BRD – Groupe Société Générale S.A.

INTERIM REPORT

JUNE 30, 2012

BRD – Groupe Société Générale S.A.
INDIVIDUAL STATEMENT OF FINANCIAL POSITION
as of June 30, 2012
(Amounts in thousands RON)

	Note	June 30, 2012	December 31, 2011
ASSETS			
Cash in hand		592,502	662,171
Due from Central Bank		7,855,188	8,741,778
Due from banks	3	384,959	995,384
Derivatives and other financial instruments held for trading	4	401,103	316,478
Loans, gross		35,237,181	33,953,459
Impairment reserve for loans		(3,053,199)	(2,398,125)
Loans and advances to customers	5	32,183,982	31,555,334
Financial assets available for sale	6	4,661,526	4,876,826
Investments in associates and subsidiares		157,577	153,452
Property, plant and equipment	7	1,115,923	1,150,743
Goodwill	8	50,130	50,130
Intangible assets		78,646	84,891
Other assets	9	308,783	163,811
Total assets		**47,790,319**	**48,750,998**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Demand deposits and current accounts		2,554,332	4,263,579
Term deposits		32,966,703	30,308,935
Borrowed funds and debt issued	10	4,902,178	6,793,165
Subordinated debt	11	898,995	874,161
Derivative financial instruments		164,050	170,812
Current tax liability		-	16,867
Deferred tax liability		152,435	145,812
Other liabilities	12	303,902	287,430
Total liabilities		**41,942,595**	**42,860,761**
Share capital	13	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		15,149	(15,430)
Retained earnings	14	3,316,953	3,390,045
Total shareholders' equity		**5,847,724**	**5,890,237**
Total liabilities and shareholders' equity		**47,790,319**	**48,750,998**

Petre Bunescu
Interim President and Chief Executive Officer

Stephane Fortin
Chief Financial Officer

BRD – Groupe Société Générale S.A.
INVIDUAL INCOME STATEMENT
for the period ended June 30, 2012
(Amounts in thousands RON)

	Note	Six months ended June 30, 2012	Six months ended June 30, 2011
			Unaudited
Interest income	16	1,577,458	1,615,475
Interest expense	17	(643,737)	(594,811)
Net interest income		**933,721**	**1,020,664**
Fees and commissions, net	18	**375,912**	**379,726**
Foreign exchange gain		168,780	84,958
(Loss)/Gain on derivative and other financial instruments held for trading		(16,013)	60,632
Income from associates		-	2,408
Contribution to Deposit Guarantee Fund	20	(34,242)	(33,973)
Other income	19	5,514	6,183
Operating income		**1,433,673**	**1,520,598**
Salaries and related expenses	21	(315,812)	(335,000)
Depreciation, amortisation and impairment on tangible assets	22	(76,184)	(72,410)
Other operating expenses	23	(280,251)	(281,853)
Operating expenses		**(672,247)**	**(689,263)**
Credit loss expense	24	(715,263)	(445,008)
Profit before income tax		**46,162**	**386,327**
Current income tax expense		-	(52,339)
Deferred tax expense		(6,808)	(11,411)
Total income tax		**(6,808)**	**(63,750)**
Profit for the period		**39,354**	**322,577**
Earnings per share (in RON)	30	**0.0565**	**0.4629**

INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
for the period ended June 30, 2012
(Amounts in thousands RON)

	Six months ended June 30, 2012	Six months ended June 30, 2011 Unaudited
Profit for the period	**39,354**	**322,577**
Other comprehensive income		
Net gain on available-for-sale financial assets	30,651	26,528
Income tax relating to components of other comprehensive income	(72)	(3,149)
Other comprehensive income for the period, net of tax	**30,579**	**23,379**
Total comprehensive income for the period, net of tax	**69,933**	**345,956**

The accompanying notes are an integral part of this interim report

(Amounts in thousands RON)

	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Total
December 31, 2010		**2,515,622**	**21,786**	**3,039,790**	**5,577,198**
Total comprehensive income		-	(37,216)	469,377	432,161
Shared-based payment transactions		-	-	6,025	6,025
Equity dividends		-	-	(125,147)	(125,147)
December 31, 2011		**2,515,622**	**(15,430)**	**3,390,045**	**5,890,237**
Total comprehensive income		-	30,579	39,354	69,933
Shared-based payment transactions		-	-	3,115	3,115
Equity dividends		-	-	(115,561)	(115,561)
June 30, 2012	13	**2,515,622**	**15,149**	**3,316,953**	**5,847,724**

BRD – Groupe Société Générale S.A.
INDIVIDUAL STATEMENT OF CASH FLOWS
for the period ended June 30, 2012
(Amounts in thousands RON)

