BRD – Groupe Société Générale S.A.

INTERIM REPORT

JUNE 30, 2014

BRD – Groupe Société Générale S.A.
INDIVIDUAL STATEMENT OF FINANCIAL POSITION
as of June 30, 2014
(Amounts in thousands RON)

	Note	June 30, 2014	December 31, 2013
ASSETS			
Cash in hand		796,873	1,101,381
Due from Central Bank		5,945,279	8,678,096
Due from banks	4	1,906,355	686,945
Derivatives and other financial instruments held for trading	5	401,165	754,923
Loans and advances to customers	6	27,107,055	27,763,598
Financial assets available for sale	7	7,396,073	6,499,268
Investments in associates and subsidiares		157,460	157,460
Property, plant and equipment	8	923,415	958,097
Goodwill	9	50,130	50,130
Intangible assets	10	81,537	81,964
Deferred tax asset	16	102,398	152,672
Other assets	11	235,731	194,569
Total assets		**45,103,471**	**47,079,103**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks	12	1,115,507	1,344,705
Due to customers	13	34,208,938	36,145,990
Debt issued and borrowed funds	14	3,330,916	3,391,590
Subordinated debt	15	440,602	450,327
Derivative financial instruments	5	91,655	138,214
Other liabilities	17	475,873	447,298
Total liabilities		**39,663,491**	**41,918,124**
Share capital	18	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		231,720	78,301
Reserves from defined pension plan		(3,017)	(3,017)
Retained earnings	19	2,695,655	2,570,073
Total equity		**5,439,980**	**5,160,979**
Total liabilities and equity		**45,103,471**	**47,079,103**

GROUPE SOCIÉTÉ GÉNÉRALE BRD
Cabinet Președinte Director General

Philippe Lhotte
President and Chief Executive Officer

Petre Bunescu
Deputy Chief Executive Officer

The accompanying notes are an integral part of this interim report

BRD – Groupe Société Générale S.A.
INVIDUAL INCOME STATEMENT
for the period ended June 30, 2014
(Amounts in thousands RON)

	Note	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest and similar income	21	1,114,496	1,339,615
Interest and similar expense	22	(357,259)	(493,485)
Net interest income		**757,237**	**846,130**
Fees and commissions, net	23	**369,994**	**371,923**
Foreign exchange gain		2,157	139,791
Gain on derivative and other financial instruments held for trading		148,224	36,295
Income from associates		2,838	1,476
Contribution to Deposit Guarantee Fund	25	(43,837)	(39,492)
Other net income	24	7,064	5,182
Operating income		**1,243,678**	**1,361,306**
Personnel expenses	26	(296,848)	(304,890)
Depreciation, amortisation and impairment on tangible assets	27	(66,949)	(68,832)
Other operating expenses	28	(243,854)	(239,357)
Total operating expenses		**(607,650)**	**(613,079)**
Credit loss expense	29	(492,125)	(659,214)
Profit before income tax		**143,903**	**89,012**
Deferred tax expense		(21,051)	(26,843)
Total income tax		**(21,051)**	**(26,843)**
Profit for the period		**122,852**	**62,169**
Earnings per share (in RON)	35	**0.1763**	**0.0892**

BRD – Groupe Société Générale S.A.
INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
for the period ended June 30, 2014
(Amounts in thousands RON)

	Six months ended June 30, 2014	Six months ended June 30, 2013
Profit for the period	**122,852**	**62,169**
Gain on available-for-sale financial assets	182,642	(13,752)
Income tax relating to available-for-sale financial assets	(29,223)	2,200
Net comprehensive income to be reclassified to profit and loss in subsequent periods	**153,419**	**(11,552)**
Total comprehensive income for the period, net of tax	**276,271**	**50,617**

BRD – Groupe Société Générale S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
for the period ended June 30, 2014
(Amounts in thousands RON)

	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan	Total
December 31, 2012		**2,515,622**	**58,536**	**2,949,174**	**(16,250)**	**5,507,082**
Total comprehensive income		-	(11,552)	62,169	-	50,617
Shared-based payment transactions		-	-	3,464	-	3,464
June 30, 2013		**2,515,622**	**46,984**	**3,014,807**	**(16,250)**	**5,561,163**

	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan	Total
December 31, 2012		**2,515,622**	**58,536**	**2,949,174**	**(16,250)**	**5,507,082**
Total comprehensive income		-	19,765	(385,776)	13,234	(352,777)
Shared-based payment transactions		-	-	6,675	-	6,675
December 31, 2013		**2,515,622**	**78,301**	**2,570,073**	**(3,017)**	**5,160,979**

	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan	Total
December 31, 2013		**2,515,622**	**78,301**	**2,570,073**	**(3,017)**	**5,160,979**
Total comprehensive income		-	153,419	122,852	-	276,271
Shared-based payment transactions		-	-	2,730	-	2,730
June 30, 2014	18	**2,515,622**	**231,720**	**2,695,655**	**(3,017)**	**5,439,980**

BRD – Groupe Société Générale S.A.
INDIVIDUAL STATEMENT OF CASH FLOWS
for the period ended June 30, 2014
(Amounts in thousands RON)

	Note	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flows from operating activities			
Profit before tax		**143,903**	**89,012**
Adjustments for non-cash items			
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets	27	66,949	68,832
Share based payment		2,730	3,464
Net expenses from impairment of loans and from provisions	30	564,714	709,369
Income tax paid		(6,701)	(26,784)
Operating profit before changes in operating assets and liabilities		**771,595**	**843,893**
Changes in operating assets and liabilities			
Current account with NBR		2,732,817	2,240,833
Accounts and deposits with banks		89,783	(101,404)
Available for sale securities		(743,386)	(130,927)
Loans		85,663	418,912
Other assets		341,819	20,464
Due to banks		(229,198)	(3,097,722)
Due to customers		(1,937,052)	1,364,393
Other liabilities		(5,105)	66,175
Total changes in operating assets and liabilities		**335,341**	**780,724**
Cash flow from operating activities		**1,106,936**	**1,624,617**
Investing activities			
Proceeds from equity investments		-	117
Acquisition of tangible and intangible assets		(31,854)	(20,017)
Proceeds from sale of tangible and intangible assets		14	42
Cash flow from investing activities		**(31,840)**	**(19,858)**
Financing activities			
(Decrease) in borrowings		(70,399)	(1,364,092)
Dividends paid		(12)	(73)
Net cash from financing activities		**(70,411)**	**(1,364,165)**
Net movements in cash and cash equivalents		**1,004,685**	**240,594**
Cash and cash equivalents at beginning of the period	30	**1,448,065**	**1,122,143**
Cash and cash equivalents at the end of the period	30	**2,452,751**	**1,362,737**

