confidence in ProCredit Bank's stability and the soundness of its business model.
- The bank launched its e-banking facility to provide more efficient service to its customers. Over 1,600 clients now manage their accounts from the office or the comfort of their own homes.
- An Executive Committee was created at the top management level to reflect the grouping of the functional areas within the bank into four divisions: Finance and Risk Management, Internal Support, Operations, and Institutional Development. The committee consists of four managers, each of whom is responsible for one of the divisions.
- ProCredit Bank increased its share capital by EUR 10 million to EUR 29 million. ProCredit Holding provided additional equity, increasing its stake by 10.12%. Commerzbank and the EBRD also contributed additional equity, maintaining the size of their stakes.





- ProCredit Bank's financial standing in the capital markets remained stable even though Romania's country rating was downgraded to "BB+/BBB-". Fitch Ratings affirmed the bank's long-term foreign and local currency rating at "BB+", its short-term foreign and local currency IDRs at "B", and the individual rating at "D".
- The European Fund for Southeast Europe, the largest microfinance investment fund in the world, granted a loan equivalent to EUR 10 million in local currency to ProCredit Bank Romania. The bank is using the loan to fund lending to small and very small businesses, predominantly in rural areas.



## Management Business Review



**Management**  
from left to right:

**Marius Sindile**  
Division Director  
Member of the Executive Committee

**Dana Enache**  
Division Director  
Member of the Executive Committee

**Gian Marco Felice**  
General Manager  
Chairman of the Executive Committee

**Asmus Rotne**  
Deputy General Manager  
Member of the Executive Committee

## Political and Economic Environment

Since joining the European Union two years ago, Romania has made noteworthy progress in tackling some fundamental problems. That said, the European Commission has criticised the government for a lack of improvement in key areas such as judicial reform and the fight against corruption. That the required reforms were not accomplished during 2007 and 2008 when economic growth was still robust is perhaps a valid criticism one could level against the Romanian political establishment.

In many ways, 2008 was a turning point for the economy. During the first nine months of the year, economic growth reached 9.1%. This growth was driven by high consumption and booming investments, both of which were backed by strong credit expansion. As the global financial crisis worsened in September and October, though, bank lending slowed significantly, consumer sentiment deteriorated and companies shied away from new investments. As a result, real estate prices declined dramatically, as did prices on the Bucharest Stock Exchange, whose total turnover decreased by 55% compared to 2007.<sup>1</sup> Real GDP growth was expected to slow to 8.0% by the end of the year.<sup>2</sup>

Unexpectedly strong GDP growth boosted demand for goods and services and fuelled inflation between January and June. Inflation peaked at 9.04% in July, but had dropped to 6.3% by the end of the year.<sup>3</sup> Seeking to keep the economy from overheating, the National Bank of Romania (NBR) raised interest rates six times during 2008. By August, the NBR had also increased its monetary policy rate, reflected in its one week deposit taking operations, from 7.5% at the start of the year to 10.25%, the level at which it remained for the rest of the year.

From September, as the global financial crisis deepened, increasing risk aversion and outflows of investment capital affected many emerging economies. These factors led to higher volatility for emerging market currencies, including the Romanian leu, which ranged from an average high of 3.53 against the euro in August to an average low of 3.92 in December.<sup>4</sup> The downgrading of the country's rating to below investment grade by both Standard & Poor's and Fitch led to a further depreciation. The main concerns now are fis-

cal policy, as public expenditures are rising, and the foreign trade deficit, which reached EUR 22.5 billion at year-end, 3.4% higher than in 2007.<sup>5</sup> Despite the continuing increase in foreign direct investment, the current account deficit widened further due to a slowdown in remittances from abroad and deterioration in the income balance.

Looking ahead, the main policy challenge for Romania will be to maintain sustainable growth rates while at the same time limiting the current account deficit in order to regain the confidence of rating agencies. Given the concerns about the country's ability to service its debt, fiscal discipline will be particularly important. Romania has significant growth potential, but it is clear that the time for tough decisions has come. Given the current economic environment, these decisions will be all the harder to make.<sup>6</sup>

## Financial Sector Developments

The Romanian financial sector has experienced extraordinary growth in recent years. In view of rosy projections for the country's economy and the low cost of funds on international capital markets, banks focused on expanding their portfolios, increasing lending to both companies and private individuals. Greater competition caused effective interest rates to drop steadily and lending criteria were relaxed. In 2008, however, as the effects of the subprime mortgage collapse began to be felt, Romanian banks began to reduce their lending operations and to focus more on attracting deposits. Nevertheless, as of the end of December 2008, non-government lending was up by no less than 33.7% on a year-on-year basis.<sup>7</sup>

The situation changed in the second half of the year when the global financial crisis intensified.

<sup>1</sup> Bucharest Stock Exchange, Monthly Bulletin, December 2008

<sup>2</sup> NBR, forecast "Romania in the Context of the Global Financial Crisis: An Overview", December 2008

<sup>3</sup> NBR, Report on Inflation, February 2009

<sup>4</sup> NBR, www.bnro.ro "Financial Information"

<sup>5</sup> National Institute of Statistics, Press Release, February 2009

<sup>6</sup> Unless otherwise specified, figures in this section are based on the NBR Monthly Bulletin, December 2008

<sup>7</sup> NBR, Press Statement December 2008

In the face of significant withdrawals, attention shifted abruptly to maintaining the deposit base and deposit rates rose considerably. Lending was either severely restricted or stopped altogether as banks were becoming more concerned about liquidity and funding, and about the longer-term vulnerability of the real economy. Having relaxed lending criteria for years to gain market share, they began to worry about the quality of their portfolios. But despite the lending slowdown, the total net assets of the banking system grew by 25.14% to EUR 79 billion in 2008.<sup>8</sup>

One of the weaknesses of the Romanian banking sector is the large share of its capital held by foreign institutions and the high concentration of financial assets in the five largest banks (55%).<sup>9</sup> This could create systemic risks in the event of serious adverse developments.

The local banking market is currently served by 33 commercial banks registered in Romania as well as 10 branches of foreign banks. An additional 167 foreign banks and financial institutions offer services to local customers directly, taking advantage of their rights under the so-called “European Passport” for providers of financial services.<sup>10</sup>

Although the number of banks has increased in recent years, the level of financial intermediation (loans to the private sector as a proportion of GDP) was 36.6% in 2007, somewhat below the regional average of 48.5%.<sup>11</sup> The historic growth

in intermediation has nevertheless been impressive: the aggregate loan portfolio grew at an annual average rate of 61.2% between 2003 and December 2008.<sup>12</sup>

Given the recent fluctuations in foreign currency exchange rates, lending in hard currency, which represents more than 50% of total lending, is a cause of particular concern to the supervisory authorities. During 2008, the NBR moved to make hard currency lending more difficult and imposed further restrictions on consumer credit. Looking ahead, it can be assumed that commercial banks will become more risk-averse, with the focus in lending shifting from quantity to quality.

The current situation does not require any major changes in our business policy. We have always focused more on the quality of our relationships with our customers than on portfolio growth per se. Our business model suits these difficult times, making us stronger and better prepared to seek opportunities where others might see only danger.

<sup>8</sup> NBR Statistical Data: Aggregate indicators for credit institutions

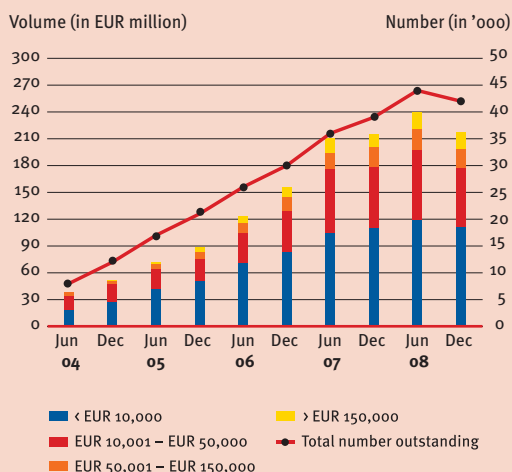
<sup>9</sup> Media interview with NBR representative: Curierul National, 27.11.2008

<sup>10</sup> NBR register: www.nbr.ro

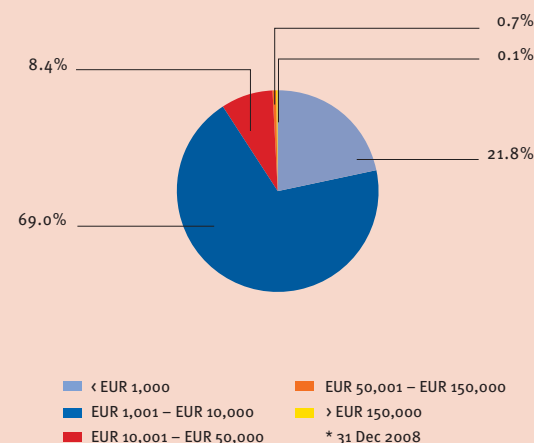
<sup>11</sup> NBR, “Credit Development in Central and South-Eastern Europe and several Policy-Related Issues” June 2008

<sup>12</sup> NBR Monthly Bulletins, December 2003 and December 2008

### Loan Portfolio Development



### Number of Loans Outstanding – Breakdown by Loan Size\*



## Lending Performance

The deterioration in economic conditions and in the operating environment for banks also affected ProCredit Bank, as can be seen in its significantly lower rate of loan portfolio growth and in the decline in portfolio quality. Overall, though, we were well positioned to deal with the deteriorating economic environment in 2008.

The bank's outstanding loan portfolio as of December 31 totalled EUR 216 million, representing more than 41,600 loans. We disbursed 19,800 loans during the year, amounting to EUR 131.5 million. The growth rate of the gross loan portfolio as reported in EUR was down from 35.96% in 2007 to 0.90%; excluding the impact of currency fluctuations, these figures were 45.15% and 11.38% respectively.

ProCredit Bank continued to provide financing to its core target group of small and very small businesses and agricultural producers. Loans to such clients represented 92.16% of the total loan portfolio volume, and the average loan amount disbursed in 2008 was approximately EUR 6,600. As in past years, the bank did not engage to any significant extent in riskier kinds of lending in high-growth markets, such as real estate project financing and consumer lending.

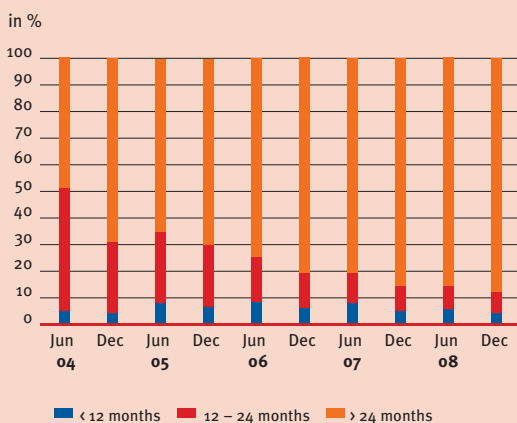
Agricultural lending continues to show strong growth and is a key part of our credit portfolio.

Most of our customers in this segment are small farmers, and they are unlikely to be seriously affected by the economic downturn. Full integration into the EU has created a wealth of market opportunities for the Romanian agricultural sector. Significant investment is needed, however, if this potential is to be tapped. Between 2007 and 2013, the EU funds earmarked for Romania under the Common Agricultural Policy amount to EUR 7.5 billion. Access to a significant part of this amount is conditional on farmers being able to provide a certain volume of funding on their own, which has created a high demand for bank credit in the agricultural sector. As a result, we expect this segment of our loan portfolio to continue growing steadily.

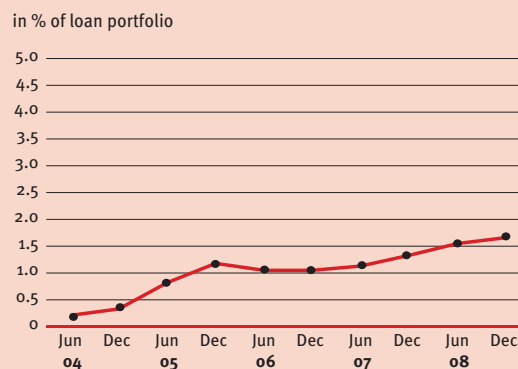
The bank has special products for farmers – simple loans with flexible repayment schedules tailored to the seasonal cycle of their operations. It issues agricultural loans in amounts ranging from EUR 200 to EUR 500,000. In 2008 the agricultural portfolio increased by 25.96% to EUR 36.8 million.

As noted above, ProCredit Bank's involvement in other areas of lending, including home improvement loans and consumer lending in particular, is limited, and it does not promote such products. Our approach to consumer lending is grounded in the recognition that lenders bear part of the responsibility for preventing their clients from becoming excessively indebted. At year-end, outstanding consumer loans and home improvement

**Business Loan Portfolio – Breakdown by Maturity**



**Loan Portfolio Quality (arrears >30 days)**



**Net write-offs:** in 2005: EUR 394,226 in 2007: EUR -182,489  
in 2004: EUR 93,915 in 2006: EUR 554,618 in 2008: EUR 1,365,596

loans totalled EUR 12.8 million, which was only 5.9% of the total portfolio volume.

Historically, the quality of our loan portfolio has been good. Two factors, however, had a negative impact on the portfolio during the year. Before the NBR effectively put an end to aggressive consumer lending in the summer, some of our clients had taken out additional loans from other institutions. Many of these were consumer loans that reduced their repayment capacity. During the autumn, the deteriorating economic environment also had an effect on the portfolio. At year-end, the portfolio at risk (loans in arrears by more than 30 days) stood at 1.66% of the total portfolio (2007: 1.30%). Net write-offs amounted to EUR 1.4 million, or 0.63% of the total portfolio. Loan loss provisions were meanwhile equivalent to 2.63% of the portfolio, which comfortably covered our risks. Nevertheless, improving loan portfolio quality is the bank's top priority in its lending business for the coming year.

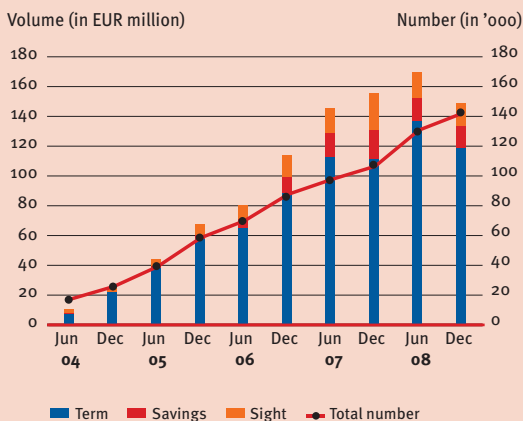
### Deposits and Other Banking Services

In 2008 it became increasingly difficult and expensive to borrow on international financial markets. Customer funds gained in importance as a funding source for almost all banks in the country, leading to heightened competition which boosted deposit interest rates, especially for corporate clients.

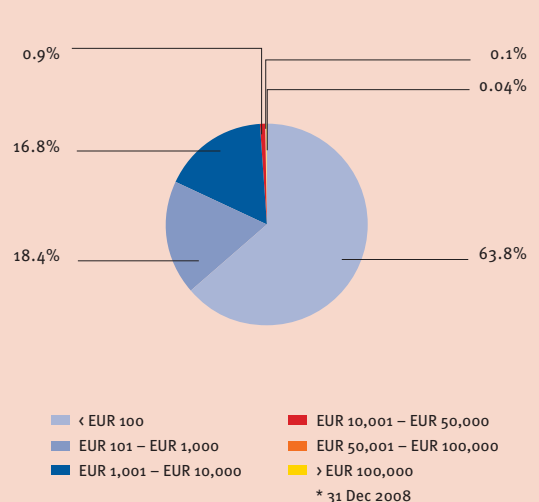
ProCredit Bank also strengthened its efforts to mobilise deposits. Despite the volatility of the market environment, we were able to further diversify our portfolio of customer funds by attracting many new retail depositors. Given the worsening economic environment and the squeeze on household incomes, however, the overall deposit volume decreased by 5.85% to EUR 151 million. The average balance per customer account was EUR 1,075, which reflects the bank's commitment to serving lower-income individuals who have traditionally had only limited access to banking services. The number of retail clients rose by 27.7% to over 89,400.

At ProCredit Bank, we see the promotion of a savings culture among low- and middle-income households as a key part of our corporate mission. To this end, our retail banking staff carry out direct promotions, providing easy-to-understand information about all aspects of our deposit facilities and other retail services. As a neighbourhood bank, we also play an active role in our local communities by making a positive contribution to residents' quality of life. We support and organise environmental initiatives and also run community educational programmes for children and adults that are designed to demystify the banking sector. The trust that people place in our bank is sustained by providing friendly and competent service in every branch and to every client.

#### Customer Deposits



#### Number of Customer Deposits – Breakdown by Size\*



\* 31 Dec 2008

As part of its ongoing efforts to improve its services and reach more customers, ProCredit Bank introduced e-banking in 2008. This new facility enables our clients to conduct transactions from their homes or business premises, and the fees charged on e-transactions are substantially lower than those we charge at our branches.

We also expanded our client base by introducing a new service designed specifically for military retirees, who can now receive their pensions through accounts at ProCredit Bank. The response so far has been very positive, and we look forward to serving more members of this new target group in the future.

We are currently expanding our ATM network with the goal to almost double the present number of terminals by the end of 2009. A larger network will give our customers more convenient access to their funds and help make accounts at ProCredit Bank a more attractive option for salary earners. Likewise, small companies in the neighbourhoods where we are based will have a greater incentive to pay their employees via bank transfers rather than in cash.

Domestic and international transfers continued to perform well in 2008. Payments within Romania totalled over EUR 1 billion, while the volume of international transfers was up by 16.9%, rising to some EUR 122.7 million.

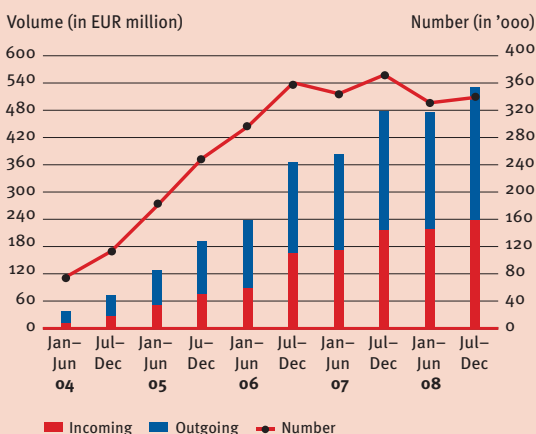


ProCredit Bank regards card transactions as a safe and convenient alternative to cash payments. Since all loans must be carefully analysed in a dialogue with the prospective borrower, we do not offer credit cards. We do, however, encourage our account holders to gain from the benefits of our debit card service and over 22,200 such cards were in circulation at the end of the year.