	Note	Six months ended June 30, 2012	Six months ended June 30, 2011 Unaudited
Cash flows from operating activities			
Profit before tax		**46,162**	**386,329**
Adjustments for non-cash items			
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets		76,184	72,410
Share based payment		3,115	4,101
Loss from investment revaluation		-	40
Net expenses from impairment of loans and from provisions	25	722,351	445,238
Income tax paid		(51,344)	(26,624)
Operating profit before changes in operating assets and liabilities		**796,468**	**881,494**
Changes in operating assets and liabilities			
Current account with NBR		886,592	1,187,365
Accounts and deposits with banks		65,515	(3,016)
Available for sale securities		245,879	(524,126)
Loans		(1,350,797)	(327,624)
Other assets		(236,405)	(565,317)
Demand deposits and current accounts		(1,709,247)	760,709
Term deposits		2,657,768	(112,053)
Other liabilities		42,462	59,459
Total changes in operating assets and liabilities		**601,767**	**475,397**
Cash flow from operating activities		**1,398,235**	**1,356,891**
Investing activities			
Acquisition of equity investments		(4,125)	-
Acquisition of tangible and intangible assets		(35,660)	(51,070)
Proceeds from sale of tangible and intangible assets		541	6
Cash flow from investing activities		**(39,244)**	**(51,064)**
Financing activities			
(Decrease) in borrowings		(1,866,153)	(782,200)
Dividends paid		(107,417)	(110,817)
Net cash from financing activities		**(1,973,570)**	**(893,017)**
Net movements in cash and cash equivalents		**(614,579)**	**412,810**
Cash and cash equivalents at beginning of the period	25	**1,297,274**	**987,262**
Cash and cash equivalents at the end of the period	25	**682,695**	**1,400,072**

Operational cash flows from interest and dividends

	Six months ended June 30, 2012 -	Six months ended June 30, 2011 Unaudited
Interest paid	612,579	548,113
Interest received	1,391,854	1,450,283
Dividends received	-	2,410

(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 932 units throughout the country (December 31, 2011: 937).

The average number of employees of the Bank during 2012 was 8,210 (2011: 8,491), and the number of employees of the Bank as of the period-end was 8,179 (December 31, 2011: 8,245).

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, 2012	December 31, 2011
Societe Generale France	60.17%	60.17%
SIF Banat Crisana	4.66%	4.66%
SIF Oltenia	4.45%	4.64%
SIF Muntenia	4.15%	4.15%
Fondul Proprietatea	3.64%	3.64%
SIF Transilvania	3.02%	3.77%
SIF Moldova	2.32%	3.28%
Other shareholders	17.60%	15.69%
Total	**100.00%**	**100.00%**

2. Basis of preparation

a) Basis of preparation

The financial statements were 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* 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 individual financial statements include the individual statement of financial position, the individual income statement, the individual statement of comprehensive income, the statement of changes in shareholders' equity, the individual cash flow statement, and notes.

The individual financial statements 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 individual financial statements have 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, 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.

- **Amendments to IFRS 1** ***"First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*** published by IASB on 20 December 2010. The first amendment replaces references to a fixed date of "1 January 2004" with "the date of transition to IFRSs", thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

- **Amendments to IFRS 7** ***"Financial Instruments: Disclosures" - Transfers of Financial Assets*** published by IASB on 7 October 2010. The objective of the amendments is to improve the quality of the information reported about financial assets that have been "transferred" but are still, at least partially, recognised by the entity because they do not qualify for derecognition; and financial assets that are no longer recognised by an entity, because they qualify for derecognition, but with which the entity continues to have some involvement.

- **Amendments to IAS 12** ***"Income Taxes" - Deferred Tax: Recovery of Underlying Assets*** published by IASB on 20 December 2010. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale.

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 financial statements 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 financial statements of the bank in the period of initial application, except for IFRS 9 as its effects can be material.

- **IFRS 9** ***"Financial Instruments"*** published by IASB on 12 November 2009. On 28 September 2010 IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. 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.

- **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 Involvement with 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.

- **IFRS 13** ***"Fair Value Measurement"*** published by IASB on 12 May 2011. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

2. Basis of preparation (continued)

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

- **Amendments to IFRS 1** ***"First-time Adoption of IFRS" - Government Loans*** published by IASB on 13 March 2012. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. It also adds an exception to the retrospective e application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" in 2008.

- **Amendments to IFRS 7** ***"Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities*** published by IASB on 16 December 2011. The amendments require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

- **Amendments to IFRS 9** ***"Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" - Mandatory Effective Date and Transition Disclosures*** published by IASB on 16 December 2011. Amendments defer the mandatory effective date from 1 January 2013 to 1 January 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 prior to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

- **Amendments to IAS 1** ***"Presentation of financial statements" -Presentation of Items of Other Comprehensive Income*** published by IASB on 16 June 2011. The amendments require companies preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

- **Amendments to IAS 19** ***"Employee Benefits" - Improvements to the Accounting for Post-employment Benefits*** published by IASB on 16 June 2011. The amendments make important improvements by: (1) eliminating an option to defer the recognition of gains and losses, known as the "corridor method", improving comparability and faithfulness of presentation; (2) streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations; (3) enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

- **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 IAS 32** ***"Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities*** published by IASB on 16 December 2011. Amendments provide clarifications on

2. Basis of preparation (continued)

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

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.

d) Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management is required to use its judgments and make estimates in determining the amounts recognized in the financial statements. The most significant use of judgments 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, judgment is required to establish fair values. The judgments 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 32.