Operational cash flows from interest and dividends

	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest paid	377,067	481,846
Interest received	1,218,860	1,196,944
Dividends received	2,838	1,476

(Amounts in thousands RON)

1. Corporate information

BRD – Groupe Société Générale (the “Bank” or “BRD”) is a joint stock company incorporated in Romania. The Bank commenced business as a state owned credit institution in 1990 by acquiring assets and liabilities of the former Banca de Investitii. The Bank headquarters and registered office is 1-7 Ion Mihalache Blvd, Bucharest.

BRD offers a wide range of banking and financial services to corporates and individuals, as allowed by law.

The ultimate parent is Société Générale S.A. (the “Parent”or “SG”).

The Bank has as at June 30, 2014 869 units throughout the country (December 31, 2013: 883).

The average number of employees of the Bank during the first semester of 2014 was 7,708 (2013: 7,858), and the number of employees of the Bank as of the period-end was 7,691 (December 31, 2013: 7,754).

BRD – Groupe Société Générale has been quoted on the First Tier of Bucharest Stock Exchange (“BVB”) since January 15, 2001.

The shareholding structure of the Bank is as follows:

	June 30, 2014	December 31, 2013
Societe Generale France	60.17%	60.17%
SIF Transilvania	4.56%	4.56%
Fondul Proprietatea	3.64%	3.64%
SIF Oltenia	3.20%	3.36%
Legal entities	24.37%	24.48%
Individuals	4.06%	3.79%
Total	**100.00%**	**100.00%**

2. Basis of preparation

a) Basis of preparation

The interim report was prepared in accordance with National Bank of Romania *Order no 27/2010 for approval of Accounting Regulations in accordance with International Financial Reporting Standards applicable to credit institutions,* as amended and in accordance with Romanian National Securities Commission Regulation no 1/2006 on issuers and operations with securities and Article 3 from Romanian National Securities Commission Regulation no 1/2008.

The interim report includes statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement, and notes presented at individual level.

The figures in the interim report are presented in Romanian lei ("RON"), which is the Bank's functional and presentation currency, rounded to the nearest thousand, except when otherwise indicated. The interim report has been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments, other financial assets and liabilities held for trading or financial assets and liabilities designated at fair value through profit or loss, which have all been measured at fair value.

b) Changes in accounting policies and adoption of revised/amended IFRS

The accounting policies adopted are consistent with those of the previous financial year.

The following new and revised IFRSs have also been adopted in this interim report. The application of these new and revised IFRSs, has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- **IFRS 10 "Consolidated Financial Statements"** published by IASB on 12 May 2011. IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

- **IFRS 11 "Joint Arrangements"** published by IASB on 12 May 2011. IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

- **IFRS 12 "Disclosures of Interests in Other Entities"** published by IASB on 12 May 2011. IFRS 12 will require enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

2. Basis of preparation (continued)

b) Changes in accounting policies and adoption of revised/amended IFRS (continued)

- **IAS 27 "Separate Financial Statements" (revised in 2011)** published by IASB on 12 May 2011. The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10.

- **IAS 28 "Investments in Associates and Joint Ventures" (revised in 2011)** published by IASB on 12 May 2011. IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance** published by IASB on 28 June 2012. The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, by "limiting the requirement to provide adjusted comparative information to only the preceding comparative period". Also, amendments were made to IFRS 11 and IFRS 12 to eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – Investment Entities** published by IASB on 31 October 2012. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

- **Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities** published by IASB on 16 December 2011. Amendments provide clarifications on the application of the offsetting rules and focus on four main areas (a) the meaning of "currently has a legally enforceable right of set-off"; (b) the application of simultaneous realisation and settlement; (c) the offsetting of collateral amounts; (d) the unit of account for applying the offsetting requirements.

- **Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets** published by IASB on 29 May 2013. These narrow-scope amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets. Current amendments clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting** published by IASB on 27 June 2013. The narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

2. Basis of preparation (continued)

c) Standards and Interpretations that are issued but have not yet come into effect

Standards issued but not yet effective up to the date of issuance of the Bank's interim report are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt those standards when they become effective.
The Bank anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the interim report of the Bank in the period of initial application.

- **IFRIC 21 "Levies"** published by IASB on 20 May 2013 (effective for annual periods beginning on or after January 1, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

d) Standards and Interpretations that are issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretation, which were not endorsed for use as at the date of this interim report:

- **IFRS 9 "Financial Instruments"** published by IASB on 12 November 2009. On 28 October 2010 IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for de-recognition of financial assets and financial liabilities. On 19 November 2013 IASB issued another package of amendments to the accounting requirements for financial instruments. Standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. The new requirements on accounting for financial liabilities address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value. The IASB decided to maintain the existing amortised cost measurement for most liabilities, limiting change to that required to address the own credit problem. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income section of the income statement, rather than within profit or loss. The amendments from November 2013 bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. It allows the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments. It also removes the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

- **IFRS 14 "Regulatory Deferral Accounts"** published by IASB on 30 January 2014. This Standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

2. Basis of preparation (continued)

d) Standards and Interpretations that are issued by IASB but not yet adopted by the EU (continued)

- **IFRS 15 "Revenue from Contracts with Customers"** published by IASB on 28 May 2014. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

- **Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations** published by IASB on 6 May 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation** published by IASB on 12 May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" -** Agriculture: Bearer Plants published by IASB on 30 June 2014. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.