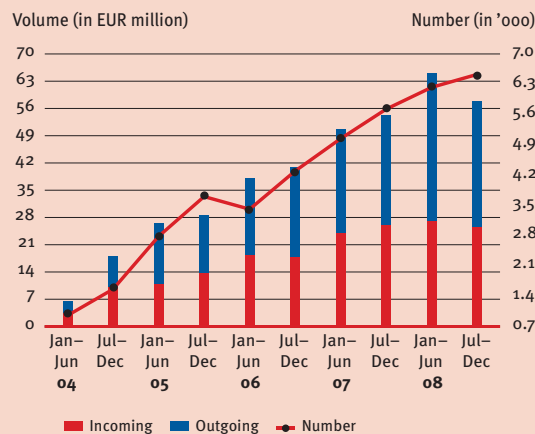
### Financial Results

The global financial crisis had a considerable impact on the bank's financial results in 2008. Funding at a reasonable price became difficult to obtain, particularly in the last quarter. At 0.90%, compared to 35.96% in 2007, loan portfolio growth was lower than expected, and, as a result, the increase in total assets came to 4.20%. Nevertheless, the bank was able to maintain a

#### Domestic Money Transfers



#### International Money Transfers



comfortable level of liquid assets, which stood at 25.2% of total assets at year-end.

Growth in retail deposits and loans from banks and other financial institutions was also slower than expected. As the competition for deposits increased, it became more challenging to expand the customer deposit base, which decreased by 5.85% to EUR 151 million. Loans from banks and financial institutions grew by 20.04%. In October, ProCredit Bank signed an agreement regarding a EUR 37 million syndicated loan, which provides a significant source of funding. The fact that we received this loan in the midst of the financial crisis indicates that our prudent approach and business model based on responsible banking are reassuring to investors and other providers of funds.

There were minor changes in our ownership structure during the year. The shareholders reaffirmed their commitment to the bank by participating in a capital increase in the amount of EUR 10 million through which ProCredit Holding's stake rose to 42.34%.<sup>13</sup> As a result of this capital increase, our regulatory capital adequacy ratio at the end of 2008 stood at 16.26%, up from 12.2% at the end of 2007.

Interest income rose by 22.2% during 2008. The increase was driven mainly by income from loans, which accounted for 95.6% of total interest income. The increase in the volume of interest income was not, however, sufficient to fully offset the rise in interest expenses, which increased to over EUR 23.5 million due to increased local competition for deposits and a global rise in interest rates.

Net fee and commission income rose by 12.8%. As a result, operating income grew by 5.4% to EUR 25 million. This growth was outpaced, however, by the growth in operating expenses, which were up by 19.4%. After deposit interest, the second largest cost driver was the bank's continuing institutional growth: ProCredit Bank hired 464 employees and opened five additional offices. Overall, the cost-income ratio before provisions increased from 87.4% in 2007 to 96.6%.

Portfolio quality was another challenge in 2008 as the financial crisis began to have economic

ramifications which affected our clients' businesses. Accordingly, management deemed it prudent to boost the bank's provisions for loan impairment to EUR 2.94 million at the end of the year, covering 159% of the portfolio at risk. Despite the challenges posed by the changing economic environment, ProCredit Bank's PAR (1.66%) was significantly below the average for the banking sector as a whole.

Our operations are mostly based on local currency lending in order to shelter our customers from exchange rate risks. Over 80% of the loan portfolio is denominated in RON, compared to 45% in the banking sector as a whole. When the local currency market was shaken in October, ProCredit Bank saw the cost of obtaining funding from domestic capital markets soar by 15% within a few weeks. The damage was already done when these markets began to settle. The sudden increase in funding costs quickly turned our positive result into a net loss for the year of EUR 1.8 million. Consequently, the return on equity was negative, standing at -8.9% (2007: 4.90%).

## Outlook

The bank will face both opportunities and challenges in 2009. Romania could see a slowdown in economic growth, especially in construction and services, as lenders will probably become more risk-averse. Thanks mainly to the measures taken by the NBR, the global financial crisis has not seriously affected the Romanian banking system so far, but in the future it could adversely impact liquidity levels and make credit more expensive.

In such an environment, our strategic priorities will be to enhance our brand awareness through intensive direct promotion and to continue expanding the branch network, primarily in cities where we already operate. With mortgage and consumer lending no longer the driving force for growth in the economy, small business lending will be even more essential to the country's development. ProCredit Bank will continue to play a central role in this area. In order to strengthen our competitive position, we will continue to concentrate on building long-term relationships with our customers and on further improving service quality. The various activities which are an inte-



gral part of our neighbourhood bank concept will support our efforts to increase the deposit base.

We see great potential for expansion in agricultural lending. Although the agriculture, forestry and fishery sectors increased their combined output by 23.4% during the first three quarters of 2008,<sup>14</sup> these sectors received only 4% of local net investment in 2008.<sup>15</sup> We are convinced that broader access to credit can dramatically increase agricultural productivity. Given the significance of this sector for Romania's economic development, and thus its key importance in terms of our overall mission, we will continue to expand our agricultural lending operations.

To help achieve our objectives for the coming year and build a solid foundation for further sustainable growth, we will continue to make significant investments in staff development and focus on providing a responsible, tailored service to our core target group of small-scale businesses and low-income households.

<sup>13</sup> On 31 December, approval of the current shareholder structure from the regulatory authorities was still pending.

<sup>14</sup> National Statistics Institute, Monthly Bulletin, October 2008

<sup>15</sup> National Statistics Institute, Press statement No. 245, December 2008

## Special Feature



### ProCredit Bank: a Responsible Bank in an Increasingly Irresponsible Banking Market

The present global crisis in the banking sector demonstrates the importance of a responsible approach to the banking business.

Over the past few years, increasing competition for asset growth among banks has created a highly dynamic environment. In recent years, the market has witnessed the emergence of an array of new institutions, as well as more and more complex products and services. Customers are often overwhelmed by the amount of information and choice they are given.

Aggressive, ultimately irresponsible expansion strategies in consumer lending have made it too easy for people to borrow. The loan terms they are offered are frequently non-transparent or simply misleading. Now, in Romania as in many other countries, this situation threatens to erode public confidence in banks. Deposit and credit customers alike face a frustrating amount of misinformation.

Hidden fees and commissions lurk in the small print of contracts or are disclosed in full only once a loan agreement has been signed. The effective interest rate is often far above the advertised nominal rate due to mandatory life insurance payments or high disbursement fees. Similarly, irresponsible banks have advertised the highest possible return on their term deposit accounts, hoodwinking savers into believing that the rate in the beginning will be as high as in the final period, whereas in reality it is sometimes three or four times less.

Unfortunately, there has been poor consumer protection and insufficient regulation in these areas in recent years. In this environment, ProCredit Bank has remained committed to its code of responsible ethics. Ever since it was founded, the institution has stood out for its unique values and mission: it has always combined a sound commercial approach with the promotion of development goals.



So what does “responsible banking” mean to us? It means offering simple products and services that do not entail any hidden fees or commissions; it means having capable and honest employees who provide transparent information to clients; it means cultivating equitable relationships between the bank and its clients; and, last but not least, it means investing in measures to promote transparency in the entire Romanian banking sector, helping people to understand basic banking terms and products. Over the past two years, ProCredit Bank has increased its efforts in this last area by carrying out regular financial education activities. Our aim has been to enable members of the public to analyse the most common financial products and services and to intelligently assess their financial options even when they are given only limited information.

ProCredit Bank also takes a responsible approach in its credit activities. Our lending methodology helps to ensure that people will not become overly indebted if they receive a loan from us, and we

also make sure that loans are used to develop the borrowers’ businesses and not for consumption. Careful analysis, well-trained staff, and regular visits to clients at their business premises are all factors which help us not only to manage customer relationships effectively, but also to efficiently monitor and mitigate credit risk.

Above all, responsible banking means that we earn the trust of our clients in all of our dealings with them. We do this by basing our relationships on honesty, transparency and a commitment to our fundamental values.

## Risk Management

ProCredit Bank Romania aims to effectively identify, measure, aggregate and manage risk exposure and to allocate sufficient capital to cover all risks. The bank is responsible for managing the risks to which it is exposed, but it does so in accordance with group guidelines issued by ProCredit Holding.

Central to our risk management strategy are our simple and transparent business model, a thorough understanding of our customers' businesses, well-trained staff and a conservative approach to financial risk. In co-operation with the ProCredit group of banks, ProCredit Holding has developed specific principles for risk management and best practice recommendations. In addition, the ProCredit Code of Conduct promotes a high level of risk awareness at all levels of the institution.

The Risk Department sets forth the bank's risk profile in a quarterly report. This report is discussed with the bank's management, the Board of Administrators and the Group Risk Management Department of ProCredit Holding. Additionally, the Board of Administrators reviews the bank's overall risk profile and risk-bearing capacity on an annual basis. The management of ProCredit Bank is, however, responsible for implementing the risk strategy and for convening the requisite risk committees.

The Risk Management Committee oversees four subcommittees: the Assets and Liabilities Management Subcommittee, the Credit Risk Management Subcommittee, the Operational Risk Management Subcommittee and the Subcommittee for the Prevention of Money Laundering and for Combating the Financing of Terrorism. These bodies address all material risks from a strategic perspective in their regular meetings, while the Risk Management Committee convenes at least on a quarterly basis and reports directly to the Board of Administrators.

The Risk Department develops and implements risk management at an operational level. It is supported by the Internal Audit Department, which assesses possible risks, including the potential for fraud, in all processes and areas of operations. The findings of these audits are immediately passed to the appropriate level of management whenever potential problems are identified.



### Credit Risk

Managing credit risk is a core aspect of our risk management activities. The design of our lending process minimises the level of risk associated with individual loans and begins with our loan officers, who conduct a thorough credit analysis of each applicant. Unlike many lending institutions, ProCredit bank does not use automated credit scoring systems. A credit committee verifies the



initial assessment, approving the loan if the necessary criteria are met. The responsible loan officer then maintains regular contact with each client throughout the maturity period to monitor the performance of his or her business and ensure that the agreed repayment plan is adhered to.

By lending small amounts to a large number of enterprises in a wide range of sectors, the bank maintains a highly diversified loan portfolio: the

average disbursement in 2008 was EUR 6,615. ProCredit Bank places great importance on loan portfolio quality and works closely with its clients to limit the number of arrears. Due to increasingly challenging market conditions towards the end of the year, however, the portfolio at risk (loans overdue by more than 30 days) increased to 1.66% of the total portfolio (2007: 1.33%). Loan-loss provisions were conservative, covering the PAR by 163% on December 31. Actual loan losses

totalled EUR 1.4 million (0.65% of the portfolio) and the bank recovered EUR 52,000 from loans that had previously been written off.

ProCredit Bank has always had a strong focus on portfolio quality, but in the light of recent macro-economic instability and the growth of our operations, we will redouble our efforts to manage credit risk in 2009. To this end, lending procedures will be updated in terms of both products and processes, although our priority will continue to be on high quality over mass quantity as we strive to meet clients' needs under more challenging conditions. We will provide intensive training sessions for operational staff that deal with credit risk at an individual level, and credit risk-related departments of the bank will recruit additional staff to boost their working capacity.

### Market Risk

ProCredit Bank manages market risk by minimising open currency positions and by seeking to limit the impact of adverse interest rate movements on its assets and customers' liabilities. As it does not engage in speculative transactions and focuses on local investments, the bank has a low exposure to market risk.

Nevertheless, operations are conducted in both local currency and foreign currencies and the bank therefore monitors its currency exposure on a daily basis. In compliance with both group and central bank requirements, it closes its positions within predefined limits. The average open currency position during 2008 was -0.03% of the average total capital (Tiers 1 and 2). By disbursing 80.6% of our loans in RON, the bank minimises foreign exchange risks and currency mismatches between its assets and its liabilities.

The bank also ensures that the structure of its assets and liabilities is well-balanced in terms of maturities. Interest rate risk is managed mainly by using maturity gap and duration analysis. Assets repricing during 2008 equalled 75.9% of liabilities repricing within the same period.

### Liquidity Risk

The Assets and Liabilities Management Subcommittee meets on a weekly basis to examine actual and projected liquidity gaps as part of its overall short- and medium-term analysis of the bank's cash flow. At year-end, liquid assets were equal to 27.5% of total liabilities and covered a comfortable 49.4% of customer deposits.

Throughout 2008, the bank continued to implement its strategy of both increasing the share of the loan portfolio funded through customer deposits and diversifying its external funding sources. However, due to the market developments by the financial crisis, customer deposits were equal to 69.7% of the loan portfolio at the close of the year (2007: 75%). Given our target group, the bank's portfolio of customer deposits exhibits a high degree of granularity, which provides a more stable financing base from the standpoint of liquidity risk. Reflecting the success of our efforts to further diversify our funding sources, the share of total customer funds provided by the 10 largest depositors decreased from 27.9% in 2007 to 15.4% in 2008.

In 2008, the bank attracted new sources of medium-term financing in both local and foreign currency, ensuring sufficient funding to finance future lending growth. Other members of the ProCredit group represented an additional potential source of short-term liquidity and long-term funding.

### Operational Risk

Operational risk control is a key element of our risk management strategy, especially in view of the scale and pace of the bank's growth. Accordingly, we maintain a central risk event database, and the Operational Risk Management Subcommittee actively monitors and controls operational risk. The committee's other responsibilities include the development of appropriate procedures in all areas alongside monitoring activities to ensure that these are being implemented, the creation of disaster recovery plans and the implementation of information security policies.

The bank makes substantial investments in ongoing staff training to keep its professional, highly



qualified staff abreast of changes in procedures. We explain the nature and implications of various risks to our employees and have clearly defined responsibilities within the organisational structure to ensure that duties are segregated. Furthermore, at least two experienced staff must authorise high-risk transactions.

### **Capital Adequacy**

The bank adequately covered all of its risk-weighted assets with capital throughout the year. The

group's policy is to maintain a capital adequacy ratio of at least 12% in accordance with Basel II standards. Shareholder support of ProCredit Bank remained high during a tumultuous year in the financial sector: a share capital increase of EUR 10 million in April ensured availability of the necessary funds for the development of the bank. By the close of 2008, the regulatory capital adequacy ratio had increased from 12.2% at the end of 2007 to 16.26%.

## Branch Network

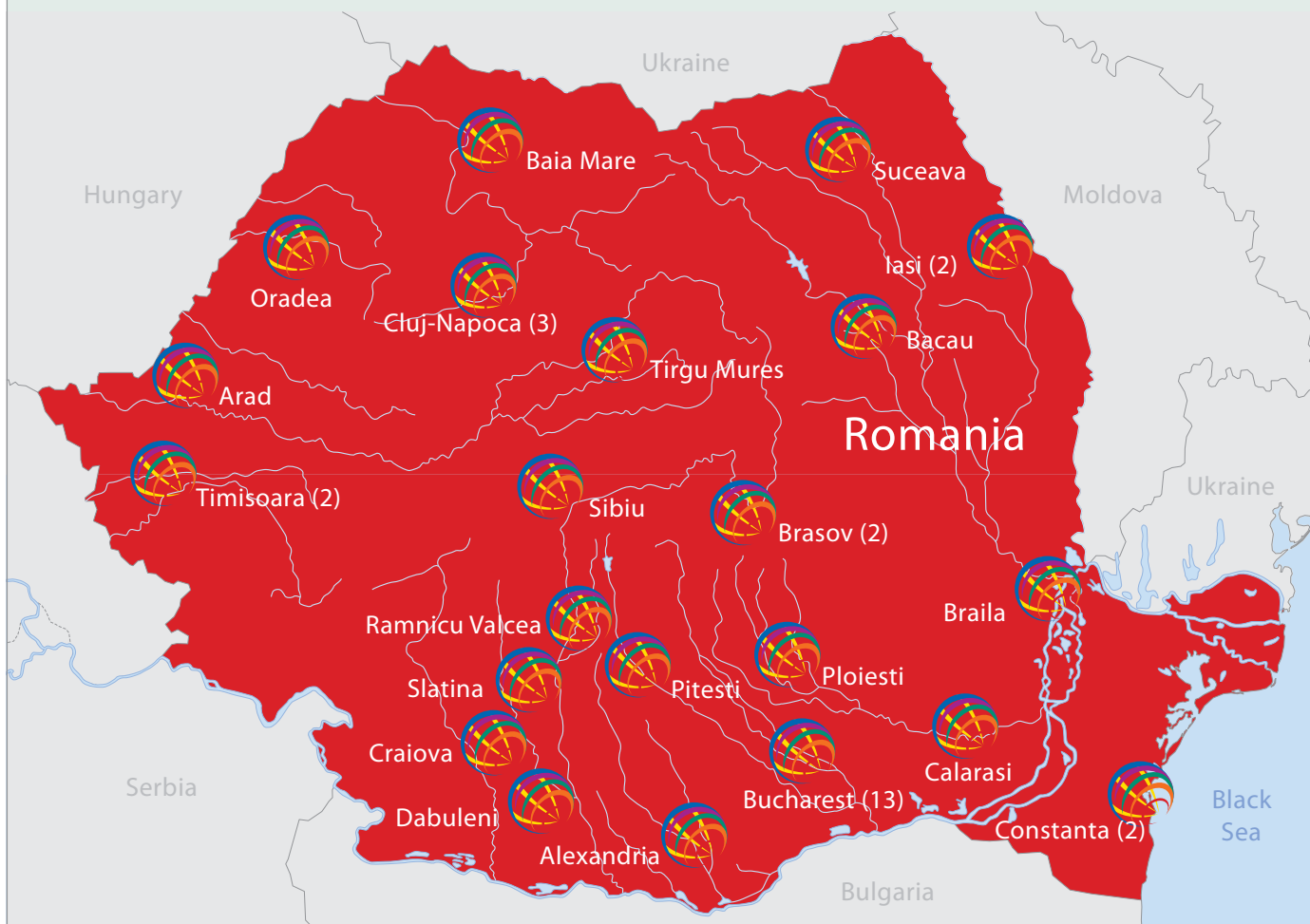
In developing our branch network, the strategic goal for 2008 was to expand into cities that were not previously served by ProCredit Bank. We launched our full range of services in four such new markets with one branch each in the cities of Bacau, Calarasi, Slatina and Oradea. We also opened an additional retail agency in Bucharest. These smaller branches provide non-credit services in easily accessible locations in towns and cities that are also served by a larger branch. At the end of the year, we were operating through a network of 32 branches and 8 agencies.