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, judgment 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.

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

2. Basis of preparation (continued)

d) Significant accounting judgments and estimates (continued)

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, 2012 was 50,130 (December 31, 2011: 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. Judgment 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.

Retirement benefits
The cost of the defined benefit retirement plan is determined using an actuarial valuation. 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 13.

e) Segment information

The operations undertaken by the Bank's entities are subject to similar risks and returns both from economic environment point of view and type of activity point of view. Therefore, the Bank has not identified operating segments which should be reported separately.

3.

(Amounts in thousands RON)

Due from banks

	June 30, 2012	December 31, 2011
Deposits at Romanian banks	35,009	440,188
Deposits at foreign banks	209,132	259,605
Current accounts at Romanian banks	133	60,405
Current accounts at foreign banks	140,684	235,186
Total	**384,959**	**995,384**

4. Derivative financial instruments

	June 30, 2012		
	Assets	Liabilities	Notional
Interest rate swaps	11,028	90,572	2,378,035
Currency swaps	13,463	37,660	7,676,755
Forward foreign exchange contracts	28,973	3,997	1,762,834
Currency options	31,822	31,822	4,178,770
Total derivatives	**85,287**	**164,050**	**15,996,394**
Financial instruments held for trading	315,816	-	313,202
Total	**401,103**	**164,050**	**16,309,596**

	December 31, 2011		
	Assets	Liabilities	Notional
Interest rate swaps	8,731	97,259	2,538,796
Currency swaps	41,163	25,987	6,305,263
Forward foreign exchange contracts	22,160	16,199	1,710,711
Currency options	31,367	31,367	4,692,817
Total derivatives	**103,421**	**170,812**	**15,247,587**
Financial instruments held for trading	213,057	-	215,940
Total	**316,478**	**170,812**	**15,463,528**

The Bank applied also hedge accounting and initiated two hedging instruments.

a) On 6 May 2011, the Bank purchased a 3 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.
In order to minimize its exposure to fair value changes due to changes in market interest rates, management has selected to enter into an interest rate swap to receive variable rate and to pay a fixed rate. The amount of the hedged item is of 182,4 million EUR with an interest rate of 4.5% and the notional amount of the hedging instrument is of 180 million EUR with a fixed interest rate of 2.031%. On March 30, 2012 the hedging operation was partially unwind for a premium of 2.53 million EUR. The nominal amount was reduced to 115 million EUR under the same conditions.

b) On 28 July 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%.

We can conclude for both hedging instruments that the hedging relationship was effective.

4. 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.

(Amounts in thousands RON)

5. Loans and advances to customers

	June 30, 2012	December 31, 2011
Loans, gross	35,237,181	33,953,459
Loans impairment	(3,053,199)	(2,398,125)
Total	**32,183,982**	**31,555,334**

The structure of loans is the following:

	June 30, 2012	December 31, 2011
Working capital loans	9,957,005	9,302,255
Loans for equipment	7,653,696	7,488,372
Trade activities financing	635,506	567,187
Acquisition of real estate, including mortgage for individuals	5,340,506	4,722,784
Consumer loans	10,559,261	10,740,810
Other	1,091,207	1,132,051
Total	**35,237,181**	**33,953,459**

As of June 30, 2012 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 2,573,514 (December 31, 2011:2,277,003)while the value of letters of guarantee and letters of credit issued in favor of these clients amounts to 3,073,003 (December 31, 2011: 3,091,008).

Impairment allowance for loans

	Collective impairment	Specific impairment	Total
Balance as of December 31, 2010	**192,231**	**1,328,083**	**1,520,314**
Net provision expenses/ (income)	(70,218)	929,958	859,740
Foreign exchange losses/ (gains)	(545)	18,616	18,071
Balance as of December 31, 2011	**121,468**	**2,276,657**	**2,398,125**
Net provision expenses/ (income)	(10,890)	587,918	577,029
Foreign exchange losses/ (gains)	2,326	75,719	78,045
Balance as of June 30, 2012	**112,904**	**2,940,295**	**3,053,199**

Considering the current situation of the real-estate market in Romania, BRD has launched a review of the valuation of its real-estate guarantees on customer loans. At the end of June 2012, the progress of the review led the bank to record an additional depreciation of 111,235. The review will be completed before the end of 2012; on the basis of the works still performed, the bank does not anticipate any additional needs of depreciation that would be material with regard to the related outstanding loans or the financial statements taken as whole.