- **Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions** published by IASB on 21 November 2013. The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** published by IASB on 12 December 2013. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) definition of 'vesting condition'; (ii) accounting for contingent consideration in a business combination; (iii) aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; (iv) measuring short-term receivables and payables; (v) proportionate restatement of accumulated depreciation application in revaluation method and (vi) clarification on key management personnel.

2. Basis of preparation (continued)

d) Standards and Interpretations that are issued by IASB but not yet adopted by the EU (continued)

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** published by IASB on 12 December 2013. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) meaning of effective IFRSs in IFRS 1; (ii) scope of exception for joint ventures; (iii) scope of paragraph 52 if IFRS 13 (portfolio exception) and (iv) clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

e) Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management is required to use its judgements and make estimates in determining the amounts recognized in the interim report. The most significant use of judgements and estimates are as follows:

Going concern
The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 36.

Impairment losses on loans and receivables
The Bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Impairment of available-for-sale investments
The Bank reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.
The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Impairment of goodwill
The Bank determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Bank to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of June 30, 2014 was 50,130 (December 31, 2013: 50,130).

Deferred tax assets
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.
According to current Romanian fiscal regulation, tax losses can be covered from future tax profits obtained in the following consecutive seven years.
The Bank estimates that the tax losses related to 2012 and 2013 financial years will be covered from the tax profits expected in the next consecutive seven years.

Retirement benefits
The cost of the defined benefit retirement plan is determined using an actuarial valuation at each year end. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions are described in Note 17.

f) Segment information

An operating segment is a component of the Bank:

- That engages in business activity from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and;
- For which distinct financial information is available;

The Bank's segment reporting is based on the following operating segments: Individuals, Professionals, Very small enterprises, SMEs, Large corporate.

(Amounts in thousands RON)

3. Segment information

The operating segments used for management purposes are based on products, services and customer type and size, as follows:

- Individuals **–** The Bank provides individual customers with a range of banking products such as: saving and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities, etc.
- Professionals – The Bank provides professionals customers with a range of banking products such as: saving and deposits taking, loans and other credit facilities; professionals include freelancers, liberal professions and companies with annual turnover below EUR 0.1 million.
- Very small enterprises – The Bank provides very small enterprises with a range of banking products such as: saving and deposits taking, loans and other credit facilities. Very small enterprises are companies with annual turnover between EUR 0.1 million and EUR 3 million.
- SMEs **-** The Bank provides SMEs with a range of banking products such as: saving and deposits taking, loans and other credit facilities. SMEs are companies with annual turnover between EUR 3 million and EUR 50 million.
- Large corporate **-** within corporate banking the Bank provides corporate customers with a range of banking products and services, including lending and deposit taking, provides cash-management, investment advices, financial planning, securities business, project and structured finance transaction, syndicated loans and asset backed transactions. The large corporate customers are the customers managed by Corporate and Investment Banking Division and/or corporate customers with annual turnover higher than 50 million EUR.

The Executive Committee monitors the activity of each operating segment separately for the purpose of making decisions about resource allocation and performance assessment.

The process of income and expenses allocation by segment is currently under review and will be presented in the year-end financial statements. Therefore, as at June 30, 2014 and December 31, 2013 the Bank presents segment information only for the major items of the statement of financial position.

	Individuals	**Professionals**	**Very small entities**	**SMEs**	**Large corporates**	**Total**
June 30, 2014						
Loans, gross	17,021,048	1,248,269	4,918,049	4,372,225	4,954,734	**32,514,325**
Loans impairment	(1,021,641)	(745,929)	(2,266,653)	(1,022,564)	(350,483)	**(5,407,270)**
Loans and advances to customers	15,999,407	502,339	2,651,397	3,349,661	4,604,251	**27,107,055**
Due to customers	17,291,527	983,774	2,465,693	4,447,445	9,020,499	**34,208,938**
December 31, 2013						
Loans, gross	17,238,655	1,480,352	4,981,377	4,987,940	4,808,329	**33,496,653**
Loans impairment	(1,038,941)	(797,108)	(1,967,842)	(1,535,943)	(393,221)	**(5,733,055)**
Loans and advances to customers	16,199,714	683,244	3,013,535	3,451,997	4,415,108	**27,763,598**
Due to customers	16,791,671	1,158,778	2,756,050	5,126,582	10,312,908	**36,145,989**

(Amounts in thousands RON)

4. Due from banks

	June 30, 2014	December 31, 2013
Deposits at Romanian banks	366,272	263,374
Deposits at foreign banks	1,214,133	162,431
Current accounts at Romanian banks	220	0
Current accounts at foreign banks	325,730	261,140
Total	**1,906,355**	**686,945**

5. Derivative and other financial instruments held for trading

	June 30, 2014		
	Assets	Liabilities	Notional
Interest rate swaps	42,045	55,321	4,294,563
Currency swaps	52,868	4,501	3,231,879
Forward foreign exchange contracts	5,865	20,443	1,464,513
Currency options	11,131	11,390	1,741,140
Total derivatives	**111,910**	**91,655**	**10,732,095**
Financial instruments held for trading	289,255	-	274,232
Total	**401,165**	**91,655**	**11,006,327**

	December 31, 2013		
	Assets	Liabilities	Notional
Interest rate swaps	8,662	76,983	4,534,880
Currency swaps	16,376	28,568	5,179,458
Forward foreign exchange contracts	6,127	16,994	1,382,277
Currency options	15,335	15,669	2,506,515
Total derivatives	**46,500**	**138,214**	**13,603,130**
Financial instruments held for trading	708,423	-	670,965
Total	**754,923**	**138,214**	**14,274,095**

The Bank applied also hedge accounting and as at June 30, 2014 has two hedging instruments.

a) On July 28, 2011, the Bank purchased a 4 year fixed rate bond; as a result the Bank is exposed to changes in the fair value of the purchased bond due to changes in market interest rates. The amount of the hedged item is of 99.9 million EUR with an interest rate of 4.7% and the notional amount of the hedging instrument is of 100 million EUR with a fixed interest rate of 2.171%.

b) On September 30, 2013, the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 200 million EUR with a fixed interest rate of 1.058%. The hedging instrument is designated on a period of 7.5 years.