Following our mission to bring banking services to ordinary people and to increase our outreach beyond town and city centres, ProCredit Bank operates a small fleet of mobile branches. Staff in these vehicles provide potential clients with information regarding the bank's products and are also able to accept loan applications. The mobile branches have proved to be of particular benefit to farmers and the operators of other agricultural businesses

who would not otherwise have access to the services of a formal financial institution.

In line with our steady institutional growth, we also expanded the bank's head office premises to accommodate the increasing number of personnel that provide support to our branches.

Our plan for the coming year is to continue expanding the branch network, giving priority to increasing our market coverage in larger cities where we already operate. In doing so, the focus will be on opening retail agencies to support our non-lending operations. This strategy will allow us to offer our deposit and account services to a larger number of customers in a cost-effective manner, creating the basis for increased growth in our retail banking operations. We also plan to refurbish and relocate some of our existing branches to improve their appearance and make them more inviting places for our customers to conduct their banking business.





## Organisation, Staff and Staff Development



Our success over the years would not have been possible without the dedicated efforts of our staff and their identification with the bank's corporate mission. The value-driven institutional culture of ProCredit Bank is what inspires our employees, while our continuing investment in staff development ensures that they have the requisite professional and people management skills.

The rapid growth in the banking sector that had caused staff turnover rates to increase during 2007 slowed this year. Bank employees began to look more for stability and security in their positions. This change, plus our emphasis on continuity, long-term development and trust, helped us to reduce the annual turnover rate from 22.5% in 2007 to 20.6% in 2008, which was significantly below the market average of 25%.

Applicants' professional qualifications are certainly an important criterion in the selection process, but our proven recruitment strategy involves careful consideration of candidates' social competence and people management skills with a view to building up a well-balanced and effective team. During

2008, we hired and trained 464 new employees, which brought the total number to over 1,120.

In contrast to previous years, when recruitment was focused on supporting branch network expansion, in 2008 we increased our head office staff capacity by 50%. At the same time, we strengthened the regional management structure developed last year for the branch network with the addition of the position of deputy regional manager. Furthermore, a new overall organisational framework was implemented based on four main divisions. These moves are helping us to improve efficiency, co-ordination and internal control across all of our activities and operations.

We continued to invest in staff development at all levels while making sure that all qualified employees were able to apply for internal vacancies. In 2008, 305 staff members advanced their careers by taking up new duties within the bank.

By providing intensive training to our staff, we ensure that expansion does not compromise the quality of our service or our relationships with our



customers. In order to enable the bank to upgrade and expand its in-house training programmes for both new recruits and existing employees, we set up a training unit within the Human Resources Department in November. The unit's responsibilities include the organisation of induction training courses which combine classroom instruction and practical training and cover job-related skills while familiarising new staff with ProCredit's mission and corporate values.

In addition to taking part in local training, the bank's employees participate in various international programmes offered by the ProCredit group. During 2008, 21 of our managers attended the courses at the ProCredit Academy in Germany and the ProCredit Regional Academy for Eastern Europe in Macedonia. The very visible benefits of the training provided at the two academies have a multiplier effect as the participants put their improved skills to use in their daily work and share them with their colleagues.

Since English is the working language within the ProCredit group, a good command of the language



is essential in the broader international context in which our bank operates as a member of the group. Recognising this, we arranged for 14 members of our staff to take part in the intensive English courses offered at residential ProCredit language centres in Germany and Macedonia during 2008.

ProCredit Bank is not just about financial services: people are more important to us than products and processes. This is reflected in our emphasis on the quality of our relationships, both with each other and with our customers. It is our emphasis on the quality of our staff, our greatest asset, which makes our bank a truly unique institution.



## Business Ethics and Environmental Standards

Part of the overall mission of the ProCredit group is to set standards in the financial sectors in which we operate. We want to make a difference not only in terms of the target groups we serve and the quality of the financial services we provide, but also with regard to business ethics. Our strong **corporate values** play a key role in this respect. We have established six essential principles which guide the operations of ProCredit institutions:

- **Transparency:** We adhere to the principle of providing transparent information both to our customers and the general public and to our employees, and our conduct is straightforward and open;
- **A culture of open communication:** We are open, fair and constructive in our communication with each other, and deal with conflicts at work in a professional manner, working together to find solutions;
- **Social responsibility and tolerance:** We give our clients sound advice; their economic and financial situation, their potential and their capacities are assessed so that they can benefit from appropriate “products”; promoting a culture of savings is important to us; we are committed to treating all customers and employees respectfully and fairly, regardless of their origin, colour, language, gender or religious or political beliefs;
- **Service orientation:** Every client is served in a friendly, competent and courteous manner. Our employees are committed to providing excellent service to all customers, regardless of their background or the size of their business;
- **High professional standards:** Every employee takes responsibility for the quality of his/her work and strives to do his/her job even better;
- **A high degree of personal commitment:** This goes hand-in-hand with personal integrity and honesty – traits which are required of all employees in all ProCredit institutions.

These ProCredit values represent the backbone of our corporate culture and are discussed and actively applied in our day-to-day operations. Moreover, they are reflected in the Code of Conduct, which transforms the ProCredit group’s ethical principles into practical guidelines for all ProCredit staff. To make sure that new staff fully understand all of the principles that have been defined, the induction training for new employees

includes dedicated sessions dealing exclusively with the Code of Conduct and its significance for all members of our team. And to ensure that employees remain committed to our high ethical standards and are made aware of new issues and developments which have an ethical dimension for our institution, refresher training sessions – at which case studies are presented and grey areas discussed – are regularly conducted for existing staff.

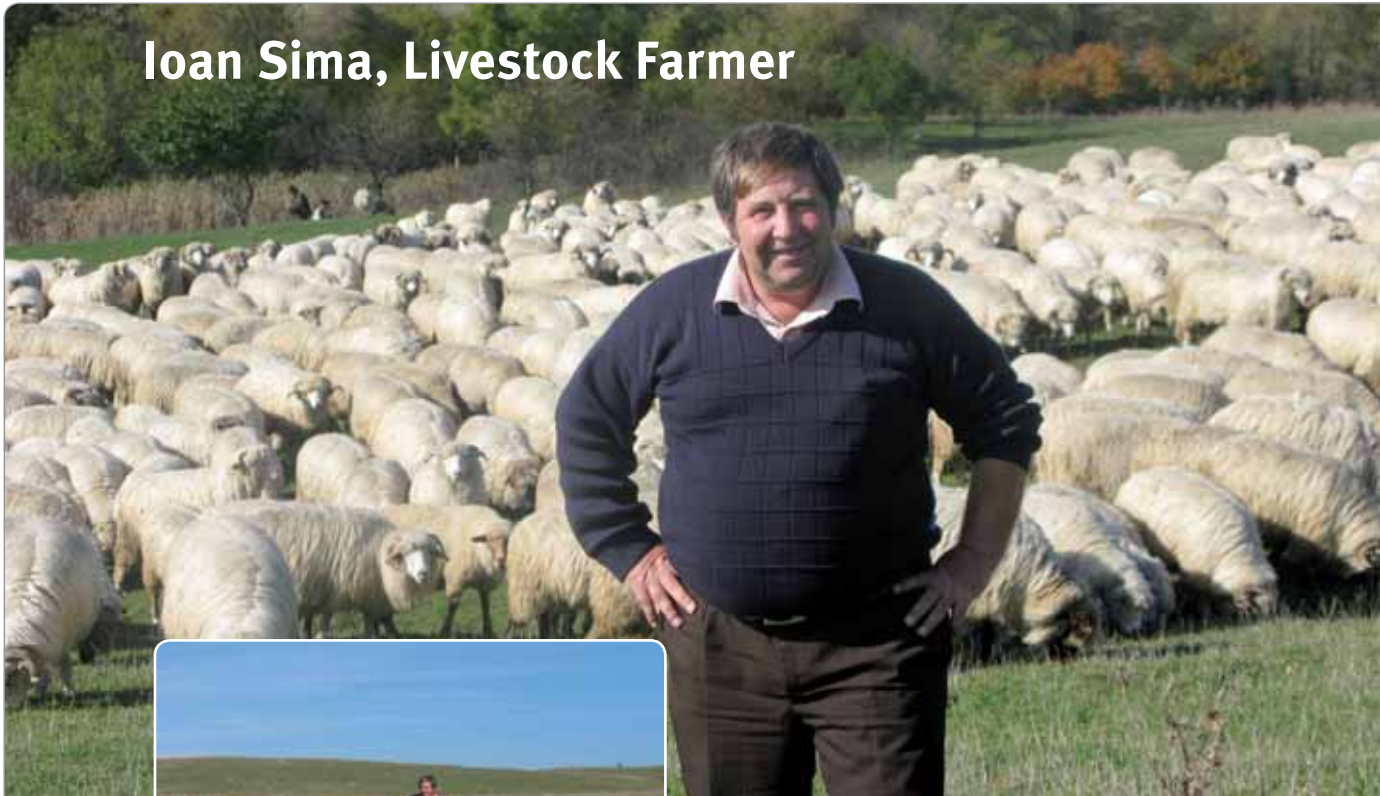
Another aspect of ensuring that our institution adheres to the highest ethical standards is our consistent application of international best-practice methods and procedures to protect ourselves from being used as a vehicle for money laundering or other illegal activities such as the financing of terrorist activities. The important focus here is to “know your customer”, and, in line with this principle, to carry out sound reporting and comply with the applicable regulations. In 2009 we will implement updated anti-money laundering and fraud prevention policies to ensure compliance with German regulatory standards across the group.

We also set standards regarding the impact of our lending operations on the environment. ProCredit Bank Romania has implemented an environmental management system based on continuous assessment of the loan portfolio according to environmental criteria, an in-depth analysis of all economic activities which potentially involve environmental risks, and the rejection of loan applications from enterprises engaged in activities which are deemed environmentally hazardous and appear on our institution’s exclusion list. By incorporating environmental issues into the loan approval process, ProCredit Bank Romania is also able to raise its clients’ overall level of environmental awareness. We ensure that when loan applications are evaluated, compliance with ethical business practices is a key consideration. No loans are issued to enterprises or individuals if it is suspected that they are making use of unsafe or morally objectionable forms of labour, in particular child labour.



## Our Clients

### Ioan Sima, Livestock Farmer



Ioan Sima lives with his family in a mountain village 75 kilometres from Brasov. He owns more than 2,000 goats and sheep and runs a dairy cattle farm. His parents were sheep farmers, and as a child he always thought that he would also be a sheep farmer when he grew up. Initially, though, he managed an agricultural co-operative. In the late 1980s, Mr. Sima then decided to try his hand at what he had always wanted to do: raising sheep. The business started from nothing and grew steadily; he bought between ten and twenty more animals each year.

In 2006, loan officers from the Brasov branch of ProCredit Bank visited the village to promote agricultural loans. Mr. Sima was favourably impressed and was among the first from the village to receive such a loan. Borrowing the equivalent of EUR 32,000, he purchased additional animals and land for pasture. Thanks to his excellent repayment record, he was able to take out a second loan in 2007 – this time for EUR 30,000, which he used to modernise his winter stables and to invest in equipment.

Mr. Sima had had some unpleasant experiences with other banks before becoming a ProCredit customer. This gave him certain reservations about applying for credit. Nevertheless, he decided to give ProCredit a try, and he has no regrets:

*“When I took out the first loan from ProCredit Bank, I had fewer than 1,000 animals. Today I own more than 1,600 sheep, 400 goats and 50 cows. This bank was there for me when I needed money to expand my business, and such loyal support is the most important thing in a banking relationship,”*

says Mr. Sima.

Today, he has over 20 employees and more than 500 hectares of land which he uses in part to grow feed for his herds. The whole operation produces more than 2,000 litres of milk per day, which Mr. Sima sells to a dairy in Brasov.

Looking to the future, Mr. Sima would like to buy another 400 sheep and open a dairy to process the milk he produces. He knows that he can rely on ProCredit Bank’s support to help him achieve these goals.



## Alexandrina Doina Șerbănescu, Deposit Customer

Mrs. Alexandrina Șerbănescu, 63, is a retired accountant with over 40 years of experience. As someone who has spent her entire life working with money, it follows that she understands the importance of saving. One day, towards the end of 2006, she found a leaflet from ProCredit Bank in her mailbox that explained a special savings account for people who receive a pension. The bank was opening a branch in her district of Bucharest and had undertaken a marketing campaign to promote its broad range of attractive deposit options to local residents. Although she had savings at another bank, Mrs. Șerbănescu was keen to learn more and went to visit the new branch.

*“I felt completely at ease at ProCredit Bank. There was an air of freshness as soon as I walked through the door, and the young, attentive staff made me feel welcome from the very first moment,”*

she recalls.

After hearing about the favourable interest rates and flexible terms on the deposit account for pensioners, Mrs. Șerbănescu arranged to transfer some of her funds to ProCredit Bank on the same day. In doing so, she became one of the first customers at the Bucuresti branch.

*“I regularly save some of my pension. I think it is important to put some money aside so that I needn't worry about unexpected situations,”* she explains.

In her two years as a client of ProCredit Bank, Mrs. Șerbănescu has opened a number of accounts. She holds term deposits in both lei and euros and uses the bank's convenient Savings Plan to arrange automatic monthly payments into a separate account.

*“ProCredit Bank has encouraged me to save more than I did in the past. It offers such a broad range of options that it is easy to make your money work for you. I use some of my savings to buy toys for my grandchildren, or to treat the family in other ways,”*

she says.

Mrs. Șerbănescu says that she will remain a customer of ProCredit Bank because it is a sound and responsible institution that does more than reward her for saving – it is also involved in the neighbourhood and arranges community events such as theatre trips.



## Florin and Constanța Mușa, Supermarket Owners

The supermarket owned by Florin and Constanța Mușa in the town of Mangalia is one of ProCredit Bank's oldest business clients in the county of Constanta. Mangalia is over an hour's drive from the nearest ProCredit branch, in Constanta, but the Mușas felt that proximity was not the most important factor when they were choosing a financial partner. There was only one institution that offered them something unique. Mr. Mușa has always handled the financial side of the couple's business, and this is how he put it:

*"At other banks, it feels like they are doing you a favour just to let you come in the door. I have never had this feeling in all the time that I have done business with ProCredit Bank."*

Years ago, the Mușas' first business venture was a fruit and vegetable stand at a market. It did very well, and soon they were able to open a small grocery in a residential area.

As the business grew, they needed more merchandise and more attractive premises. Mr. Mușa realised that it would be difficult to obtain a loan from most of the banks he talked to. When he went to a ProCredit branch on a friend's recommendation, however, he was pleasantly surprised. In

November 2006, the couple took out a loan in the amount of EUR 46,000, which they used to redecorate the shop and increase their product range. Then, in early 2007, they were able to expand the premises using their own funds.

Mr. and Mrs. Mușa obtained a second loan from ProCredit Bank in 2008, this time for EUR 13,000. The couple used this financing to finish expanding the store and to provide working capital. They now have six employees who help them to run what has become a spacious and attractive supermarket.

The Mușas manage their cash flow with the help of a ProCredit Bank current account, which they also use for all payment transactions. In the future, Mr. Mușa anticipates that they will apply for further loans from the bank:

*"Given all our plans for the business, we will surely need to take out more loans from ProCredit Bank. We have a close business relationship and would like to continue growing with the help of a trusted partner,"*

he says.



**Dr. Ovidiu Știrbăț,  
Veterinary Surgeon**



Dr. Ovidiu Știrbăț has a veterinary medical practice in Iasi. Dr. Știrbăț began doing business with ProCredit Bank in late 2006 when he wanted to purchase some equipment for his clinic, Ovidiu Impex. He had first heard about the bank two years previously when loan officers visited his surgery as part of a direct promotion. Although he did not need a loan at the time, he did remember that ProCredit was “a bank for SMEs”. Dr. Știrbăț approached the bank to apply for financing to purchase a modern ultrasound scanner. ProCredit provided him with a loan equivalent to around EUR 6,000 that was tailored to his specific needs. He was pleased that the application requirements were flexible and that the bank did not demand a lot of documents. Everything was explained in simple language:

*“I wanted to know how much I was going to pay in total for the loan I wanted. I had asked a few other banks, but they were unable to give me all the information I needed. At ProCredit Bank they told me exactly what I wanted to know and explained every detail,”*

Dr. Știrbăț recalls.

He used the loan to buy the best ultrasound scanner available on the market.

*“No other practice in town had a machine of the same quality when I bought the scanner, so many more clients came to me,”*

says Dr. Știrbăț.

In September 2007, his company applied for a larger loan in the amount of roughly EUR 27,000 to build kennels and a cattery. Once again, Dr. Știrbăț was impressed by how friendly and helpful the staff were at all stages of the process and by how straightforward and transparent the discussions were. In spring 2008, when the construction work for the kennels was nearly complete, he took out a third loan from the bank for approximately EUR 10,000 to complete construction and equip the building.

Dr. Știrbăț plans to continue using the bank’s services in the future. He is optimistic about his company’s growth potential in the coming years and plans to tap that potential with the help of further loans from ProCredit Bank.

## Financial Statements

Prepared in accordance with International Financial Reporting Standards.  
For the year ended 31 December 2008.



KPMG Romania SRL  
Victoria Business Park  
DN1, Scariaa Bucuresti-Ploiesti nr. 69-71  
Sector 1  
P.O. Box 19-191  
Bucharest 013685  
Romania

Tel: +40 (21) 201 22 22  
+40 (741) 800 600  
Fax: +40 (21) 201 22 11  
+40 (741) 800 700  
www.kpmg.ro

### Independent Auditors' Report

The Shareholders'  
ProCredit Bank SA

#### Report on the Financial Statements

- 1 We have audited the accompanying financial statements of ProCredit Bank SA ("the Bank"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these financial statements, which have been presented together to report the financial position, results of operations, and changes in cash flows for the Bank in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 reasonable in the circumstances.

#### Auditors' Responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

© 2008 KPMG Romania SRL, a Romanian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss corporation. All rights reserved. Firmata in Romania. Fișa de înregistrare la INDCR/2022. Trade Registry no. J40/1629/1998. Share Capital: 2,206,706.27 RON



*Opinion*

- 6 In our opinion, the financial statements presents fairly the financial position of the Bank as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

- 7 Without qualifying our opinion, we draw attention that the Bank estimated the impairment loss provision for loans and advances to customers at EUR 5,715,898 based on the internal methodologies developed and applied as at 31 December 2008. Because of the inherent limitations, mentioned in Note 3.h.vii, related to the historical experience in obtaining cash flow information and the methodologies applied, due to the significant uncertainties on the international and local financial markets regarding assets valuation mentioned in Notes 4 and 5, the Bank's estimate may differ from the value that would have been obtained had such uncertainties not existed and had the Bank obtained appropriate historical experience and reliable information on the timing and amounts of the expected future cash flows.