The hedging relationship initiated on May 6, 2011 for 3 years with a fixed rate bond, having a notional amount of 180 million EUR that was subsequently reduced to 118,4 million EUR was terminated in May 2014.

All hedging relationships were effective throughout the reporting period.

5. Derivative financial instruments (continued)

Forwards
Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts concluded by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Bank purchases and sells options in the over-the-counter markets. Options purchased by the Bank provide the Bank with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Bank provide the purchaser the opportunity to purchase from or sell to the Bank the underlying asset at an agreed-upon value either on or before the expiration of the option.

Financial instruments held for trading are treasury bills held for trading purposes.

(Amounts in thousands RON)

6. Loans and advances to customers

	June 30, 2014	December 31, 2013
Loans, gross	32,514,325	33,496,653
Loans impairment	(5,407,270)	(5,733,055)
Total	**27,107,055**	**27,763,598**

The structure of loans is the following:

	June 30, 2014	December 31, 2013
Working capital loans	7,824,709	8,158,004
Loans for equipment	6,326,704	6,762,764
Trade activities financing	584,808	630,076
Acquisition of real estate, including mortgage for individuals	7,768,374	7,692,817
Consumer loans	8,605,959	8,862,552
Other	1,403,771	1,390,440
Total	**32,514,325**	**33,496,653**

As of June 30, 2014 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 1,968,286 (December 31, 2013: 2,006,056) while the value of letters of guarantee and letters of credit issued in favour of these clients amounts to 3,150,912 (December 31, 2013: 2,880,760).

Sector analysis

	June 30, 2014	December 31, 2013
Individuals	52.3%	51.5%
Public administration, education & health	3.3%	3.2%
Agriculture	1.9%	2.2%
Manufacturing	9.5%	9.8%
Transportation, IT&C and other services	3.3%	3.6%
Trade	12.7%	13.4%
Constructions	6.3%	6.3%
Utilities	2.4%	2.5%
Services	1.6%	1.7%
Others	4.6%	4.1%
Financial institutions	2.0%	1.7%
Total	**100.0%**	**100.0%**

Impairment allowance for loans

	Collective impairment	Specific impairment	Total
Balance as of December 31, 2012	**114,318**	**3,797,959**	**3,912,276**
Net provision expenses	71,100	1,904,441	1,975,541
Provision reversal related to sales and write-offs	-	(191,597)	(191,597)
Foreign exchange losses	1,195	35,640	36,835
Balance as of December 31, 2013	**186,614**	**5,546,442**	**5,733,055**
Net provision expenses	55,645	440,285	495,930
Provision reversal related to sales and write-offs	-	(744,278)	(744,278)
Foreign exchange (gain) / losses	9,341	(86,778)	(77,437)
Balance as of June 30, 2014	**251,600**	**5,155,670**	**5,407,270**

(Amounts in thousands RON)

6. Loans and advances to customers (continued)

Impaired loans

	June 30, 2014	December 31, 2013
Impaired loans 90 days past due and more	5,975,128	6,609,169
Provisions for impaired loans 90 days past due and more	(4,469,356)	(4,930,181)
Impaired loans less than 90 days	1,624,755	1,710,410
Provisions for impaired loans less than 90 days	(686,314)	(616,261)

The value of loans individually determined to be impaired is 7,599,883 (December 31, 2013: 8,319,579).

The decrease in impaired loans is explained by the specific measures implemented by the Bank, consisting of: (i) write-off operations for exposures fully covered by IFRS provisions, in the case of which there was a high degree of uncertainty related to the recovery prospects; (ii) sales of impaired receivables.

7. Financial assets available for sale

	June 30, 2014	December 31, 2013
Treasury notes	7,230,844	6,332,125
Equity investments	9,307	9,566
Other securities	155,922	157,577
Total	**7,396,073**	**6,499,268**

Treasury notes

Treasury notes consist of interest bearing bonds issued by the Romanian Ministry of Public Finance, rated as BBB- by Standard&Poors. As of June 30, 2014 there were no treasury notes that have been pledged to NBR for repo transactions (2013: no treasury notes have been pledged for repo transactions).

Equity investments

Other equity investments represent shares in Romanian Commodities Exchange, Bucharest Clearing House (the former Romanian Securities Clearing and Depository Company), Depozitarul Central S.A. (Shareholders' Register for the National Securities Commission), Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA, Romanian Clearing House (SC Casa Romana de Compensatie SA), Investor Compensating Fund (Fondul de Compensare a Investitorilor), TransFond, Societe Generale European Business Services SA, Bucharest Stock Exchange.

(Amounts in thousands RON)

7. Financial assets available for sale (continued)

Other securities

The Bank holds units in the following funds:

June 30, 2014	Unit value	No of units	Market value
FDI Simfonia 1	36	443,129	16,028
BRD Obligatiuni	150	90,353	13,554
Diverso Europa Regional	149	175,730	26,150
Actiuni Europa Regional	143	116,238	16,579
Index Europa Regional	124	21,794	2,699

December 31, 2013	Unit value	No of units	Market value
FDI Simfonia 1	35	443,129	15,727
BRD Obligatiuni	148	90,353	13,339
Diverso Europa Regional	147	175,730	25,836
Actiuni Europa Regional	139	116,238	16,191
Index Europa Regional	120	21,794	2,622