*Other Aspects*

- 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.

KPMG

KPMG Romania S.R.L.  
Bucharest, Romania  
17 April 2009

## Income Statement

For the year ended 31 December 2008

<i>in EUR</i>	Note	2008	2007
Interest income		46,155,121	37,773,886
Interest expense		(23,514,697)	(16,663,216)
<b>Net interest income</b>	<b>8</b>	<b>22,640,424</b>	<b>21,110,670</b>
Fee and commission income		4,756,337	4,294,670
Fee and commission expense		(424,228)	(453,274)
<b>Net fee and commission income</b>	<b>9</b>	<b>4,332,109</b>	<b>3,841,396</b>
Net trading income	10	920,155	897,896
Other operating income		102,851	77,800
<b>Operating income</b>		<b>27,995,539</b>	<b>25,927,762</b>
Net impairment loss on financial assets	11	(2,937,174)	(2,150,204)
Personnel expenses	13	(12,907,185)	(10,093,776)
Operating lease expenses		(3,925,258)	(2,834,154)
Depreciation and amortisation	19, 20	(2,578,760)	(2,750,631)
Other operating expenses	12	(7,631,534)	(6,968,481)
<b>Operating expenses</b>		<b>(29,979,911)</b>	<b>(24,797,246)</b>
<b>Profit/(Loss) before income tax</b>		<b>(1,984,372)</b>	<b>1,130,516</b>
Income tax (expense)/revenue	14	22,190	(183,990)
<b>Profit / (Loss) for the year</b>		<b>(1,962,182)</b>	<b>946,526</b>

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 46 to 70. The financial statements were approved by the Board of Administration on 17 April 2009 and were signed on its behalf by:



Gian Marco Felice  
General Manager



Asmus Rotne  
Deputy General Manager

## Balance Sheet

As at 31 December 2008

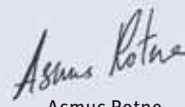
<i>in EUR</i>	Note	2008	2007
<b>Assets</b>			
Cash and balances with National Bank of Romania	15	73,029,253	62,868,569
Loans and advances to banks	16	1,185,371	1,770,076
Loans and advances to customers	18	210,047,145	208,513,019
Investment securities, available-for-sale	17	92,793	104,232
Property and equipment	20	6,216,966	6,659,977
Intangible assets	19	629,942	664,839
Other assets	21	2,051,178	854,129
<b>Total assets</b>		<b>293,252,648</b>	<b>281,434,841</b>
<b>Liabilities</b>			
Deposits from banks	22	–	15,293,448
Deposits from customers	23	151,354,517	160,751,964
Loans from banks and other financial institutions	24	95,428,028	64,206,193
Debt securities issued	25	10,420,000	11,444,659
Subordinated liabilities	27	8,930,328	8,931,091
Deferred tax liabilities	14	221,555	267,254
Other liabilities	26	2,156,923	1,390,075
<b>Total liabilities</b>		<b>268,511,351</b>	<b>262,284,684</b>
<b>Equity</b>			
Share capital and share premium	28	26,299,449	18,877,664
Reserves	29	1,705,058	1,868,564
Accumulated deficit		(3,408,067)	(1,524,517)
Translation reserve	3.a	144,857	(71,554)
<b>Total equity</b>		<b>24,741,297</b>	<b>19,150,157</b>
<b>Total liabilities and equity</b>		<b>293,252,648</b>	<b>281,434,841</b>

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 46 to 70.

The financial statements were approved by the Board of Administration on 17 April 2009 and were signed on its behalf by:



Gian Marco Felice  
General Manager



Asmus Rotne  
Deputy General Manager

## Statement of Changes in Equity

For the year ended 31 December 2008

<i>in EUR</i>	Share Capital and share premium	Reserves	Accumulated deficit	Translation reserve	Equity
<b>Balance at 1 January 2007</b>	<b>20,153,219</b>	<b>1,922,005</b>	<b>(2,629,135)</b>	<b>63,939</b>	<b>19,510,028</b>
Profit for the year	–	–	946,526	–	946,526
Transfer to reserves	–	70,664	(70,664)	–	–
Effect of translation (*)	(1,275,555)	(124,105)	228,756	(135,493)	(1,306,397)
<b>Balance at 31 December 2007</b>	<b>18,877,664</b>	<b>1,868,564</b>	<b>(1,524,517)</b>	<b>(71,554)</b>	<b>19,150,157</b>
Increase of share capital	9,198,139	–	–	–	9,198,139
Loss for the year	–	–	(1,962,182)	–	(1,962,182)
Revaluation reserves	–	558	–	–	558
Effect of translation (*)	(1,776,354)	(164,064)	78,632	216,411	(1,645,375)
<b>Balance at 31 December 2008</b>	<b>26,299,449</b>	<b>1,705,058</b>	<b>(3,408,067)</b>	<b>144,857</b>	<b>24,741,297</b>

(\*) see note 3.a

The statement of changes in shareholders' equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 46 to 70.

## Cash Flow Statement

For the year ended 31 December 2008

<i>in EUR</i>	Note	2008	2007
<b>Cash flows from operating activities</b>			
Profit/(Loss) after income tax		(1,962,182)	946,526
Adjustments for:			
Depreciation and amortisation	19, 20	2,578,760	2,750,631
Net impairment on investment in subsidiaries	11	–	1,955
Net impairment on loans and advances to customers	11	940,165	2,544,860
Loans written-off	11	1,926,696	–
Loss on disposal of property and equipment		29,421	–
Accrued interest, deferred commission on debt securities		(73,111)	295,692
Income tax expense / (revenue)	14	(22,190)	183,990
Dividend income		(3,335)	(2,382)
Exchange rate differences		(2,155,282)	(2,051,149)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>1,258,942</b>	<b>4,670,123</b>
Change in minimum compulsory reserve	15	(6,814,787)	(11,592,837)
Change in loans and advances to customers		(4,016,109)	(57,055,597)
Change in other assets	21	(1,197,049)	155,911
Change in deposits from banks		(15,270,837)	13,859,002
Change in deposits from customers		(8,657,030)	43,894,235
Change in other liabilities	26	766,848	54,299
<b>Net cash used in operating activities</b>		<b>(33,930,023)</b>	<b>(6,014,864)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment and intangible assets	19,20	(2,629,633)	(2,429,350)
Proceeds from sale of property and equipment		5,424	–
Dividends received		3,335	2,381
Proceeds from disposal of participations		1,631	–
Purchase of investment securities		–	(96,937)
<b>Net cash used in investing activities</b>		<b>(2,619,243)</b>	<b>(2,523,906)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		9,198,139	–
Net proceeds from borrowings		30,112,321	2,427,691
Proceeds from subordinated liabilities		–	3,814,183
<b>Net cash from financing activities</b>		<b>39,310,460</b>	<b>6,241,874</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at 31 December		10,940,233	13,237,129
Net increase / (decrease) in cash and cash equivalents		2,761,194	(2,296,896)
<b>Cash and cash equivalents at 31 December</b>	30	<b>13,701,427</b>	<b>10,940,233</b>
<b>Cash flows from operating activities include:</b>			
Interest received		45,746,006	34,762,929
Interest paid		(23,202,306)	(15,118,227)
Fees and commissions received		4,756,337	4,294,670
Fees and commissions paid		(424,228)	(453,274)
		<b>26,875,809</b>	<b>23,486,098</b>

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 46 to 70.

## Notes to the Financial Statements

For the year ended 31 December 2008

### 1. Reporting entity

ProCredit Bank S.A. (the “Bank” or “ProCredit”) is domiciled in Romania. The Bank was established in Romania in July 2002 (up to November 2004 the Bank was known as Microfinance Bank MIRO S.A.), and is licensed by the National Bank of Romania to conduct banking activities.

The Bank provides day-to-day banking services to corporate and individual clients. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance and overdrafts, medium term facilities and mortgage loans. The principal activity of the Bank is to finance very small and small enterprises operating in Romania.

The Bank operates through the Head Office located in Bucharest and through its network consisting of 26 branches (31 December 2007: 22) and 14 agencies (31 December 2007: 13) located in Romania.

The current registered office of the Bank is located at:

62 – 64 Buzesti Street,  
Bucharest, Sector 1  
Romania

The Bank’s number of employees as at 31 December 2008 was of 1,121 (31 December 2007: 899).

The Bank is managed by a Board of Administration made up of 7 members; lead by a Chairman, and by the Bank’s Managers, Mr. Gian Marco Felice as General Manager. The composition of the Board of Administration was as follows:

Position	31 December 2008	31 December 2007
President	Anja Lepp	Anja Lepp
Vice-president	Ana Maria Mihaescu	Ana Maria Mihaescu
Member	–	Maria Teresa Zappia
Member	Thomas Nikola Debelic	Hans Joerg Krohn
Member	Ivaylo Blagoev	Rudiger Rurainsky
Member	Hanns Martin Hagen	Hanns Martin Hagen
Member	Dietrich Ohse	Dietrich Ohse

In November 2008, General Assembly of the Shareholders met in an ordinary meeting, they appointed Ms. Guadalupe de la Mata as member of the Board of Administration. At current date, Ms. Guadalupe de la Mata is in pending approval by the National Bank of Romania.

### 2. Basis of preparation

#### a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements have been prepared on the basis of the IFRS in issue that are effective for the Bank’s IFRS annual reporting date, 31 December 2008.

In estimating impairment losses for loans and advances the Bank has applied the internal methodology described in Note 3 (h) (vii) to assess impairment for loans and advances to customers.

#### Differences between IFRS and statutory accounts

The accounts of the Bank are maintained in historical RON in accordance with Romanian accounting law and National Bank of Romania banking regulations (“statutory accounts”).

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

The major changes from the statutory financial statements prepared under domestic law are:

- grouping of numerous detailed items into broader captions;
- different methodology for the calculation of loan loss impairment provisions;
- provision for deferred taxation, where appropriate;
- the necessary IFRS disclosure requirements.

#### b) Basis of measurement

The financial statements of the Bank are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held at fair value through profit and loss and available-for-sale instruments, except 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, revalued amount or historical cost. Non-current assets held for sale are stated at the lower of carrying amount and fair value less cost to sell.

#### c) Functional and presentation currency

These financial statements are prepared in Romanian Lei (“RON”), which is the Bank’s functional currency and presented in Euro (“EUR”).

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

#### d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4 and 5.

### 3. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

## a) Foreign currency

### i. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

The exchange rates of major foreign currencies were:

Currency	31 December 2008	31 December 2007	Increase %
Euro (EUR)	1: RON 3.9852	1: RON 3.6102	10.39
US Dollar (USD)	1: RON 2.8342	1: RON 2.4564	15.38

### ii. Translation from functional to presentation currency

All assets and liabilities for all balance sheets presented (including comparatives) have been translated from the functional currency to the presentation currency at the closing rate existing at the date of each balance sheet presented. Income and expense for all periods presented (including comparatives) have been translated using an average rate for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). Share capital, accumulated deficit and all other reserves are translated at closing rates. All exchange differences resulting from translation have been recognised directly as a separate component in equity as translation reserve.

The restatement and presentation procedures used according with IAS 21 - *The Effects of Changes in Foreign Exchange Rates*, could result in distortion of the figures presented in EUR compared with real values.

## b) Interest

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the income statement include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

## c) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, foreign currency transactions fees, fees for guarantees given and opening of letter of credit fees are recognised as the related services are performed on an accrual basis.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

## d) Net trading income

Net trading income comprises gains less loss related to foreign exchange operations.

## e) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of other operating income based on the underlying classification of the equity instrument.

Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders. 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.

## f) Lease payments made

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

## g) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. For the year ended 31 December 2008 the current profit tax rate was 16% (31 December 2007: 16%).

Deferred tax is provided using the balance sheet 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 recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The tax rate used to calculate the

deferred tax position for the Bank at 31 December 2008 is 16% (31 December 2007: 16%).

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

## h) Financial assets and liabilities

### i. Classification

The Bank classifies its financial instruments 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 it is:

- (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (iii) a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

As at 31 December 2008 the Bank had no financial instruments classified at fair value through profit and loss.

*Loans and advances* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank intends to sell immediately or in the near term, those that the Bank, upon initial recognition, designates as at fair value through profit and loss, those that the Bank, 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 advances comprise loans and advances to banks and customers.

*Held-to-maturity investments* are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. As at 31 December 2008 the Bank had no financial instruments classified as held-to-maturity investments.

*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. As at 31 December 2008 available-for-sale financial assets comprise of unlisted equity investments.

### ii. Recognition

The Bank initially recognises 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 recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

### iii. Derecognition

The Bank 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 Bank is recognised as a separate asset or liability. The Bank writes off the loans and advances to customers when they are determined to be uncollectible.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

### iv. Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise 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 Bank's trading activity.

### v. Amortised cost measurement

The amortised 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 amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus 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. The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. 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. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all available 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 instrument. Where a fair value cannot be reliably estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment (further described in Note 5).

### vii. Identification and measurement of impairment

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

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Because of the inherent limitations related to the historical experience in obtaining cash flow information and the methodologies applied, due to the significant uncertainties on the international and local financial markets regarding assets valuation mentioned in Notes 4 and 5, the Bank's estimate may differ from the value that would have been obtained had such uncertainties not existed and had the Bank obtained appropriate historical experience and reliable information on the timing and amounts of the expected future cash flows.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss. Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

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 shall not be reversed.

#### i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, balances held with National Bank of Romania and cash balances in ATM.

For the purposes of the statement of cash flows, cash and cash equivalents include cash balances on hand, unrestricted balances held with central bank, and cash balances in ATM, current accounts with banks and placements with other banks with less than 90 days original maturity and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

#### j) Property and equipment

##### i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses (refer to accounting policy no. 3.1).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

##### ii. Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

##### iii. Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property 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 year are as follows:

Buildings	40 years
Leasehold improvements	5 – 10 years
Furniture and equipment	3 – 12 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

During December 2008 a revaluation of the Bank's building was carried on by an independent valuer. The revaluation was done at fair value at the balance sheet date. In estimating the fair value, the valuer used the absolute value method (determine the value by estimating the expected future earnings from owning the asset discounted to their present value).

#### k) Intangible assets

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses (refer to accounting policy no. 3.1).

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised 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 recognised in profit or loss 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.

#### **l) Impairment of non-financial assets**

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amounts of an asset or its cash-generating unit exceed its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss 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 amortisation, if no impairment loss had been recognised.

#### **m) Deposits, debt securities issued and subordinated liabilities**

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of debt funding.

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

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

#### **n) Provisions**

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **o) Financial guarantees**

Financial guarantees are contracts that require the Bank 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 recognised at their fair value, and the initial fair value is amortised over the life of the fi-

ancial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities. The Bank has no financial guarantees as at 31 December 2008.

#### **p) Employee benefits**

##### *i. Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognised as expense when services are rendered. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### *ii. Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit.

All employees of the Bank 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 recognised as an expense in the income statement as incurred. The Bank does not have any further obligations. The Bank does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions.

##### *iii. Defined benefit plans*

The Bank does not operate any defined benefit plan, thus has no obligation related to contributions to any such plan.

##### *iv. Other long-term employee benefits*

The Bank's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The Bank has no contractual obligation to pay any long-term benefit calculated taking into account the past service.

##### *v. Termination benefits*

The Bank is not committed, without realistic possibility of withdrawal, to any formal detailed plan to terminate employment before the normal retirement date.

#### **q) Segment reporting**

A segment is a distinguishable component of the Bank 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 (Note 6).

The Bank performed during the year ended 31 December 2008 banking transactions delivered only on the Romanian market. The management considers that the inherent risks and benefits specific to the banking activity are not significantly different between the categories of clients as well as between various geographical regions, and consequently does not believe identifying separate reportable segments is necessary and would provide any additional benefits. Please see Note 18 for the structure of loans portfolio per industry.

**r) Standards, interpretations and amendments to published International Financial Reporting Standards that are not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2009 or later periods but which the Bank has not early adopted. Management considered the following new standards, amendments and interpretations to existing standards:

1. IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008).  
The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Bank does not expect the Interpretation to have any impact on the financial statements.
2. Amendment to IFRS 2 *Share-based Payment* (effective from 1 January 2009). The amendments to the Standard clarify the definition of vesting conditions and introduce the concept of *non-vesting* conditions. Non-vesting conditions are to be reflected in grant-date fair value and failure to meet non-vesting conditions will generally result in treatment as a cancellation. The amendments to IFRS 2 are not relevant to the Bank's operations as the Bank does not have any share-based compensation plans.
3. 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 recognised and measured at fair value as of the acquisition date, including contingent consideration.
  - Subsequent change in contingent consideration will be recognised 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 acquire, on a transaction-by-transaction basis.  
Revised IFRS 3 is not relevant to the Bank's operations as the Bank does not have any interests in subsidiaries that will be affected by the revisions to the Standard statement of comprehensive income, or two separate statements.
4. IFRS 8 *Operating Segments* (effective from 1 January 2009) The Standard introduce the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Bank's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. The Standard will have no effect on the profit or loss or equity. However, the Bank expects the new Standard to alter the presentation and disclosure of its operating segments in the financial statements.

5. Revised IAS 1 *Presentation of Financial Statements* (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Bank is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.
6. Revised IAS 23 *Borrowing Costs* (effective from 1 January 2009). The revised Standard removes the option to expense borrowing costs and requires the capitalization of borrowing costs that relate to qualifying assets (those that take a substantial period of time to get ready for use or sale). Revised IAS 23 is not relevant to the Bank's operations as the Bank does not have any qualifying assets for which borrowing costs would be capitalised.
7. Amendments to IAS 27, *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2009). The amendments remove the definition of "cost method" currently set out in IAS 27, and instead require all dividends from a subsidiary, jointly controlled entity or associate to be recognised as income in the separate financial statements of the investor when the right to receive the dividend is established. In addition, the amendments provide guidance when the receipt of dividend income is deemed to be an indicator of impairment. The amendments to IAS 27 are not expected to have any impact on these financial statements when adopted as the amendments apply.
8. 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. Revised IAS 27 is not relevant to the Bank's operations as the Bank does not have any interests in subsidiaries that will be affected by the revisions to the Standard.
9. Amendments to IAS 32 *Financial Instruments: Presentation*, and IAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). The amendments introduce an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity; the amendments allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if, and only if, they meet certain conditions. The amendments are not relevant to the Bank's financial statements as the Bank did not have in the past issued puttable instruments that would be affected by the amendments.
10. Amendment to IAS 39, *Financial Instruments: Recognition and Measurement* (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 measur-

able; however inflation cannot be designated, except in limited circumstances. The amendments to IAS 39 are not relevant to the Bank's operations as the Bank does not apply hedge accounting.

11. IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2009). IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity in the following cases:

- (i) the agreement meets the definition of a construction contract in accordance with IAS 11.3;
- (ii) 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
- (iii) 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 recognised 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 Bank's operations as the Bank does not provide real estate construction services or develop real estate for sale.

12. IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after 1 October 2008). 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 Bank's operations as the Bank has not designated any hedges of a net investment in a foreign operation.

13. IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective prospectively for annual periods beginning on or after 15 July 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 recognised when the dividend is appropriately authorised 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 premeasured at each reporting date, with any changes in the carrying amount recognised 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 recognised in profit or loss. As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the shareholders it is not possible to determine the effects of application in advance.

#### 4. Financial risk management

##### a) Introduction and overview

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

- credit risk
- interest rate risk
- currency risk
- liquidity risk
- taxation risks
- operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk.

##### *Risk management framework*

The Bank's approach to risk management, including the internal control system and internal audit, is in line with the Bank's risk profile. The Bank's risk profile is determined by the business conducted and Bank's operating environment.

The Risk Management Policy of ProCredit Bank S.A. establishes the Bank's risk philosophy and strategy, compliant with the regulations issued by the Romanian banking supervisory authority. The document sets forth minimum standards for risk management and it was approved by the Board of Administrators ("BoA").

The BoA has overall responsibility for the establishment and oversight of the Bank's risk management framework. The BoA has established the Risk Management Committee and its subcommittees: Assets and Liabilities Management Subcommittee (ALCO), Credit Risk Management Subcommittee, Operational Risk Management Subcommittee and Subcommittee for Preventing and Combating the Money Laundering and Terrorism Activities Funding (AML&CFT), which are responsible for implementing the Bank's risk management policies and for the management of risks in their specified areas. All subcommittees report regularly to the Risk Management Committee which informs the BoA.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee reports to BoA and is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

##### b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities.

### i. Management of credit risk

The Board of Administration has delegated, through the ROF (Internal Regulation Framework), the responsibility to the management of the Bank to develop and implement the Credit Procedures and to set up a separate Credit Department, responsible for oversight of the Bank's credit risk, including:

- *Formulating credit procedures* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to five levels of credit committees. Larger facilities require approval by the highest level Credit Committee or the BoA as appropriate.
- *Reviewing and assessing credit risk.* Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by issuer and country.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Bank in the management of credit risk.

In addition the Credit Risk Management Subcommittee monitors

- *the Bank's risk grading* (based on days in arrears: 0-7, 8-30, 31-90, 90-180, >180) in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees

of risk of default. BoA has approved the split of loan portfolio based on days in arrears in the provisioning policy.

- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries and product types.
- *Regular reports* are provided to Credit Risk Management Subcommittee on the credit quality of portfolios and appropriate corrective action is taken.

Each branch/agency is required to implement Bank's credit policies and procedures. 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 central approval.

Regular audits of branches/agencies and Bank credit processes are undertaken by Internal Audit.

The Bank monitors the quality of the loan portfolio on an ongoing basis, using a portfolio at risk definition that includes all exposures with payments overdue by more than 30 days as the basic measure of current portfolio quality. The Bank chooses this measure because the vast majority of all loans have fixed instalments with monthly payment of principal and interest. Exceptions are seasonal agricultural loans and investment loans, which have a grace period of six months. Portfolio at risk remaining at 31 December 2008 is 1.6% (as compared to 1.3% in 2007).

The Bank's primary exposure to credit risk arises through its lending activity. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued (see Note 31).

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Bank's loans and advances to customers (see Note 18).

### ii. Exposure to credit risk

In EUR	Loans and advances to customers		Loans and advances to banks		Investments securities	
	2008	2007	2008	2007	2008	2007
<b>Individually impaired</b>						
31-90 days in arrears	88,580	–	–	–	–	–
91-180 days in arrears	106,164	–	–	–	–	–
over 180 days in arrears	–	217,372	–	–	–	–
<b>Gross amount</b>	<b>194,744</b>	<b>217,372</b>	–	–	–	–
Allowance for impairment	(4,447)	(103,557)	–	–	–	–
<b>Carrying amount</b>	<b>190,297</b>	<b>113,815</b>	–	–	–	–
<b>Collectively impaired</b>						
0-7 days in arrears	208,431,550	208,129,320	–	–	–	–
8-30 days in arrears	3,822,260	2,689,449	–	–	–	–
31-90 days in arrears	1,966,630	1,155,321	–	–	–	–
91-180 days in arrears	1,265,318	695,429	–	–	–	–
over 180 days in arrears	82,541	947,923	–	–	–	–
<b>Gross amount</b>	<b>215,568,299</b>	<b>213,617,442</b>	–	–	–	–
Allowance for impairment	(5,711,451)	(5,218,238)	–	–	–	–
<b>Carrying amount</b>	<b>209,856,848</b>	<b>208,399,204</b>	–	–	–	–
Past due but not impaired	–	–	–	–	–	–
Carrying amount	–	–	–	–	–	–
Neither past due nor impaired	–	–	1,185,371	1,770,076	92,793	104,232
Carrying amount	–	–	1,185,371	1,770,076	92,793	104,232
<b>Total carrying amount</b>	<b>210,047,145</b>	<b>208,513,019</b>	<b>1,185,371</b>	<b>1,770,076</b>	<b>92,793</b>	<b>104,232</b>

### Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank 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 agreements. Where contractual interest or principal payments are past due by over 30 days the loans are considered impaired and assessed individually for exposures higher than EUR 50,000. These loans are graded 3-5 in the Bank's loan loss provision methodology.

### Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Bank believes that 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 Bank.

### Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific 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 iden-

tified on loans subject to individual assessment for impairment (refer to Note 3 (h) (vii) and Note 5).

### Write-off policy

The Bank 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 number of days in arrears.

A loan is considered uncollectible when it has more than 180 days in arrears for loans with principal outstanding amounts below equivalent EUR 10,000 or if it has more than 360 days in arrears for loans with principal outstanding amount greater than equivalent EUR 10,000.

### Collateral

The Bank 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 generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks. Collateral usually is not held against investment securities, and the Bank did not have such exposures as of 31 December 2008 or 2007.

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

In EUR	Loans and advances to customers		Loans and advances to banks	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
<b>Against individually impaired</b>				
Mortgages	317,809	341,931	-	-
Personal guarantees	303,215	258,474	-	-
Inventories	-	40,372	-	-
Others	-	-	-	-
<b>Against collectively impaired</b>				
Mortgages	172,373,789	158,211,937	-	-
Personal guarantees	297,877,904	265,038,320	-	-
Inventories	55,491,369	64,298,970	-	-
Others	115,495	998,062	-	-
<b>Total</b>	<b>526,479,581</b>	<b>489,188,066</b>	<b>-</b>	<b>-</b>

The Bank's credit portfolio risk is naturally limited by the credit strategy resulting from the business model; in particular the focus on small and very small loans and the broad in RON show the distribution of loan portfolio by loan destination for 31 December 2008:

In EUR	Working capital	Agriculture	Housing	Consumer	Other	Total
Less than EUR 10,000	69,557,925	25,642,440	7,977,774	1,286,102	1,367,889	105,832,130
EUR 10,000 to 50,000	53,845,632	7,549,955	1,443,636	1,144,326	384,015	64,367,564
EUR 50,000 to 150,000	19,980,569	1,752,880	161,909	138,954	-	22,034,312
More than EUR 150,000	16,781,379	872,053	-	159,707	-	17,813,139
<b>Total</b>	<b>160,165,505</b>	<b>35,817,328</b>	<b>9,583,319</b>	<b>2,729,089</b>	<b>1,751,904</b>	<b>210,047,145</b>

The Bank's credit portfolio risk is naturally limited by the credit strategy resulting from the business model; in particular the focus on small and very small loans and the broad in RON show the distribution of loan portfolio by loan destination for 31 December 2007.

In EUR	Working capital	Agriculture	Housing	Consumer	Other	Total
Less than EUR 10,000	70,363,300	20,978,350	9,831,715	1,975,698	1,220,992	104,370,055
EUR 10,000 to 50,000	57,642,381	5,936,135	2,160,002	1,264,833	410,736	67,414,087
EUR 50,000 to 150,000	20,044,514	886,963	166,769	127,383	-	21,225,629
More than EUR 150,000	15,000,705	335,309	-	167,234	-	15,503,248
<b>Total</b>	<b>163,050,900</b>	<b>28,136,757</b>	<b>12,158,486</b>	<b>3,535,148</b>	<b>1,631,728</b>	<b>208,513,019</b>

The prerequisite for the identification of major credit risks is an awareness of the overall credit exposure to each borrower. For this purpose, full information about any related parties is collected prior to lending.

Limits for large-scale loans limit our maximum exposure toward single clients. As a rule, the sum of the 10 largest exposures may not exceed 100% of the Bank's equity. All in all, this results in a comparatively low need for individual impairment.

The structure of the loan portfolio is regularly reviewed within the Bank in order to identify potential events which could have an impact on large areas of the loan portfolio (common risk factors) and if necessary limit the exposure toward certain sectors of the economy.

### c) Interest rate risk

The Bank incurs interest rate risk from its financial intermediation activity, principally in the form of exposure to adverse changes in the market interest rates. 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.

The Bank does not aim to earn profits through maturity transformation or other forms of speculation in the interest rate market. Rather, the Bank seeks to ensure that the balance sheet structure is as balanced as possible across all maturities.

The Bank counteracts the loan portfolio risks associated with interest rate fluctuations through variable interest for its borrowings. In quantitative terms, the Bank currently limits the risks associated with interest rate fluctuations by stipulating that the maximum weighted modified duration gap (Macaulay modified duration) of the assets and liabilities must be less than 1 (and greater than -1) while aiming at a modified duration gap of 0. In addition, a parallel

shift in the yield curve by 200 basis points may not lead to a loss of more than 20% of the regulatory capital.

In the Romanian operating environment, the limitations of purely quantitative value-at-risk models quickly become apparent. Despite this fact, the Bank wish to retain the basic premises of the VaR model, according to which a bad year can be expected to occur roughly every 20 years (VaR with confidence level 95%, holding period one year), while a "worst-case" year can be expected to occur only about every 100 years (VaR with confidence level 99%, holding period one year). The Bank developed scenarios for normal cases and worst cases. An overview of the scenario results as of the end of the year is presented in the following table:

	31 Dec 2008	31 Dec 2007
<i>In EUR</i>		
200 bp parallel increase	(842,733)	(3,938)
200 bp parallel decrease	831,051	(55,543)
100 bp parallel increase	(418,489)	4,373
100 bp parallel decrease	417,869	(19,173)

The interest rates related to the local currency and the major foreign currencies as at 31 December 2008 and 2007 were as follows:

Currencies	Interest rate	31 Dec 2008	31 Dec 2007
Leu (RON)	BUBOR 3 months	15.5%	8.4%
Leu (RON)	BUBOR 6 months	15.5%	8.4%
Euro (EUR)	Euribor 3 months	2.9%	4.7%
Euro (EUR)	Euribor 6 months	3.0%	4.7%
US Dollar (USD)	Libor 3 months	1.4%	4.7%
US Dollar (USD)	Libor 6 months	1.8%	4.7%

### Range of interest rates

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

Range of interest rates <i>in %</i>	RON		USD		EUR	
<b>Assets</b>						
Current accounts with the National Bank of Romania	2.60	5.60	0.80	1.30	1.25	2.80
Loans and advances to banks	2.00	37.00	2.00	7.68	0.80	9.25
Loans and advances to customers, net	6.25	35.00	10.80	19.00	5.25	22.50
<b>Liabilities</b>						
Deposits from customers	2.00	19.00	1.25	7.80	1.00	6.00
Deposits from banks	7.60	13.95	-	-	4.20	7.80
Loans from banks and other financial institutions	8.38	19.95	-	-	4.50	7.33
Debt securities issued	8.50	8.50	-	-	-	-
Subordinated liabilities	-	-	-	-	9.00	9.16

The following table shows the interest rates per annum obtained or offered by the Bank for its interest-bearing assets and liabilities during financial year 2007:

Range of interest rates <i>in %</i>	RON		USD		EUR	
<b>Assets</b>						
Current accounts with the National Bank of Romania	1.90	2.50	1.00	1.30	0.80	1.35
Loans and advances to banks	1.00	21.00	5.15	6.85	3.70	5.75
Loans and advances to customers, net	6.25	36	10.00	20.00	5.25	24
<b>Liabilities</b>						
Deposits from customers	2.00	12.00	1.00	6.00	1.25	6.05
Deposits from banks	1.50	22.00	6.10	6.10	4.85	6.5
Loans from banks and other financial institutions	8.38	11.44	-	-	4.50	6.40
Debt securities issued	8.50	8.50	-	-	-	-
Subordinated liabilities	-	-	-	-	9.00	9.16

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2008 is as follows:

<i>in EUR</i>	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Non-interest bearing *	Total
Cash and balances with NBR	65,542,814	–	–	–	–	7,486,439	73,029,253
Loans and advances to banks	821,118	–	–	–	–	364,253	1,185,371
Investment securities, available-for-sale	–	–	–	–	–	92,793	92,793
Loans and advances to customers	86,357,132	9,510,975	45,858,671	71,535,357	3,765,230	(6,980,220)	210,047,145
	<b>152,721,064</b>	<b>9,510,975</b>	<b>45,858,671</b>	<b>71,535,357</b>	<b>3,765,230</b>	<b>963,265</b>	<b>284,354,562</b>
Deposits from banks	–	–	–	–	–	–	–
Deposits from customers	82,104,977	42,160,253	24,684,944	495,353	–	1,908,990	151,354,517
Loans from banks and financial institutions	–	17,577,537	76,769,265	–	–	1,081,226	95,428,028
Debt securities issued	–	10,099,869	–	–	–	320,131	10,420,000
Subordinated liabilities	–	–	–	–	8,750,000	180,328	8,930,328
	<b>82,104,977</b>	<b>69,837,659</b>	<b>101,454,209</b>	<b>495,353</b>	<b>8,750,000</b>	<b>3,490,675</b>	<b>266,132,873</b>
<b>Total interest sensitivity gap</b>	<b>70,616,087</b>	<b>(60,326,684)</b>	<b>(55,595,538)</b>	<b>71,040,004</b>	<b>(4,984,770)</b>	<b>(2,527,410)</b>	<b>18,221,689</b>

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2007 is as follows:

<i>in EUR</i>	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with NBR	53,698,412	–	–	–	–	9,170,157	62,868,569
Loans and advances to banks	1,769,191	–	–	–	–	885	1,770,076
Investment securities, available-for-sale	–	–	–	–	–	104,232	104,232
Loans and advances to customers	86,298,409	9,132,460	47,328,397	69,029,314	3,444,996	-6,720,555	208,513,019
	<b>141,766,012</b>	<b>9,132,460</b>	<b>47,328,397</b>	<b>69,029,314</b>	<b>3,444,996</b>	<b>2,554,719</b>	<b>273,255,898</b>
Deposits from banks	15,270,838	–	–	–	–	22,610	15,293,448
Deposits from customers	78,995,057	36,218,826	37,549,063	3,175,144	–	4,813,874	160,751,964
Loans from banks and financial institutions	–	9,431,610	54,122,278	–	–	652,305	64,206,193
Debt securities issued	–	–	–	11,148,967	–	295,692	11,444,659
Subordinated liabilities	–	–	–	–	8,750,000	181,091	8,931,091
	<b>94,265,895</b>	<b>45,650,436</b>	<b>91,671,341</b>	<b>14,324,111</b>	<b>8,750,000</b>	<b>5,965,572</b>	<b>260,627,355</b>
<b>Total interest sensitivity gap</b>	<b>47,500,117</b>	<b>(36,517,976)</b>	<b>(44,342,944)</b>	<b>54,705,203</b>	<b>(5,305,004)</b>	<b>(3,410,853)</b>	<b>12,628,543</b>

\*) This calculation is based on statutory figures. Please refer to Note 34.

#### d) Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies against RON. There is also a balance sheet risk that the net monetary liabilities in foreign currencies will take a higher value when translated into RON as a result of currency movements. The principal foreign currencies held by the Bank are EUR and USD. On the Romanian market, exchange rates have a high volatility; therefore open foreign exchange positions represent a source of currency risk. The Bank carries out operations in both the local currency and hard currencies (EUR and RON) and monitors its foreign currency exposure on a daily basis and close out its positions within individually defined limits.

The establishment of foreign currency positions for speculative purposes is not permitted. Currently the Bank does not use derivative instruments for hedging purposes. The strategy is to avoid to the maximum extent possible the foreign exchange risk.

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

<i>In EUR</i>	RON	EUR	USD	Other	Total
<b>Monetary assets</b>					
Cash and balances with Central Bank	27,215,614	43,935,438	1,878,201	–	73,029,253
Loans and advances to banks	7,768	1,014,892	141,244	21,467	1,185,371
Investment securities, available-for-sale	4,559	88,234	–	–	92,793
Loans and advances to customers	156,953,406	52,613,033	480,706	–	210,047,145
Other assets	1,598,693	357,134	94,590	761	2,051,178
<b>Total monetary assets</b>	<b>185,780,040</b>	<b>98,008,731</b>	<b>2,594,741</b>	<b>22,228</b>	<b>286,405,740</b>
<b>Monetary liabilities</b>					
Deposits from banks	–	–	–	–	–
Deposits from customers	99,132,318	49,480,438	2,732,361	9,400	151,354,517
Loans from banks and other financial institutions	57,036,793	38,391,235	–	–	95,428,028
Debt securities issued	10,420,000	–	–	–	10,420,000
Other liabilities	1,902,673	254,250	–	–	2,156,923
Deferred tax liabilities	221,555	–	–	–	221,555
Subordinated liabilities	–	8,930,328	–	–	8,930,328
<b>Total monetary liabilities</b>	<b>168,713,339</b>	<b>97,056,251</b>	<b>2,732,361</b>	<b>9,400</b>	<b>268,511,351</b>
<b>Net currency position</b>	<b>17,066,701</b>	<b>952,480</b>	<b>(137,620)</b>	<b>12,828</b>	<b>17,894,389</b>

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2007 are presented below:

<i>In EUR</i>	RON	EUR	USD	Other	Total
<b>Monetary assets</b>					
Cash and balances with Central Bank	30,883,929	29,502,171	2,482,469	–	62,868,569
Loans and advances to banks	1,789	353,929	1,375,517	38,841	1,770,076
Investment securities, available-for-sale	4,232	100,000	–	–	104,232
Loans and advances to customers	164,303,448	43,218,448	991,123	–	208,513,019
Other assets	617,637	164,297	72,195	–	854,129
<b>Total monetary assets</b>	<b>195,811,035</b>	<b>73,338,845</b>	<b>4,921,304</b>	<b>38,841</b>	<b>274,110,025</b>
<b>Monetary liabilities</b>					
Deposits from banks	6,376,501	8,916,947	–	–	15,293,448
Deposits from customers	113,274,261	42,395,187	5,071,349	11,167	160,751,964
Loans from banks and other financial institutions	51,638,379	12,567,814	–	–	64,206,193
Debt securities issued	11,444,659	–	–	–	11,444,659
Other liabilities	1,365,851	24,176	48	–	1,390,075
Deferred tax liabilities	267,254	–	–	–	267,254
Subordinated liabilities	–	8,931,091	–	–	8,931,091
<b>Total monetary liabilities</b>	<b>184,366,905</b>	<b>72,835,215</b>	<b>5,071,397</b>	<b>11,167</b>	<b>262,284,684</b>
<b>Net currency position</b>	<b>11,444,130</b>	<b>503,630</b>	<b>(150,093)</b>	<b>27,674</b>	<b>11,825,341</b>

The Bank measures the foreign exchange risk based on the ratio net open position/own funds (including the off balance sheet position), measured at 0.16% as at 31 December 2008 (31 December 2007: 0.37%).