8. Property, plant and equipment

	Land & Buildings	**Investment properties**	**Office equipments**	**Materials and other assets**	**Construction in progress**	**Total**
Cost:						
as of December 31, 2012	**1,310,382**	**40,369**	**233,495**	**546,128**	**22,886**	**2,153,259**
Transfers and additions	11,955	250	19,197	11,070	(13,930)	28,542
Disposals	(4,274)	(953)	(15,715)	(16,158)	-	(37,100)
as of December 31, 2013	**1,318,063**	**39,666**	**236,977**	**541,040**	**8,956**	**2,144,702**
Transfers and additions	(2,477)	3,405	23,583	448	1,873	26,832
Disposals	(6,886)	(319)	(4,784)	(4,995)	-	(16,984)
as of June 30, 2014	**1,308,699**	**42,753**	**255,776**	**536,492**	**10,829**	**2,154,550**
Depreciation and impairment:						
as of December 31, 2012	**(493,413)**	**(20,555)**	**(191,514)**	**(380,837)**	**-**	**(1,086,319)**
Depreciation and impairment	(66,678)	(861)	(22,063)	(40,773)	-	(130,375)
Disposals	3,510	953	15,619	10,725	-	30,807
Transfers	3,396	(1,181)	278	(3,212)	-	(718)
as of December 31, 2013	**(553,185)**	**(21,644)**	**(197,680)**	**(414,096)**	**-**	**(1,186,605)**
Depreciation and impairment	(23,912)	(2,484)	(8,178)	(17,725)	-	(52,298)
Disposals	5,790	319	4,784	3,936	-	14,828
Transfers	4,108	(1,810)	(12,085)	2,727	-	(7,060)
as of June 30, 2014	**(567,199)**	**(25,619)**	**(213,158)**	**(425,158)**	**-**	**(1,231,135)**
Net book value:						
as of December 31, 2012	**816,969**	**19,813**	**41,981**	**165,291**	**22,886**	**1,066,941**
as of December 31, 2013	**764,879**	**18,022**	**39,297**	**126,943**	**8,956**	**958,097**
as of June 30, 2014	**741,500**	**17,134**	**42,617**	**111,334**	**10,829**	**923,415**

9. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Bank in 1999. The goodwill is no longer amortized starting with January 1, 2004. The goodwill is being tested for impairment on an annual basis. During 2014 there was no impairment of the goodwill.

(Amounts in thousands RON)

10. Intangible assets

The balance of the intangible assets as of June 30, 2014 and December 31, 2013 represents mainly software.

Cost:	
as of December 31, 2012	**265,688**
Additions	30,876
Disposals	(1,408)
as of December 31, 2013	**295,156**
Additions	14,842
Disposals	(83)
as of June 30, 2014	**309,916**
Amortization:	
as of December 31, 2012	**(189,426)**
Amortization expense	(24,087)
Disposals	321
as of December 31, 2013	**(213,192)**
Amortization expense	(15,269)
Disposals	83
as of June 30, 2014	**(228,379)**
Net book value:	
as of December 31, 2012	**76,262**
as of December 31, 2013	**81,964**
as of June 30, 2014	**81,537**

11. Other assets

	June 30, 2014	**December 31, 2013**
Sundry debtors	131,236	142,151
Prepaid expenses	86,354	31,428
Assets held for sale	10,580	10,084
Prepaid income tax	6,701	9,947
Other assets	860	959
Total	**235,731**	**194,569**

The sundry debtors balances are presented net of an impairment allowance related to amounts under litigation of 44,364 (December 31, 2013: 41,432).

12. Due to banks

	June 30, 2014	**December 31, 2013**
Demand deposits	679,226	770,965
Term deposits	436,281	573,740
Total due to banks	**1,115,507**	**1,344,705**

13. Due to customers

	June 30, 2014	**December 31, 2013**
Demand deposits	15,124,681	14,559,001
Term deposits	19,084,257	21,586,989
Total due to customers	**34,208,938**	**36,145,990**

(Amounts in thousands RON)

14. Borrowed funds and debt issued

	June 30, 2014	December 31, 2013
Borrowings from related parties	2,959,016	3,011,063
Borrowings from international financial institutions	330,977	333,955
Borrowings from other institutions	1,231	1,545
Other borrowings	39,691	45,027
Total	**3,330,916**	**3,391,590**

Funds borrowed from related parties are senior unsecured and are used in the normal course of business.

15. Subordinated debt

Subordinated debt is in amount of EUR 100,000,000, RON 438,700,000 equivalent (2013: EUR 100,000,000, RON 448,470,000 equivalent) representing one subordinated loan, EUR 100,000,000 received in 2005, at EURIBOR6M+0.5%, due in 2015. The accrued interest to the subordinated debt is in amount of RON 1,902,398 (2013: RON 1,856,591).

16. Taxation

The deferred tax liability/asset is reconciled as follows:

	June 30, 2014		
	Temporary differences	**Statement of Financial Position**	**Income Statement**
Deferred tax liability			
Investments and other securities	(275,857)	(44,137)	-
Total	**(275,857)**	**(44,137)**	**-**
Deferred tax asset			
Tangible and intangible assets	77,994	12,479	7,492
Defined benefit obligation	3,816	611	-
Fiscal loss	575,140	92,022	(27,024)
Provisions and other liabilities	258,896	41,423	(1,519)
Total	**915,846**	**146,535**	**(21,051)**
Taxable items	**639,990**	**102,398**	
Deferred tax expense			**(21,051)**

(Amounts in thousands RON)

16. Taxation (continued)

	December 31, 2013		
	Temporary differences	**Statement of Financial Position**	**Income Statement**
Deferred tax liability			
Loans and advances to customers	-	-	176,542
Investments and other securities	(93,216)	(14,915)	-
Total	**(93,216)**	**(14,915)**	**176,542**
Deferred tax asset			
Tangible and intangible assets	31,167	4,987	8,560
Defined benefit obligation	3,816	611	-
Fiscal loss	744,040	119,046	66,557
Provisions and other liabilities	268,396	42,943	11,143
Total	**1,047,418**	**167,587**	**86,260**
Taxable items	**954,202**	**152,672**	
Deferred tax income			**262,802**

Movement in deferred tax is as follows:

Deferred tax liability, net as of December 31, 2012	**(103,844)**
Deferred tax recognized in other comprehensive income	(6,285)
Net deferred tax income	262,802
Deferred tax asset, net as of December 31, 2013	**152,672**
Deferred tax recognized in other comprehensive income	(29,223)
Net deferred tax expense	(21,051)
Deferred tax asset, net as of June 30, 2014	**102,398**

Reconciliation of total tax charge

	Six months ended June 30, 2014	**Six months ended June 30, 2013**
Profit before income tax	**143,903**	**89,012**
Income tax (16%)	23,024	14,242
Non-deductible elements	6,082	13,596
Non-taxable elements	(8,056)	(995)
Expense from income tax at effective tax rate	**21,051**	**26,843**
Effective tax rate	14.6%	30.2%

(Amounts in thousands RON)

17. Other liabilities

	June 30, 2014	December 31, 2013
Sundry creditors	142,479	99,185
Other payables to State budget	32,735	31,353
Deferred income	12,311	14,951
Payables to employees	98,624	113,829
Dividends payable	493	505
Financial guarantee contracts	156,885	148,963
Provisions	32,346	38,512
Total	**475,873**	**447,298**

Payables to employees include, among other, gross bonuses relating to 2014 profit, amounting to 25,878 (2013: 40,657) and post-employment benefits amounting to 66,422 (2013: 64,532).