#### e) Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of the asset positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding, and diversifying the funding base.

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:

- preparing liquidity crisis strategy and establishing specific measures, together with the shareholders, to address potential liquidity crisis
- constantly monitoring its liquidity position and over-dependence on specific funds
- forecasting on short-term basis its net liquidity position
- obtaining continuous support of the shareholders for the local business development in terms of approval a 5 years business plan and a stand by line from major shareholder as part of liquidity crisis strategy request by the law
- monitoring incoming and outgoing cash flows on daily basis and assessing the effects on its borrowers of the limited access to funding and the sustainability of growing businesses in Romania

- examining terms and conditions of financing agreements and considering the implications of obligations imposed and risks identified such as approaching maturity dates or the implications of any terms or covenants that may have been breached or which may be breached in the foreseeable future.

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

<i>in EUR</i>	Carrying amount	Gross amount	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years
<b>Financial assets</b>							
Cash and cash with Central Bank	73,029,253	73,029,253	73,029,253	–	–	–	–
Loans and advances to banks	1,185,371	1,185,871	1,185,871	–	–	–	–
Investment securities, available-for-sale	92,793	92,793	–	–	–	–	92,793
Loans and advances to customers	210,047,145	296,602,623	10,006,133	18,988,920	84,718,472	157,392,210	25,496,888
<b>Total financial assets</b>	<b>284,354,562</b>	<b>370,910,540</b>	<b>84,221,257</b>	<b>18,988,920</b>	<b>84,718,472</b>	<b>157,392,210</b>	<b>25,589,681</b>
<b>Financial liabilities</b>							
Deposits from customers	151,354,517	154,196,149	83,289,182	43,670,762	26,640,288	595,917	–
Loans from banks and other financial institutions	95,428,028	119,217,345	–	1,247,489	27,965,319	90,004,537	–
Debt securities issued	10,420,000	10,532,642	–	10,532,642	–	–	–
Subordinated liabilities	8,930,328	15,365,307	–	139,690	667,561	3,221,364	11,336,692
<b>Total financial liabilities</b>	<b>266,132,873</b>	<b>299,311,443</b>	<b>83,289,182</b>	<b>55,590,583</b>	<b>55,273,168</b>	<b>93,821,818</b>	<b>11,336,692</b>
<b>Maturity surplus/ (shortfall)</b>	<b>18,221,689</b>	<b>71,599,097</b>	<b>932,075</b>	<b>(36,601,663)</b>	<b>29,445,304</b>	<b>63,570,392</b>	<b>14,252,989</b>

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2007 are presented below:

<i>in EUR</i>	Carrying amount	Gross amount	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years
<b>Financial assets</b>							
Cash and cash with Central Bank	62,868,569	62,868,569	62,868,569	–	–	–	–
Loans and advances to banks	1,770,076	1,770,076	1,770,076	–	–	–	–
Investment securities, available-for-sale	104,232	104,232	–	–	–	–	104,232
Loans and advances to customers	208,513,019	284,994,732	9,553,614	17,459,279	81,300,344	154,667,008	22,014,487
<b>Total financial assets</b>	<b>273,255,896</b>	<b>349,737,609</b>	<b>74,192,259</b>	<b>17,459,279</b>	<b>81,300,344</b>	<b>154,667,008</b>	<b>22,118,719</b>
<b>Financial liabilities</b>							
Deposits from banks	15,293,448	15,322,867	15,322,867	–	–	–	–
Deposits from customers	160,751,964	161,854,715	80,037,286	37,776,553	40,255,832	3,785,044	–
Loans from banks and other financial institutions	64,206,193	75,314,884	9,692,336	–	13,129,182	52,493,366	–
Debt securities issued	11,444,659	12,576,951	–	477,726	472,533	11,626,692	–
Subordinated liabilities	8,931,091	16,173,405	–	312,779	495,319	3,221,959	12,143,348
<b>Total financial liabilities</b>	<b>260,627,355</b>	<b>281,242,822</b>	<b>105,052,489</b>	<b>38,567,058</b>	<b>54,352,866</b>	<b>71,127,061</b>	<b>12,143,348</b>
<b>Maturity surplus/ (shortfall)</b>	<b>12,628,541</b>	<b>68,494,787</b>	<b>(30,860,230)</b>	<b>(21,107,779)</b>	<b>26,947,478</b>	<b>83,539,947</b>	<b>9,975,371</b>

#### f) Taxation risk

On 1 January 2007 Romania became a member of the European Union ("EU") and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Company has to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes have been implemented, however the tax authorities have up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the newly enforced EU tax regulations could vary, and there is a

risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Company's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorized to conduct audits (controls) of 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. It is likely that the Bank will continue to be subject to regular controls as new laws and regulations are issued.

## g) Capital management

### Regulatory capital

The Bank's regulator, NBR (National Bank of Romania), sets and monitors capital requirements. In implementing current capital requirements NBR requires the Bank to maintain a prescribed ratio of total capital to total risk – weighted assets (8%).

The Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, legal, statutory and other reserves, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
- Tier 2 capitals, which includes qualifying subordinated liabilities, other long term debt, fair value reserves for fixed assets and other regulatory adjustments.

Various limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; qualifying term subordinated loan and preference shares capital may not exceed 50 percent of tier 1 capital.

The Bank complied with all externally imposed capital requirements throughout the period.

The Bank's regulatory capital position\* at 31 December 2008 was as follows:

<i>in EUR</i>	2008 Basel II**	2007 Basel I
<b>Tier 1 capital</b>		
Ordinary share capital	26,504,193	19,456,501
Share premium	319,626	
Retained earnings	(1,986,542)	(526,295)
Less intangible assets	(577,585)	(613,941)
Other regulatory adjustments (equity investments)	(2,781)	(3,776)
<b>Total</b>	<b>24,256,911</b>	<b>18,312,489</b>
<b>Tier 2 capital</b>		
Revaluation reserve (fixed assets)	–	–
Qualifying subordinated liabilities	8,750,000	8,750,000
Other regulatory adjustments (equity investments)	–	–
<b>Total</b>	<b>8,750,000</b>	<b>8,750,000</b>
<b>Total regulatory capital</b>	<b>33,006,911</b>	<b>27,062,489</b>
<b>Capital request</b>	<b>16,237,611</b>	<b>n/a</b>
<b>Risk-weighted assets</b>	<b>n/a</b>	<b>223,989,066</b>
Capital request for credit risk	13,748,900	n/a
Capital request for operational risk	2,488,711	n/a
Capital request for market risk	–	n/a
<b>Excedent(+)/Defict(-) of regulatory capital</b>	<b>16,769,300</b>	<b>n/a</b>
<b>Capital ratios</b>		
Solvability ratio	16.26%	12.08%
Total tier 1 capital expressed as a percentage of Capital request	11.95%	8.18%

\*) This calculation is based on statutory figures. Please refer to Note 34.

\*\*) Since January 2008 in compliance with the applicable legislation in force, the Bank has been applying Basel II Capital Adequacy. Therefore the figures related to 2007 are calculated according to Basel I, while the figures for 2008 are calculated according to Basel II.

### Capital allocation

The allocation of capital between specific operations and activities is driven by the principle that no activity or operation should take more risk than it can bear. This rule is put into operations using an “economic capital” or “value at risk” model. At all times, the predefined, economic Tier 1 and Tier 2 capital has to be available to cover potential losses.

### h) Operational risk

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

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank'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 Bank 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
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodical reviews undertaken by Internal Audit. 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.

## 5. Use of estimates and judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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.

Management discusses with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management (see note 4).

### Key sources of estimation uncertainty

#### *Impairment losses on loans and advances*

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(h)(vi).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

The Bank reviews its loan portfolios to assess impairment at least on a semi-annual basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. 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 on current market conditions on the individual / collective assessment of loans and advances to customers' impairment especially because of the significant uncertainties on the international and local financial markets.

The borrowers of the Bank may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. Deteriorating market conditions for borrowers may also have an impact on the management cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessment.

Hence, the Bank has estimated the impairment loss provision for loans and advances to customers based on the internal methodology and assessed that no further provision for impairment losses is required except as already provided for in the financial statements.

### Critical accounting judgements in applying the Bank's accounting policies

#### *Valuation of financial instruments*

The Bank measures fair values using the following hierarchy of methods:

- Quoted market price in an active market for an identical instrument.
- 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.
- 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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include benchmark interest rates, and credit spreads used in estimating discount rates, bond and equity prices and foreign currency exchange rates. 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, which would have been determined by market participants acting at arm's length.

The Bank holds no financial instruments carried at fair value. The table below analyses financial instruments carried at amortised cost and disclosed at fair value in note 7, by valuation method:

<i>in EUR</i>	Quoted market prices in active markets	Valuation techniques – observable inputs	Valuation techniques – significant un-observable inputs	Total
<b>31 December 2008</b>				
Cash and balances with Central Bank	–	73,029,253	–	73,029,253
Loans and advances to banks	–	1,185,560	–	1,185,560
Loans and advances to customers	–	210,075,907	–	210,075,907
Investment securities, available for sale	–	92,793	–	92,793
<b>Total financial assets</b>	–	<b>284,383,513</b>	–	<b>284,383,513</b>
Deposits from customers	–	151,699,098	–	151,699,098
Loans from banks and other financial institutions	–	108,724,686	–	108,724,686
Debt securities issued	10,340,138	–	–	10,340,138
Subordinated liabilities	–	8,930,328	–	8,930,328
<b>Total financial liabilities</b>	<b>10,340,138</b>	<b>269,354,112</b>	–	<b>279,694,250</b>
<b>31 December 2007</b>				
Cash and balances with Central Bank	–	62,868,569	–	62,868,569
Loans and advances to banks	–	1,769,790	–	1,769,790
Loans and advances to customers	–	212,272,456	–	212,272,456
Investment securities, available for sale	–	104,232	–	104,232
<b>Total financial assets</b>	–	<b>277,015,047</b>	–	<b>277,015,047</b>
Deposits from banks	–	15,296,704	–	15,296,704
Deposits from customers	–	161,154,507	–	161,154,507
Loans from banks and other financial institutions	–	63,417,415	–	63,417,415
Debt securities issued	11,444,659	–	–	11,444,659
Subordinated liabilities	–	8,931,091	–	8,931,091
<b>Total financial liabilities</b>	<b>11,444,659</b>	<b>248,799,717</b>	–	<b>260,244,376</b>

Although the Bank believes that its estimates of fair value disclosed in note 7 are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. As the Bank does not account for any financial instruments at fair value, changing one or more of the assumptions used to reasonably possible alternative assumptions would have no effects in the profit and loss or directly in equity but only in the disclosures made in the note 7 to these financial statements.

## 6. Segment reporting

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

The Bank is currently in the process of amending the existing applications and adjusting existing internal financial reporting to support identification of the lower level reportable business segments and related segment information within its business segments.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation.

The Bank's segment reporting as at 31 December 2008 comprises the following main business segments:

- Banking for medium entities - within corporate banking the Bank provides corporations with a range of banking products and services, including lending and deposit taking, providing cash management, foreign commercial business.
- Banking for Small entities and Individuals - the Bank provides individuals and small legal entities 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.
- Un-allocated - within other the Bank incorporates financial products and services provided to or by financial institutions including money market and treasury operations, syndicated loans taken and bonds issued, foreign currency.

As at 31 December

in EUR	Small entities		Individual		Medium entities		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Assets</b>										
Cash and balances with National Bank of Romania	-	-	-	-	-	-	73,029,253	62,868,569	73,029,253	62,868,569
Loans and advances to banks	-	-	-	-	-	-	1,185,371	1,770,076	1,185,371	1,770,076
Loans and advances to customers	107,820,582	111,188,181	73,929,593	75,475,286	28,296,970	21,849,552	-	-	210,047,145	208,513,019
Investment securities, available-for-sale	-	-	-	-	-	-	92,793	104,232	92,793	104,232
Property and equipment	-	-	-	-	-	-	6,216,966	6,659,977	6,216,966	6,659,977
Intangible assets	-	-	-	-	-	-	629,942	664,839	629,942	664,839
Other assets	-	-	-	-	-	-	2,051,178	854,129	2,051,178	854,129
<b>Total assets</b>	<b>107,820,582</b>	<b>111,188,181</b>	<b>73,929,593</b>	<b>75,475,286</b>	<b>28,296,970</b>	<b>21,849,552</b>	<b>83,205,503</b>	<b>72,921,822</b>	<b>293,252,648</b>	<b>281,434,841</b>
<b>Liabilities</b>										
Deposits from banks	-	-	-	-	-	-	-	15,293,448	-	15,293,448
Deposits from customers	13,062,117	15,420,399	112,676,413	88,418,985	25,615,988	56,912,580	-	-	151,354,518	160,751,964
Loans from banks and other financial institutions (*)	-	-	-	-	-	-	95,428,028	64,206,193	95,428,028	64,206,193
Debt securities issued	-	-	-	-	-	-	10,420,000	11,444,659	10,420,000	11,444,659
Subordinated liabilities	-	-	-	-	-	-	8,930,328	8,931,091	8,930,328	8,931,091
Deferred tax liabilities	-	-	-	-	-	-	221,555	267,254	221,555	267,254
Other liabilities	-	-	-	-	-	-	2,156,923	1,390,075	2,156,923	1,390,075
<b>Total liabilities</b>	<b>13,062,117</b>	<b>15,420,399</b>	<b>112,676,413</b>	<b>88,418,985</b>	<b>25,615,988</b>	<b>56,912,580</b>	<b>117,156,834</b>	<b>101,532,720</b>	<b>268,511,352</b>	<b>262,284,684</b>

(\*) Included in "Loans from banks and other financial institutions" is EUR 67,329,035, borrowings from European Bank for Reconstruction and Development and Citibank Romania S.A. taken as source of funding for the Small and Medium entities segments.

<i>in EUR</i>	Small entities		Individual		Medium entities		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Assets</b>										
Interest and similar income	22,648,770	19,513,476	15,529,635	13,245,879	5,944,056	3,834,587	2,032,660	1,179,944	46,155,121	37,773,886
Interest expense (*)	(341,246)	(197,766)	(9,321,578)	(5,270,043)	(1,941,392)	(3,045,003)	(11,910,481)	(8,150,404)	(23,514,697)	(16,663,216)
<b>Net interest income</b>	<b>22,307,524</b>	<b>19,315,710</b>	<b>6,208,057</b>	<b>7,975,836</b>	<b>4,002,664</b>	<b>789,584</b>	<b>(9,877,821)</b>	<b>(6,970,460)</b>	<b>22,640,424</b>	<b>21,110,670</b>
Fees and commission income	1,445,289	1,863,500	983,954	922,853	1,776,895	1,058,885	550,199	449,432	4,756,337	4,294,670
Fees and commission expense	–	–	–	–	–	–	(424,228)	(453,274)	(424,228)	(453,274)
<b>Net fee and commission income</b>	<b>1,445,289</b>	<b>1,863,500</b>	<b>983,954</b>	<b>922,853</b>	<b>1,776,895</b>	<b>1,058,885</b>	<b>125,971</b>	<b>(3,842)</b>	<b>4,332,109</b>	<b>3,841,396</b>
Net trading income	–	–	–	–	–	–	920,155	897,896	920,155	897,896
Other operating income	–	–	–	–	–	–	102,851	77,800	102,851	77,800
<b>Operating income</b>	<b>23,752,813</b>	<b>21,179,210</b>	<b>7,192,011</b>	<b>8,898,689</b>	<b>5,779,559</b>	<b>1,848,469</b>	<b>(8,728,844)</b>	<b>(5,998,606)</b>	<b>27,995,539</b>	<b>25,927,762</b>
Net impairment losses on financial assets	(1,638,227)	(1,166,102)	(1,088,613)	(888,786)	(47,537)	(97,272)	(162,797)	1,956	(2,937,174)	(2,150,204)
Operating expenses	–	–	–	–	–	–	(27,042,737)	(22,647,042)	(27,042,737)	(22,647,042)
Income tax expense	–	–	–	–	–	–	22,190	(183,990)	22,190	(183,990)
<b>Net profit / (loss) for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1,962,182)</b>	<b>946,526</b>

(\*) Included in "Interest expenses" is EUR 6,430,903, borrowings from European Bank for Reconstruction and Development and Citibank Romania S.A. taken as source of funding for the Small and Medium entities segments.

## 7. Financial assets and liabilities

### Accounting classifications and fair values

<i>in EUR</i>	Note	Trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
<b>31 December 2008</b>									
Cash and balances with Central Bank	15	–	–	–	73,029,253	–	–	73,029,253	73,029,253
Loans and advances to banks	16	–	–	–	1,185,371	–	–	1,185,371	1,185,560
Loans and advances to customers	18	–	–	–	210,047,145	–	–	210,047,145	210,075,907
Investment securities, available for sale	17	–	–	–	–	92,793	–	92,793	92,793
<b>Total financial assets</b>		–	–	–	<b>284,261,769</b>	<b>92,793</b>	–	<b>284,354,562</b>	<b>284,383,513</b>
Deposits from banks	22	–	–	–	–	–	–	–	–
Deposits from customers	23	–	–	–	–	–	151,354,517	151,354,517	151,699,098
Loans from banks and other financial institutions	24	–	–	–	–	–	95,428,028	95,428,028	108,724,686
Debt securities issued	25	–	–	–	–	–	10,420,000	10,420,000	10,340,138
Subordinated liabilities	27	–	–	–	–	–	8,930,328	8,930,328	8,930,328
<b>Total financial liabilities</b>		–	–	–	–	–	<b>266,132,873</b>	<b>266,132,873</b>	<b>279,694,250</b>

<i>in EUR</i>	Note	Trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
<b>31 December 2007</b>									
Cash and balances with Central Bank	15	–	–	–	62,868,569	–	–	62,868,569	62,868,569
Loans and advances to banks	16	–	–	–	1,770,076	–	–	1,770,076	1,769,790
Loans and advances to customers	18	–	–	–	208,513,019	–	–	208,513,019	212,272,456
Investment securities, available for sale	17	–	–	–	–	104,232	–	104,232	104,232
<b>Total financial assets</b>		–	–	–	<b>273,151,664</b>	<b>104,232</b>	–	<b>273,255,896</b>	<b>277,015,047</b>
Deposits from banks	22	–	–	–	–	–	15,293,448	15,293,448	15,296,704
Deposits from customers	23	–	–	–	–	–	160,751,964	160,751,964	161,154,507
Loans from banks and other financial institutions	24	–	–	–	–	–	64,206,193	64,206,193	63,417,415
Debt securities issued	25	–	–	–	–	–	11,444,659	11,444,659	11,444,659
Subordinated liabilities	27	–	–	–	–	–	8,931,091	8,931,091	8,931,091
<b>Total financial liabilities</b>		–	–	–	–	–	<b>260,627,355</b>	<b>260,627,355</b>	<b>260,244,376</b>

### 8. Net interest income

<i>In EUR</i>	2008	2007
<b>Interest income</b>		
Interest and similar income arising from:		
Cash and balances with National Bank of Romania	1,485,421	907,090
Loans and advances to banks	547,239	272,854
Loans and advances to customers, out of which:	44,122,461	36,611,062
Impaired loans and advances to customers	24,567	17,120
<b>Total interest income</b>	<b>46,155,121</b>	<b>37,773,886</b>
<b>Interest expense</b>		
Interest expense arising from:		
Deposits from banks	1,083,403	192,059
Deposits from customers	11,604,217	8,512,812
Loans from banks and other financial institutions	9,034,044	6,176,426
Debt securities issued	985,884	1,082,052
Subordinated liabilities	807,149	699,867
<b>Total interest expense</b>	<b>23,514,697</b>	<b>16,663,216</b>
<b>Net interest income</b>	<b>22,640,424</b>	<b>21,110,670</b>

### 9. Net fee and commission income

<i>In EUR</i>	2008	2007
<b>Fee and commission income</b>		
Fees and commission income arising from:		
Transactions	3,544,613	3,076,389
Loan administration and guarantee issuance	1,158,022	1,161,890
Other	53,702	56,391
<b>Total fee and commission income</b>	<b>4,756,337</b>	<b>4,294,670</b>
<b>Fee and commission expense</b>		
Fee and commission expense arising from:		
Inter-bank transaction fees	401,026	412,314
Loans and guarantees received from banks	7,146	23,306
Other	16,056	17,654
<b>Total fee and commission expense</b>	<b>424,228</b>	<b>453,274</b>
<b>Net fee and commission income</b>	<b>4,332,109</b>	<b>3,841,396</b>

### 10. Net trading income

<i>In EUR</i>	2008	2007
Net gain from transactions in foreign currency	1,161,332	940,307
Net loss from translation of foreign currency denominated assets and liabilities	(241,177)	(42,411)
<b>Net trading income</b>	<b>920,155</b>	<b>897,896</b>

### 11. Net impairment loss on financial assets

<i>In EUR</i>	2008	2007
Impairment charge on loans and advances to customers	4,526,063	4,324,493
Release of the impairment for loans and advances to customers from change in estimates	(2,204,864)	(777,424)
Release of the impairment for loans and advances to customers through usage	(1,381,034)	(1,002,209)
Loans written-off expense	1,926,696	–
Recoveries from loans and advances to customers	(92,484)	(396,611)
Impairment charge on equity investments	–	1,955
Other impairment loss for financial assets	162,797	–
<b>Net charge of provision for impairment losses on financial assets</b>	<b>2,937,174</b>	<b>2,150,204</b>

**12. Other operating expenses**

<i>In EUR</i>	2008	2007
Advertising and promotion expenses	933,593	926,096
Consumables expenses	708,734	748,152
Post and telecommunication expenses	923,929	764,866
Travel expenses	721,441	505,949
Repairs and maintenance expenses	657,767	539,116
Other tax expenses	1,635,533	1,637,247
Electricity expenses	325,397	284,162
Insurance expenses	245,708	213,945
Representative expenses	274,619	189,791
Contribution to deposit guarantee fund	100,303	68,151
Other operating expenses	1,104,510	1,091,006
<b>Total</b>	<b>7,631,534</b>	<b>6,968,481</b>

**13. Personnel expenses**

<i>In EUR</i>	2008	2007
Salaries and social security contributions	12,597,650	9,912,073
Training and recruiting expenses	309,535	181,703
<b>Total</b>	<b>12,907,185</b>	<b>10,093,776</b>

**14. Taxation**

<i>In EUR</i>	2008	2007
Current tax expense	-	-
Deferred tax expense / (revenue)	(22,190)	183,990
<b>Income tax expense / (revenue)</b>	<b>(22,190)</b>	<b>183,990</b>

**Deferred taxes**

The deferred tax assets and liabilities are attributable to the items detailed in the table below:

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Property and equipment and intangible assets	20,726	25,313
Loans and advances to customers	321,119	27,832
Provision for impairment of loans	(357,719)	(91,035)
Other liabilities	2,098	-
Banking risk reserve (i)	(247,566)	(273,285)
Fiscal loss	39,787	43,921
<b>Deferred tax liability</b>	<b>(221,555)</b>	<b>(267,254)</b>

**Reconciliation of effective tax rate**

<i>In EUR</i>	2008	2007
<b>Profit / (Loss) before tax</b>	<b>(1,984,372)</b>	<b>1,130,516</b>
<b>Taxation at statutory rate of 16% (2007: 16%)</b>	<b>(317,500)</b>	<b>180,883</b>
Non-deductible expenses	127,901	80,630
Non-taxable revenues	(17,973)	(17,177)
Origination and reversal of temporary differences	(2,429)	(244,336)
Tax effect of other non-temporary differences	187,810	183,990
<b>Taxation in the income statement</b>	<b>(22,190)</b>	<b>183,990</b>

**15. Cash and balances with National Bank of Romania**

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Minimum compulsory reserve	60,513,197	53,698,412
Cash on hand and cash in ATMs	7,439,279	7,710,652
Other balances with National Bank of Romania	5,076,777	1,459,505
<b>Total</b>	<b>73,029,253</b>	<b>62,868,569</b>

At 31 December 2008 the minimum compulsory reserve, held with the National Bank of Romania, was established at 18% for RON and 40% for USD or EUR (31 December 2007: 20% for RON and 40% for USD or EUR) denominated funds attracted. The balance of mandatory reserve can vary on a daily basis. The interest paid by the National Bank of Romania for the reserve held by banks was 5.6% p.a. for RON denominated reserves, 1.05% p.a. for EUR and 2.8% p.a. for USD denominated reserves. The mandatory reserve can be used in the Bank's day to day activities providing the average balance for the month is maintained within required formula.

**16. Loans and advances to banks**

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Current accounts with banks	362,228	442,401
Deposits with banks	821,143	1,327,675
<b>Total</b>	<b>1,185,371</b>	<b>1,770,076</b>

Current accounts held at other banks are at immediate disposal of the Bank. The deposits with banks are unencumbered.

**17. Investment securities, available-for-sale**

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Unlisted equity investments	92,793	104,232
<b>Total</b>	<b>92,793</b>	<b>104,232</b>

**18. Loans and advances to customers**

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Loans and advances to customers	215,763,043	213,834,813
Out of which:		
Accrued interest on impaired loans	11,461	33,071
Less provision for impairment losses on loans and advances to customers	(5,715,898)	(5,321,794)
<b>Total</b>	<b>210,047,145</b>	<b>208,513,019</b>

The Bank's commercial lending is concentrated on micro and small size companies domiciled in Romania. Economic sector risk concentrations within the customer loan portfolio were as follows:

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Services	72,365,598	75,607,889
Trade	70,946,019	68,831,755
Industry	56,143,290	48,930,923
Individuals, mortgage loans	4,196,719	5,685,253
Individuals, consumer loans	3,027,679	3,734,519
Others	9,083,738	11,044,474
<b>Total loans and advances to customers before provisions</b>	<b>215,763,043</b>	<b>213,834,813</b>
Less provision for impairment losses on loans and advances to customers	(5,715,898)	(5,321,794)
<b>Total</b>	<b>210,047,145</b>	<b>208,513,019</b>

The provision for impairment losses on loans and advances to customers can be further analysed as follows:

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Balance at the beginning of the year	5,321,794	3,275,925
Charge of impairment loss to income statement for collectively impaired loans and advances	4,522,890	4,309,715
Charge of impairment loss to income statement for individually impaired loans and advances	3,173	14,778
Release of impairment loss to income statement for collectively impaired loans and advances	(3,491,220)	(1,779,633)
Release of impairment loss to income statement for individually impaired loans and advances	(94,678)	–
Exchange rate differences	(546,061)	(498,991)
<b>Balance at the end of the year</b>	<b>5,715,898</b>	<b>5,321,794</b>

## 19. Intangible assets

<i>In EUR</i>	Total
<b>Cost</b>	
At 1 January 2008	1,736,846
Additions	571,627
Effect of exchange rate	(163,434)
At 31 December 2008	2,145,039
<b>Accumulated amortisation</b>	
At 1 January 2008	1,072,007
Amortisation charge for the year	587,322
Effect of exchange rate	(144,232)
At 31 December 2008	1,515,097
<b>Net book value</b>	
<b>At 31 December 2008</b>	<b>629,942</b>
<b>Cost</b>	
At 1 January 2007	1,556,675
Additions	278,698
Effect of exchange rate	(98,527)
At 31 December 2007	1,736,846
<b>Accumulated amortisation</b>	
At 1 January 2007	645,016
Amortisation charge for the year	506,071
Effect of exchange rate	(79,080)
At 31 December 2007	1,072,007
<b>Net book value</b>	
<b>At 31 December 2007</b>	<b>664,839</b>

## 20. Property and equipment

<i>In EUR</i>	Leasehold improvements	Furniture and computer equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
At 1 January 2008	4,457,367	6,277,859	773,322	119,880	11,628,428
Additions	952,580	779,181	98,313	347,812	2,177,886
Disposals	(55,631)	(304,323)	(17,036)	(119,880)	(496,869)
Accumulated depreciation reversed at revaluation	(65,607)	–	–	–	(65,607)
Increase from revaluation	558	–	–	–	558
Effect of exchange rate	(419,429)	(590,734)	(72,768)	–	(1,082,931)
At 31 December 2008	4,869,838	6,161,983	781,831	347,812	12,161,464
<b>Accumulated depreciation</b>					
At 1 January 2008	1,460,328	3,150,186	357,937	–	4,968,451
Depreciation charge for the year	655,688	1,214,301	121,449	–	1,991,438
Disposal	(55,630)	(268,922)	(17,036)	–	(341,588)
Accumulated depreciation reversed at revaluation	(65,607)	–	–	–	(65,607)
Effect of exchange rate	(137,415)	(437,100)	(33,681)	–	(608,196)
At 31 December 2008	1,857,364	3,658,465	428,669	–	5,944,498
<b>Net book value</b>					
<b>At 31 December 2008</b>	<b>3,012,474</b>	<b>2,503,518</b>	<b>353,162</b>	<b>347,812</b>	<b>6,216,966</b>

<i>In EUR</i>	Leasehold improvements	Furniture and computer equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
At 1 January 2007	3,730,250	5,662,515	681,979	89,887	10,164,631
Additions	963,215	1,022,937	134,507	119,880	2,240,539
Disposals	–	(49,198)	–	(89,887)	(139,085)
Effect of exchange rate	(236,098)	(358,395)	(43,164)	–	(637,657)
At 31 December 2007	4,457,367	6,277,859	773,322	119,880	11,628,428
<b>Accumulated depreciation</b>					
At 1 January 2007	857,988	2,041,726	241,903	–	3,141,617
Depreciation charge for the year	710,340	1,377,832	156,388	–	2,244,560
Disposal	–	(49,198)	–	–	(49,198)
Effect of exchange rate	(108,000)	(220,174)	(40,354)	–	(368,528)
At 31 December 2007	1,460,328	3,150,186	357,937	–	4,968,451
<b>Net book value</b>					
At 31 December 2007	2,997,039	3,127,673	415,385	119,880	6,659,977

### Operating leases

Non-cancellable operating lease rentals are payable as follows:

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Less than one year	3,705,255	2,936,653
Between one and five years	9,703,482	8,560,935
More than five years	3,030,002	1,814,953
<b>Total</b>	<b>16,438,739</b>	<b>13,312,541</b>

### 21. Other assets

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Prepayments	568,157	376,298
Sundry debtors	42,331	23,246
Advances for fixed assets in progress	633,593	131,377
Receivables from public authorities	202,257	55,542
Suspense accounts	275,790	28,574
Inventory	139,141	85,170
Other receivables	189,909	153,922
<b>Total</b>	<b>2,051,178</b>	<b>854,129</b>

### 22. Deposits from banks

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Term deposits	–	15,293,448
<b>Total</b>	<b>–</b>	<b>15,293,448</b>

### 23. Deposits from customers

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
<b>Individuals</b>		
Term deposits	94,998,371	66,477,235
Current deposits	17,075,603	20,622,419
Collateral deposit	60,476	239,949
<b>Corporate customers</b>		
Term deposits	25,183,756	47,271,524
Current deposits	13,882,728	25,911,860
Collateral deposit	153,583	228,977
<b>Total</b>	<b>151,354,517</b>	<b>160,751,964</b>

### 24. Loans from banks and other financial institutions

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Kreditanstalt für Wiederaufbau ("KfW") (i)	9,914,874	3,519,498
European Bank for Reconstruction and Development (ii)	28,490,201	9,072,299
International Finance Corporation(iii)	8,842,189	9,652,864
Citibank Romania S.A. (iv)	38,838,834	41,961,532
European Fund for Southeast Europe ("EFSE")(v)	9,341,930	–
<b>Total</b>	<b>95,428,028</b>	<b>64,206,193</b>

#### (i) Loan from KfW

In June 2004 the Bank concluded a loan agreement with KfW amounting to EUR 1,480,000 with the purpose of refinancing other loans. The loan bears an interest rate of 6 months Euribor plus margin and is repayable starting from June 2008 in 2 equal semi-annual instalments. The loan was taken over in March 2006 from EFSE (European Fund of South and East Europe), managed by Citibank. The loan was fully repaid in December 2008.

In August 2005 the Bank concluded a loan agreement with KfW amounting to EUR 2,000,000 with purpose of refinancing other loans. The loan bears an interest rate of 6 months Euribor plus margin and is repayable starting from June 2008 in 2 equal semi-annual instalments. The loan was taken over in March 2006 from EFSE (European Fund of South and East Europe), managed by Citibank. The loan was fully repaid in December 2008.

In May 2008 the Bank concluded a loan agreement with KfW amounting to EUR 10,000,000 with purpose of refinancing other loans. The loan bears an interest rate of 6 months Euribor plus margin and is repayable in equal semi-annual instalments of EUR 1,428,571 each starting from June 2010 till June 2013.

#### (ii) Loan from EBRD

In May 2005 the Bank concluded with European Bank for Reconstruction and Development ("EBRD") amounting to EUR 12,390,000 with the purpose of granting loans to Small and Medium Enterprises (SME's). The outstanding principal of the loan as for 31 December 2008 was EUR 4,130,000 (31 December 2007: EUR 8,260,000). The loan bears an interest rate of 6 months Euribor plus margin and is repayable starting from June 2007 in equal semi-annually instalments of EUR 2,065,000 each until December 2009.

In October 2008 the Bank signed with EBRD a loan agreement amounting to EUR 37,000,000 to be drawn in two tranches. The first tranche was drawn in November 2008 in the amount of EUR 25,000,000. The outstanding principal of the loan as for 31 December 2008 was EUR 25,000,000. The second tranche EUR 12,000,000 was drawn in January 2009. The loan bears an interest rate of 6 months Euribor plus margin and is repayable starting from June 2010 until June 2012.

*(iii) Loan from International Finance Corporation (IFC)*

In June 2007 the Bank concluded with International Finance Corporation a loan agreement amounting to RON 34,050,000 (EUR 8,544,113 equivalent). The loan bears a variable interest rate linked to 6 months SWAP rate (the swap market, being the Leu fixed rate quoted to IFC for a Leu/Dollar swap transaction between IFC and a swap counterparty selected by IFC) plus margin, repayable in equal semi-annual instalments of RON 4,864,286 (EUR 1,220,588 equivalent) each starting from August 2009 till August 2012.

*(iv) Loan from Citibank Romania SA*

In October 2006 the Bank concluded with Citibank Romania SA a syndicated loan agreement amounting to RON 150,000,000. The drawn amount the end of 2008 was 150,000,000 RON (EUR 37,639,265 equivalent). The drawn amount the end of 2007 was RON 150,000,000 (EUR 41,548,944 equivalent). The loan bears an interest rate of 6 months BUBOR plus margin and is repayable in equal semi-annual instalments of RON 25,000,000 (EUR 6,273,211 equivalent) each starting from April 2009 until October 2011.

*(v) European Fund for Southeast Europe ("EFSE")*

In May 2008 the Bank concluded with European Fund for Southeast Europe a loan agreement amounting to RON 36,000,000 (EUR 9,033,424 equivalent). The loan bears an interest rate of 6 months ROBOR plus margin and is repayable in equal semi-annual instalments of RON 6,000,000 (EUR 1,505,571 equivalent) each starting from September 2010 until March 2013.