The movement in other provisions is as follows:

Carrying value as of December 31,2012	**18,164**
Additional expenses	57,665
Reversals of provisions	(37,316)
Carrying value as of December 31,2013	**38,512**
Additional expenses	534
Reversals of provisions	(6,700)
Carrying value as of June 30, 2014	**32,346**

Post-employment benefit plan

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually.

Expenses recognised in profit and loss

	Six months ended June 30, 2014	Six months ended June 30, 2013
Total service cost	1,181	1,961
Interest cost on benefit obligation	1,084	1,183
Net benefit expense	**2,266**	**3,144**

Movement in defined benefits obligations

	June 30, 2014	December 31, 2013
Opening defined benefit obligation	**64,532**	**74,731**
Total service cost	1,181	3,922
Benefits paid	(376)	(734)
Interest cost on benefit obligation	1,084	2,367
Actuarial loss/ (gain) on remeasurement of net defined benefit obligation	-	(15,754)
Closing defined benefit obligation	**66,422**	**64,532**

(Amounts in thousands RON)

17. Other liabilities (continued)

Main actuarial assumptions

	June 30, 2014	December 31, 2013
Discount rate	3.40%	3.40%
Inflation rate	1.90%	1.90%
Salary increase rate	next year 2% next 2 year 2.3% afterwards 2.9%	next year 2% next 2 year 2.3% afterwards 2.9%
Average remaining working period (years)	13.36	13.36

	June 30, 2014	December 31, 2013
Defined benefit obligation	66,422	64,532
Experience adjustment on plan liabilities	-	(3,459)

18. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2013: 696,901). Included in the share capital there is an amount of 1,818,721 (2013: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of June 30, 2014 represents 696,901,518 (2013: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2013: RON 1).

During 2014 and 2013, the Bank did not buy back any of its own shares.

19. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2013: 513,515) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

20. Capital management

The Bank manages its capital with the objective of maintaining a strong capital base to support its business activities and to meet capital regulatory requirements in the current period and going forward.

The Bank's capital principally consists of the following balances: share capital, reserve funds, undistributed profit and subordinated debt.

Directive 2013/36/UE and Regulation no 575/2013 became effective starting January 1, 2014 being published in the Official Journal OJ L 176/27.06.2013 and applicable for capital management, all previous regulations being taken in the two documents.

21. Interest income

	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest on loans	931,423	1,188,538
Interest on deposit with banks	17,589	29,910
Interest on treasury notes	165,485	121,166
Total	**1,114,496**	**1,339,615**

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 108,511 (2013:165,286).

(Amounts in thousands RON)

22. Interest expense

	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest on term deposits	261,828	340,315
Interest on demand deposits	61,456	102,335
Interest on borrowings	33,975	50,836
Total	**357,259**	**493,485**

23. Fees and commissions, net

	Six months ended June 30, 2014	Six months ended June 30, 2013
Commission revenue from processing of transactions	418,787	423,131
Other commission revenue	34,605	33,771
Commission expense	(83,397)	(84,979)
Net commission revenue	**369,994**	**371,923**

24. Other income

Other income includes income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, for the Bank, is 1,039 (2013:1,061).

25. Contribution to Deposit Guarantee Fund

The deposits of individuals and certain entities including small and medium sized enterprises are insured up to a certain level, by the Deposit Guarantee Fund ("FGDSB"), an entity, whose resources are based mainly on the contributions made by the banks, calculated as a percentage of qualifying deposits.

(Amounts in thousands RON)

26. Salaries and related expenses

	Six months ended June 30, 2014	Six months ended June 30, 2013
Salaries	201,340	208,043
Social security	62,377	62,937
Bonuses	21,196	18,286
Post-employment benefits	1,890	2,640
Other	10,044	12,983
Total	**296,848**	**304,890**

Employee expenses for share - based payment transactions are included in line Other in amount of 2,730 for the first six months in 2014 (2013: 3,464).

Share based payment transactions

On November 2nd, 2010 the Parent established a share based payment program that grants each employee of the bank 40 Societe Generale shares.

The terms and conditions of the grant are as follows: all shares are to be settled by physical delivery of shares:

Grant date/ employees entitled	Number of instruments	Vesting conditions	Contractual life of share based options
shares granted to all employees of the group at 02/11/2010	16	Positive net income attributable to the Groupe Societe Generale for financial year 2012 presence in the group until 31/03/2015	4 years and 5 months
shares granted to all employees of the group at 02/11/2010	24	improvement of customer satisfaction between 2010 and 2013 presence in the group until 31/03/2016	5 years and 5 months
Total shares	**40**		

The economic and regulatory scenarios that served as a basis for the financial performance conditions of achieving a 10% return on equity (ROE) for financial year 2012 was no longer relevant. Consequently, the General Meeting of May 22, 2012 of Societe Generale authorised the Board of Directors to replace the financial condition for the granting of 16 shares to employees by the achievement of positive net income attributable to the Groupe Societe Generale for financial year 2012. This condition was met.

The number and weighted average exercise price of shares is as follows:

	Weighted average exercise price (RON)	Number of shares granted
Granted during the period		
- exercise date 31/03/2015	152	113,600
- exercise date 31/03/2016	145	170,400

(Amounts in thousands RON)

26. Salaries and related expenses (continued)

Employee expenses for share - based payment transactions

	June 2014	June 2013
Expense in 2010	1,070	1,070
Expense in 2011	6,025	6,025
Expense in 2012	6,809	6,809
Expense in 2013	6,675	3,464
Expense in 2014	2,730	-
Total share based payment recognised	**23,309**	**17,368**

The shares outstanding as at June 30, 2014 have an exercise price of 152 RON (those with an exercise date as at March 31, 2015) and of 145 RON (those with an exercise date as at March 31, 2016) and a contractual life of 4 years and 5 months and 5 years and 5 months respectively.