## 25. Debt securities issued

In EUR	31 Dec 2008	31 Dec 2007
Principal (i)	10,099,870	11,148,967
Deferred commission	(6,801)	(65,198)
Accrued interest	326,931	360,890
<b>Total</b>	<b>10,420,000</b>	<b>11,444,659</b>

Shareholders	No of shares	2008		2007	
		No of shares	%	No of shares	%
ProCredit Holding AG (i)	4,472,376	2,263,083	42.34	2,263,083	32.22
Commerzbank Aktiengesellschaft	2,221,022	1,476,925	21.03	1,476,925	21.03
European Bank for Reconstruction and Development	1,745,698	1,160,823	16.53	1,160,823	16.53
Kreditanstalt für Wiederaufbau (KfW)	927,824	927,824	8.78	927,824	13.21
International Finance Corporation (i)	846,910	846,910	8.02	846,910	12.06
Internationale Projekt Consult GmbH	348,621	348,621	3.30	348,621	4.96
<b>Total</b>	<b>10,562,451</b>	<b>7,024,186</b>	<b>100.00</b>	<b>7,024,186</b>	<b>100.00</b>

(i) In March 2006 the Bank issued corporate bonds in nominal value of RON 40,250,000 (i.e. EUR 10,099,870 equivalent as at 31 December 2008 and EUR 11,148,967 equivalent as at 31 December 2007). The interest rate is 8.5% p.a. and is paid semi-annually. The final maturity was 15 February 2009. The bonds issuance was intermediated by BCR Securities S.A. The bonds were publicly listed on the Bucharest Stock Exchange since 12 February 2007 (symbol PRCR09). The fair value of the debt securities issued is disclosed in Note 7.

## 26. Other liabilities

In EUR	31 Dec 2008	31 Dec 2007
Salaries and related contributions and taxes payables	1,032,169	823,565
Sundry creditors	1,124,754	566,510
<b>Total</b>	<b>2,156,923</b>	<b>1,390,075</b>

## 27. Subordinated liabilities

In EUR	31 Dec 2008	31 Dec 2007
Principal (i)	8,750,000	8,750,000
Accrued interest	180,328	181,091
<b>Total</b>	<b>8,930,328</b>	<b>8,931,091</b>

(i) The Bank received the following fixed interest subordinated loans from from ProCredit Holding AG:

- EUR 3,000,000, in August 2006;
- EUR 2,000,000, in November 2006;
- EUR 3,750,000, in April 2007.

These loans are repayable as follows: EUR 5,000,000 in 2016 and EUR 3,750,000 in 2017.

## 28. Issued capital

The issued capital of the Bank is represented by 10,562,451 shares (31 December 2006: 7,024,186 shares) of RON 10 each, equivalent to USD 14,600,000.02 and EUR 16,000,000.75 respectively at the dates of contribution. The shareholders of the Bank at 31 December 2008 and 31 December 2007 were as follows:

(i) During 2007 ProCredit Holding AG took over the participation of International Finance Corporation in ProCredit Bank SA. At current date, the legal procedures to change the shareholder structure are pending approval from the regulatory authorities.

## 29. Reserves

In EUR	31 Dec 2008	31 Dec 2007
Statutory reserve (i)	157,212	160,556
General banking risk reserve (ii)	1,547,288	1,708,008
Revaluation reserve	558	–
<b>Total</b>	<b>1,705,058</b>	<b>1,868,564</b>

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

(ii) 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 was appropriated from the statutory gross profit at the rate of 1% of the balance of the assets carrying specific banking risks until the end of 2006 as required by local legislation.

## 30. Cash and cash equivalents

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

In EUR	31 Dec 2008	31 Dec 2007
Cash and other balances with NBR (Note 15)	12,516,056	9,170,157
Loans and advances to banks (Note 16)	1,185,371	1,770,076
<b>Total</b>	<b>13,701,427</b>	<b>10,940,233</b>

## 31. Commitments and contingencies

### i) Legal proceedings

As at 31 December 2008 and 31 December 2007 there were no significant legal proceedings outstanding against the Bank.

### ii) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk than a direct borrowing.

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

to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The following table indicates the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted:

In EUR	31 Dec 2008	31 Dec 2007
Guarantees given	772,850	559,480
Commitments to extend credit	3,485,687	4,081,196
<b>Total</b>	<b>4,258,537</b>	<b>4,640,676</b>

The Bank issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to that arising from granting of loans. In the event of a claim on the Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Bank. At 31 December 2008 no provision has been established for risks arising from off balance sheet commitments (31 December 2007: nil).

In accordance with the requirements of the Emergency Government Ordinance no. 23 / 22 March 2006, the Bank signed a stand-by liquidity agreement for one year with the Banking Deposits Guarantee Fund for a maximum amount of RON 2,754,040 (31 December 2007: RON 2,520,443) in EUR equivalent 691,067 (31 December 2007: 698,145). No amounts were drawn from this facility as of the date of these financial statements approval.

## 32. Related party transactions

### Transactions with shareholders and other related parties from the group

The Bank entered into a number of banking transactions with the related parties in the normal course of business. These transactions were carried out in the normal course of the business on commercial terms and conditions and at market rate.

The list of related parties and description of the nature of relationship is as follows:

Name	Relationship
Commerzbank Aktiengesellschaft (and its subsidiaries)	Shareholder
International Finance Corporation	Shareholder
ProCredit Holding AG	Shareholder
ProCredit Bank Albania	Bank of the group
ProCredit Bank Bulgaria	Bank of the group
ProCredit Bank Georgia	Bank of the group
ProCredit Bank Kosovo	Bank of the group
ProCredit Bank Macedonia	Bank of the group
ProCredit Bank Ukraine	Bank of the group
ProCredit Moldova	Group company
ProCredit Academy	Group company
ProLease Bulgaria	Group company

The parent and ultimate controlling party of the Bank is ProCredit Holding Germany.

During the year ended 31 December 2008 and the year ended 31 December 2007 the following transactions were carried out with the shareholders and other related parties from the group:

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Loans and advances	291,972	400,029
Other receivable	229,167	123,806
<b>Total assets</b>	<b>521,139</b>	<b>523,835</b>
Deposits	2,000,205	–
Borrowings	18,757,063	9,072,299
Other liabilities	250,825	61
Subordinated liabilities	8,930,328	8,931,091
<b>Total liabilities</b>	<b>29,938,421</b>	<b>18,003,451</b>
Interest income	24,038	441
Net fees and commissions	(61,059)	(3,658)
Other revenue	7,257	5,565
<b>Income</b>	<b>(29,764)</b>	<b>2,348</b>
Interest expense	(2,534,238)	(2,474,022)
Other expense	(449,732)	(449,925)
<b>Expense</b>	<b>(2,983,970)</b>	<b>(2,923,947)</b>

#### Transactions with key management personnel

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
Management salaries (i)	269,320	213,723
<b>Total expenses</b>	<b>269,320</b>	<b>213,723</b>

(i) Included in the key management personnel are the members of executive committee of the Bank.

#### 33. Reconciliation of profit under IFRS and Romanian Accounting Standards as stipulated in Order No. 5/2005 issued by the National Bank of Romania Governor on the approval of accounting regulations compliant with EU Directives and applicable to credit institutions

<i>In EUR</i>	2008	2007
<b>Profit/(Loss) for the year under Romanian Accounting Standards (i)</b>	<b>(1,860,864)</b>	<b>1,481,716</b>
Adjustments for net charge of impairment provisions on loans and advances to customers	(142,515)	(359,243)
Deferred tax income/ (expenses)	22,190	(183,989)
Other items	19,007	8,042
<b>Profit/(Loss) for the year under IFRS</b>	<b>(1,962,182)</b>	<b>946,526</b>

(i) The profit for the year under Romanian Accounting Standards as stipulated in Order No. 5/2005 issued by the National Bank of Romania Governor on the approval of accounting regulations compliant with EU Directives and applicable to credit institutions presented above may change due to issuance of the statutory financial statements pursuant to IFRS financial statements approval.

#### 34. Reconciliation of equity under IFRS and Romanian Accounting Standards as stipulated in Order No. 5/2005 issued by the National Bank of Romania Governor on the approval of accounting regulations compliant with EU Directives and applicable to credit institutions

<i>In EUR</i>	31 Dec 2008	31 Dec 2007
<b>Equity under Romanian Accounting Standards (i)</b>	<b>24,837,277</b>	<b>19,180,580</b>
Loans related adjustments	228,750	395,020
Fixed assets related adjustments	(129,536)	(158,207)
Deferred tax	(221,555)	(267,236)
Other items	26,361	–
<b>Equity under IFRS</b>	<b>24,741,297</b>	<b>19,150,157</b>

(i) The equity as at 31 December 2008 under Romanian Accounting Standards as stipulated in Order No. 5/2005 issued by the National Bank of Romania Governor on the approval of accounting regulations compliant with EU Directives and applicable to credit institutions presented above may change due to issuance of the statutory financial statements pursuant to IFRS financial statements approval.

#### 35. Subsequent events

In February 2009 the Bank paid the principal of the debt securities issued in 2006 in nominal value of RON 40,250,000 (EUR 10,099,870 equivalent) and the related accrued interest. The interest rate of the debt securities issued was 8.5% p.a. and the interest payments were made semi-annually, in arrears, during the contractual period. In October 2008 the Bank signed with EBRD a loan agreement amounting to EUR 37,000,000 (please refer to note 24). The first tranche was drawn in November 2008 in the amount of EUR 25,000,000. The second tranche was drawn in January 2009.







## Contact Addresses

### Head Office

62 – 64, Buzesti Str., Sector 1  
Bucharest  
Tel.: +40 – (0)21 – 201.60.00  
Fax: +40 – (0)21 – 305.56.63  
headoffice@procreditbank.ro  
www.procreditbank.ro

### Branches

**Alexandria**  
185, Libertatii Str.,  
Alexandria  
Tel.: +40 – (0)247 – 306.281  
Fax: +40 – (0)247 – 306.288  
info.alexandria@procreditbank.ro

**Arad**  
Piata Spitalului, Bl. H,  
Arad  
Tel.: +40 – (0)257 – 306.162  
Fax: +40 – (0)257 – 306.173  
info.arad@procreditbank.ro

**Bacau**  
90 and 104 B, Calea Marasesti,  
Bacau  
Tel.: +40 – (0)234 – 206.330  
Fax: +40 – (0)234 – 206.332  
info.bacau@procreditbank.ro

**Baia Mare**  
9, Unirii Blvd.,  
Baia Mare  
Tel.: +40 – (0)262 – 206.348  
Fax: +40 – (0)262 – 206.350  
info.baiamare@procreditbank.ro

**Braila**  
49, Mihai Eminescu Str.,  
Braila  
Tel.: +40 – (0)239 – 606.002  
Fax: +40 – (0)239 – 606.004  
info.braila@procreditbank.ro

**Brasov**  
90, Calea Bucuresti,  
Brasov  
Tel.: +40 – (0)268 – 306.020  
Fax: +40 – (0)268 – 306.026  
info.brasov@procreditbank.ro

**Brasov – Toamnei Agency**  
1-3-5, Zizinului Str.,  
Brasov  
Tel.: +40 – (0)268 – 306.454  
Fax: +40 – (0)268 – 306.455  
info.toamnei@procreditbank.ro

**Bucharest – Bucuresti**  
188, Sos. Chitilei, Sector 1,  
Bucharest  
Tel.: +40 – (0)21 – 206.01.66  
Fax: +40 – (0)21 – 206.01.70  
info.chitila@procreditbank.ro

**Bucharest – Colentina**  
346, Sos. Colentina, Sector 2,  
Bucharest  
Tel.: +40 – (0)21 – 204.94.74  
Fax: +40 – (0)21 – 204.94.79  
info.colentina@procreditbank.ro

**Bucharest – Giurgiu**  
121, Sos. Giurgiuului, Bl. 5, Sector 4,  
Bucharest  
Tel.: +40 – (0)21 – 405.04.25  
Fax: +40 – (0)21 – 405.04.26  
info.giurgiuului@procreditbank.ro

**Bucharest – Lacul Tei Agency**  
126 – 128, Lacul Tei Blvd.,  
Bl. 17 – 18, Sector 2,  
Bucharest  
Tel.: +40 – (0)21 – 204.95.34  
Fax: +40 – (0)21 – 204.95.37  
info.tei@procreditbank.ro

**Bucharest – Militari Agency**  
75 – 77, Iuliu Maniu Blvd., Sector 6,  
Bucharest  
Tel.: +40 – (0)21 – 434.62.92  
Fax: +40 – (0)21 – 407.31.72  
info.militari@procreditbank.ro

**Bucharest – Mosilor Agency**  
262, Calea Mosilor, Bl. 8, Sector 2,  
Bucharest  
Tel.: +40 – (0)21 – 201.65.17  
Fax: +40 – (0)21 – 201.65.18  
info.mosilor@procreditbank.ro

**Bucharest – Muncii Agency**  
323, Calea Calarasilor, Bl. 201, Sector 3,  
Bucharest  
Tel.: +40 – (0)21 – 308.35.20  
Fax: +40 – (0)21 – 308.35.22  
info.muncii@procreditbank.ro

**Bucharest – Obregia Agency**  
25, Alexandru Obregia Blvd, Bl. 14, Sector 4,  
Bucharest  
Tel.: +40 – (0)21 – 406.66.37  
Fax: +40 – (0)21 – 406.66.38  
info.obregia@procreditbank.ro

**Bucharest – Pantelimon**  
256, Sos. Pantelimon, Bl. 53, Sector 2,  
Bucharest  
Tel.: +40 – (0)21 – 200.49.72  
Fax: +40 – (0)21 – 255.30.09  
info.pantelimon@procreditbank.ro

**Bucharest – Rahova Agency**

297, Calea Rahovei, Sector 5,  
Bucharest  
Tel.: +40 – (0)21 – 404.82.73  
Fax: +40 – (0)21 – 404.82.75  
info.rahova@procreditbank.ro

**Bucharest – Stefan cel Mare Agency**

36, Sos. Stefan cel Mare, Bl. 30B, Sector 2,  
Bucharest  
Tel.: +40 – (0)21 – 201.89.34  
Fax: +40 – (0)21 – 201.89.36  
info.stefancelmare@procreditbank.ro

**Bucharest – Victoria**

62 – 64, Buzesti Str., Sector 1,  
Bucharest  
Tel.: +40 – (0)21 – 201.93.00  
Fax: +40 – (0)21 – 305.56.57  
info.victoria@procreditbank.ro

**Bucharest – Vitan Agency**

17A, Calea Vitan, Sector 3,  
Bucharest  
Tel.: +40 – (0)21 – 308.64.52  
Fax: +40 – (0)21 – 308.64.54  
info.vitan@procreditbank.ro

**Calarasi**

167, Bucuresti Str.,  
Calarasi  
Tel.: +40 – (0)242 – 306.960  
Fax: +40 – (0)242 – 306.998  
info.calarasi@procreditbank.ro

**Cluj – Napoca**

4, Nicolae Titulescu Blvd., Ap. 15/1  
Cluj – Napoca  
Tel.: +40 – (0)264 – 406.630  
Fax: +40 – (0)264 – 406.241  
info.cluj@procreditbank.ro

**Cluj – Horea**

5, Horea Str.,  
Cluj – Napoca  
Tel.: +40 – (0)264 – 406.601  
Fax: +40 – (0)264 – 406.602  
info.horea@procreditbank.ro

**Cluj – Marasti Agency**

135, 21 Decembrie 1989 Blvd., Bl. M3,  
Cluj – Napoca  
Tel.: +40 – (0)264 – 403.598  
Fax: +40 – (0)264 – 403.886  
info.marasti@procreditbank.ro

**Constanta**

Soveja Str., zona bloc O5-O8, Lot 1,  
Constanta  
Tel.: +40 – (0)241 – 508.423  
Fax: +40 – (0)241 – 508.437  
info.constant@procreditbank.ro

**Constanta – Tomis**

10, Stefan Mihaileanu Str.,  
Constanta  
Tel.: +40 – (0)241 – 508.166  
Fax: +40 – (0)241 – 508.162  
info.tomis@procreditbank.ro

**Craiova**

6, Carol I Blvd., Bl. 21A, Sc. 1 and 2,  
Craiova  
Tel.: +40 – (0)251 – 306.079  
Fax: +40 – (0)251 – 306.075  
info.craiova@procreditbank.ro

**Dabuleni**

Unirii Str., Bl. A2,  
Dabuleni  
Tel.: +40 – (0)251 – 306.132  
Fax: +40 – (0)251 – 306.134  
info.dabuleni@procreditbank.ro

**Iasi**

23, Pacurari Sos.  
Iasi  
Tel.: +40 – (0)232 – 262.051  
Fax: +40 – (0)232 – 262.070  
info.iasi@procreditbank.ro

**Iasi – Podu Ros Agency**

198, Sos. Nationala, tronson 1, Bl. B,  
Iasi  
Tel.: +40 – (0)232 – 206.733  
Fax: +40 – (0)232 – 206.735  
info.iasipoduros@procreditbank.ro

**Oradea**

4, General Magheru Blvd., Bl. M4,  
Oradea  
Tel.: +40 – (0)259 – 407.040  
Fax: +40 – (0)259 – 407.045  
info.oradea@procreditbank.ro

**Pitesti**

Zona Centru, Bl. E3A,  
Pitesti  
Tel.: +40 – (0)248 – 206.015  
Fax: +40 – (0)248 – 206.017  
info.pitesti@procreditbank.ro

**Ploiesti**

2A, C.D. Gherea Str., Bl. C,  
Ploiesti  
Tel.: +40 – (0)244 – 407.472  
Fax: +40 – (0)244 – 407.473  
info.ploiesti@procreditbank.ro

**Ramnicu Valcea**

16, General Magheru Str., Bl. H,  
Ramnicu Valcea  
Tel.: +40 – (0)250 – 702.502  
Fax: +40 – (0)250 – 702.503  
info.rmvalcea@procreditbank.ro

**Sibiu**

Parcul Tineretului Str., Bl. 4,  
Sibiu  
Tel.: +40 – (0)269 – 245.104  
Fax: +40 – (0)269 – 245.106  
info.sibiu@procreditbank.ro

**Slatina**

7, Primaverii Str.,  
Slatina  
Tel.: +40 – (0)249 – 406.254  
Fax: +40 – (0)249 – 406.302  
info.slatina@procreditbank.ro

**Suceava**

22A, Marasesti Str.,  
Suceava  
Tel.: +40 – (0)230 – 206.409  
Fax: +40 – (0)230 – 206.429  
info.suceava@procreditbank.ro

**Timisoara**

1, Calea Torontalului,  
Timisoara  
Tel.: +40 – (0)256 – 224.422  
Fax: +40 – (0)256 – 243.799  
info.timisoara@procreditbank.ro

**Timisoara – Nord**

38 – 40, Gen. Ion Dragalina Blvd.,  
Timisoara  
Tel.: +40 – (0)256 – 401.330  
Fax: +40 – (0)256 – 401.332  
info.tmnord@procreditbank.ro

**Targu Mures**

216, 1 Decembrie 1918 Blvd.,  
Targu Mures  
Tel.: +40 – (0)265 – 206.240  
Fax: +40 – (0)265 – 206.245  
info.tgmures@procreditbank.ro