27. Depreciation and amortization expense

	Six months ended June 30, 2014	Six months ended June 30, 2013
Depreciation and impairment	51,680	57,102
Amortisation	15,269	11,730
Total	**66,949**	**68,832**

The difference between the amount presented in note 8 and the amount presented in note 27 represents depreciation of investment property in total amount of 618.

28. Other operating expense

	Six months ended June 30, 2014	Six months ended June 30, 2013
Administrative expenses	194,042	208,135
Publicity and sponsorships	14,070	10,775
Other expenses	35,741	20,448
Total	**243,854**	**239,357**

Administrative expenses refer mainly to rentals, maintenance expenses, local taxes and various utilities such as energy and telecommunication.

29. Credit loss expense

	Six months ended June 30, 2014	Six months ended June 30, 2013
Net impairment allowance for loans	495,930	572,492
Net impairment allowance for sundry debtors	13,958	62,428
Income from recoveries of derecognized receivables	(78,755)	(3,769)
Write-offs & sales of bad debts	51,785	7,822
Financial guarantee contracts	9,207	20,241
Total	**492,125**	**659,214**

(Amounts in thousands RON)

30. Cash and cash equivalents for cash flow purposes

For the purpose of the cash flow statements, cash and cash equivalents comprise the following balances, with less than 90 days maturity from the date of acquisition:

	June 30, 2014	June 30, 2013
Cash in hand	796,873	621,616
Current accounts and deposits with banks	1,655,878	741,121
Total	**2,452,751**	**1,362,737**

For the purpose of cash flow statement the net expenses from impairment of loans and from provisions are reconciled as follows:

	Six months ended June 30, 2014	Six months ended June 30, 2013
Net impairment allowance for loans	495,930	572,492
Net impairment allowance for sundry debtors	13,958	62,428
Write-offs & sales of bad debts	51,785	7,822
Financial guarantee contracts	9,207	20,241
Net movement in other provisions	(6,166)	46,385
Total	**564,714**	**709,369**

31. Guarantees and other credit commitments

Guarantees and letters of credit

The Bank issues guarantees and letters of credit for its customers. The primary purpose of letters of credit 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 a similar credit risk as loans.

The market and credit risk on these financial instruments, as well as the operational risk 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.

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities. While there is some credit risk associated with the commitment, the risk is viewed as modest, since it results from the possibility of unused portions of loan authorizations being drawn by the client and, these amounts not being repaid subsequently when due.

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 total outstanding contractual amount of commitments does not necessarily represent future cash requirements, since many of these commitments will expire or be terminated without being funded.

(Amounts in thousands RON)

31. Guarantees and other credit commitments (continued)

	June 30, 2014	December 31, 2013
Letters of guarantee granted	6,062,550	6,477,262
Financing commitments granted	3,917,592	3,851,508
Total commitments granted	**9,980,143**	**10,328,770**

32. Capital commitments

	June 30, 2014	December 31, 2013
Tangible non-current assets	2,824	58
Intangible non-current assets	12,810	14,854
Services	392,925	424,541
Total	**408,559**	**439,454**

The line Services presented in the note includes commitments for operating leasing, rent and insurance.

(Amounts in thousands RON)

33. Related parties

The Bank enters into related party transactions with its parent, other SG entities, subsidiaries and associates. All related party transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties. The transactions/balances with related parties can be summarized as follows:

	Parent	Other SG entities	Subsidiaries	Associates	Parent	Other SG entities	Subsidiaries	Associates
	June 30, 2014				December 31, 2013			
Assets	**257,583**	**112,902**	**53,346**	**12,884**	**239,893**	**18,876**	**63,155**	**8,325**
Nostro accounts	18,505	64,588	-	-	10,404	5,547	-	-
Deposits	8,086	27,083	-	-	60,156	4,126	-	-
Loans	146,352	21,231	53,300	12,884	146,352	9,202	62,937	8,325
Derivative financial instruments	84,641	-	46	-	22,981	-	218	-
Liabilities	**3,828,643**	**29,971**	**107,910**	**51,110**	**4,102,082**	**330,353**	**127,125**	**64,679**
Loro accounts	79,009	13,638	-	39	155,987	320,253	-	9
Deposits	288,789	16,332	76,606	51,071	370,315	10,100	92,292	64,670
Borrowings	2,959,016	-	-	-	3,011,063	-	-	-
Subordinated borrowings	440,602	-	-	-	450,327	-	-	-
Lease payable	-	-	31,304	-	-	-	34,833	-
Derivative financial instruments	61,226	-	-	-	114,390	-	-	-
Commitments	**8,554,911**	**28,966**	**31,107**	**3,042**	**12,582,057**	**57,583**	**52,974**	**7,082**
Letters of guarantee given	1,079,850	16,925	-	2,516	1,482,475	15,493	-	5,454
Letters of guarantee received	325,966	12,041	-	526	1,033,211	42,090	-	1,628
Notional amount of foreign exchange transactions	3,451,160	-	31,107	-	6,109,814	-	52,974	-
Notional amount of interest rate derivatives	3,697,935	-	-	-	3,956,558	-	-	-
Income statement	Six months ended June 30, 2014				Six months ended June 30, 2013			
Interest and commision revenues	5,920	71	2,668	273	7,111	177	6,062	430
Interest and commission expense	33,496	44	1,980	459	20,715	20,740	3,216	972
Net gain / (loss) on interest rate derivatives	(10,170)	-	-	-	3,318	-	-	-
Net gain/(loss) on foreign exchange derivatives	129,981	5,412	-	-	45,511	-	-	-
Other income	2,821	771	1,032	1,520	4,838	-	587	(477)
Other expenses	24,818	3,437	-	-	19,248	363	-	-

The interest expenses include an amount of 1,902 (2013: 4,326) relating to subordinated loans.

As of June 30, 2014, the Board of Directors and Managing Committee members own 304,530 (2013: 303,500) shares.

The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 4,747 (2013: 4,026).

(Amounts in thousands RON)

34. Contingencies

As of June 30, 2014 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 17,818 (2013: 21,426). The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Bank's overall financial position and performance.

35. Earnings per share

	June 30, 2014	June 30, 2013
Ordinary shares on the market	696,901,518	696,901,518
Profit attributable to shareholders	122,852	62,169
Earnings per share (in RON)	0.1763	0.0892

36. Fair value

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

(Amounts in thousands RON)

36. Fair value (continued)

	June 30, 2014				December 31, 2013			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	42,045	-	42,045	-	8,662	-	8,662
Currency swaps	-	52,868	-	52,868	-	16,376	-	16,376
Forward foreign exchange contracts	-	5,865	-	5,865	-	6,127	-	6,127
Currency options	-	11,131	-	11,131	-	15,335	-	15,335
	-	**111,910**	**-**	**111,910**	**-**	**46,500**	**-**	**46,500**
Financial assets available for sale								
Treasury notes	7,230,844	-	-	7,230,844	6,332,125	-	-	6,332,125
Equity investments	3,388	-	5,918	9,307	3,694	-	5,872	9,566
Other securities	155,922	-	-	155,922	157,577	-	-	157,577
	7,390,155	**-**	**5,918**	**7,396,073**	**6,493,396**	**-**	**5,872**	**6,499,268**
Financial instruments held for trading	289,255	-	-	289,255	708,423	-	-	708,423
Total	**7,679,410**	**111,910**	**5,918**	**7,797,238**	**7,201,819**	**46,500**	**5,872**	**7,254,191**
Assets for which fair value is disclosed								
Cash in hand	796,873	-	-	796,873	1,101,381	-	-	1,101,381
Due from Central Bank	-	5,945,279	-	5,945,279	-	8,678,096	-	8,678,096
Due from banks	-	1,906,355	-	1,906,355	-	686,945	-	686,945
Loans and advances to customers	-	-	27,117,491	27,117,491	-	-	27,761,706	27,761,706
Total	**796,873**	**7,851,634**	**27,117,491**	**35,765,998**	**1,101,381**	**9,365,041**	**27,761,706**	**38,228,128**

(Amounts in thousands RON)

36. Fair value (continued)

	June 30, 2014				December 31, 2013			
Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	55,321	-	55,321	-	76,983	-	76,983
Currency swaps	-	4,501	-	4,501	-	28,568	-	28,568
Forward foreign exchange contracts	-	20,443	-	20,443	-	16,994	-	16,994
Currency options	-	11,390	-	11,390	-	15,669	-	15,669
Total	**-**	**91,655**	**-**	**91,655**	**-**	**138,214**	**-**	**138,214**
Liabilities for which fair value is disclosed								
Due to banks	-	1,115,507	-	1,115,507	-	1,344,705	-	1,344,705
Due to customers	-	34,224,962	-	34,224,962	-	36,162,099	-	36,162,099
Debt issued and borrowed funds	-	3,318,256	-	3,318,256	-	3,391,956	-	3,391,956
Subordinated debt	-	440,452	-	440,452	-	450,059	-	450,059
Total	**-**	**39,099,177**	**-**	**39,099,177**	**-**	**41,348,819**	**-**	**41,348,819**

36. Fair value (continued)

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Treasury notes accounted as financial assets available for sale and financial instruments held for trading are valued using a valuation technique based on market quotes as published by Reuters and Bloomberg. These are represented by treasury bills and bonds.

Derivatives
Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves.

Financial assets available for sale
Available-for-sale financial assets valued using a valuation technique or pricing models primarily consist of unquoted equities and debt securities. These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.

Fair value of financial assets and liabilities not carried at fair value

Financial assets
Deposits with banks, loans originated by the Bank and leases are measured at amortized cost using the effective interest rate method less any impairment allowance.

For deposits with banks, amortized cost is estimated to approximate fair value due to their short–term nature, interest rates reflecting current market conditions and no significant transaction costs.

For loans and lease receivables the fair value is determined by using discounted cash-flows based on market rates. Credit spread is not included.

Financial liabilities
The amortized cost of deposits from banks and customers is considered to approximate their respective fair values, since these items have predominantly short maturities, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

For due to customers and borrowings amounts the fair value is determined by using discounted cash-flows based on market rates.

(Amounts in thousands RON)

36. Fair value (continued)

The following table presents the fair value and the carrying amount per type of financial instrument.

	June 30, 2014		December 31, 2013	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash in hand	796,873	796,873	1,101,381	1,101,381
Due from Central Bank	5,945,279	5,945,279	8,678,096	8,678,096
Due from banks	1,906,355	1,906,355	686,945	686,945
Loans and advances to customers	27,107,055	27,117,491	27,763,598	27,761,706
	35,755,562	**35,765,998**	**38,230,020**	**38,228,128**
Financial liabilities				
Due to banks	1,115,507	1,115,507	1,344,705	1,344,705
Due to customers	34,208,938	34,224,962	36,145,990	36,162,099
Debt issued and borrowed funds	3,330,916	3,318,256	3,391,590	3,391,956
Subordinated debt	440,602	440,452	450,327	450,059
	39,095,963	**39,099,177**	**41,332,612**	**41,348,819**

36. Fair value (continued)

The methods and significant assumptions applied in determining the fair value of the elements in the table above are listed below.

The fair value of fixed rate instruments is estimated by discounting the maturing cash flows with discount factors derived from the rates offered to similar clients, for similar products on similar maturities. The fair value of floating instruments is estimated by discounting from the next re-pricing date using as discount factors rates offered to similar clients, for similar products on similar time horizons.

Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of impairment is recognized separately by deducting the amount of the allowance for credit losses from both carrying and fair values.

For the purposes of the fair value disclosure, the interest accrued to date is included in the carrying value of the financial instruments.

37. Subsequent events

In July 2014, National Bank of Romania reduced the rates for minimum obligatory reserves for foreign currency resources from 18% to 16%, following which the Bank expects a release of additional liquidity in amount of MEUR 80.