Impaired loans

	June 30, 2012	December 31, 2011
Impaired loans 90 days past due and more	4,864,841	3,908,888
Provisions for impaired loans 90 days past due and more	(2,620,452)	(1,932,683)
Impaired loans less than 90 days	1,554,548	1,768,974
Provisions for impaired loans less than 90 days	(319,843)	(465,442)

The value of loans individually determined to be impaired is 6,419,389 (December 31, 2011:5,677,862).

(Amounts in thousands RON)

6. Financial assets available for sale

	June 30, 2012	December 31, 2011
Treasury notes	4,493,499	4,709,049
Equity investments	11,523	11,519
Other securities	156,504	156,258
Total	**4,661,526**	**4,876,826**

Treasury notes

Treasury notes consist of interest bearing bonds issued by the Romanian Ministry of Public Finance, rated as BB+ by Standard&Poors. As of June 30, 2012 there were no treasury notes that have been pledged to NBR for repo transactions (2011: 494,564).

Equity investments

Other equity investments represent shares in Victoria Business Centre S.A, 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 and Visa International Service Association.

Other securities

The Bank holds units in:

- A monetary fund ("Simfonia 1") amounting to 14,619 (December 31, 2011:14,202);
- A balanced fund ("BRD Obligatiuni") amounting to 12,434 (December 31, 2011: 12,086);
- A balanced fund ("Diverso Europa Regional") amounting to 21,912 (December 31, 2011: 20,427);
- A balanced fund ("Actiuni Europa Regional") amounting to 12,757 (December 31, 2011: 11,956).
- A balanced fund ("Index Europa Regional") amounting to 2,079 (December 31, 2011: 1,910)

(Amounts in thousands RON)

7. Property, plant and equipment

During the six months ended June 30, 2012 the Bank acquired assets in total amount of 37,467 representing mainly modernization of buildings and corresponding equipments, also modernization in security systems.

8. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999. The goodwill is no longer amortized starting with January 1, 2004 (see accounting policies). During 2012 there was no impairment of the goodwill.

9. Other assets

	June 30, 2012	December 31, 2011
Sundry debtors	225,261	113,715
Materials and consumables	828	1,061
Miscellaneous assets	82,694	49,035
Total	**308,783**	**163,811**

The sundry debtors balances are presented net of an impairment allowance related to amounts under litigation of 33,463 (December 31, 2011: 59,228).

10. Borrowed funds and debt issued

	June 30, 2012	December 31, 2011
Borrowings from related parties	4,335,613	5,929,204
Borrowings from international financial institutions	506,604	529,598
Borrowings from other institutions	40,877	263,960
Other borrowings	19,084	70,403
Total	**4,902,178**	**6,793,165**

11. Subordinated debt

Subordinated debt is in amount of EUR 200,000,000, RON 889,880,000 equivalent (2011: EUR 200,000,000, RON 863,940,000 equivalent) representing two subordinated loans, EUR 100,000,000 received in 2005, at EURIBOR6M+0.5%, due in 2015 and a EUR 100,000,000 loan received in 2006, at EURIBOR6M+0.99%, due in 2013. The accrued interest to the subordinated debt is as of June 30, 2012 in amount of RON 9,115,313. (December 31, 2011: RON 10,221,430)

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

(Amounts in thousands RON)

12. Other liabilities

	June 30, 2012	December 31, 2011
Sundry creditors	71,880	63,400
Other payables to State budget	59,341	58,221
Deferred income	16,629	18,419
Payables to employees	71,806	83,445
Dividends payable	10,216	2,072
Other provisions	3,426	3,224
Financial guarantee contracts	70,604	58,649
Total	**303,902**	**287,430**

Payables to employees include, among other, gross bonuses relating to 2012 profit, amounting to 14,319 (2011: 29,952) and post-employment benefits amounting to 51,806 (2011: 48,258). The social security contributions relating to bonuses 4,039 (2011: 8,448) are included in Other payables to State Budget.

The movement in other provisions is as follows:

Carrying value as of December 31,2010	**3,005**
Additional expenses	350
Reversals of provisions	(131)
Carrying value as of December 31,2011	**3,224**
Additional expenses	210
Reversals of provisions	(8)
Carrying value as of June 30, 2012	**3,426**

(Amounts in thousands RON)

12. Other liabilities (continued)

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, 2012	Six months ended June 30, 2011 Unaudited
Current service cost	2,013	3,077
Interest cost on benefit obligation	1,574	1,349
Actuarial losses recognized during the year	256	543
Past service cost	10	10
Net benefit expense	**3,854**	**4,978**

Movement in defined benefits obligations

	June 30, 2012	December 31, 2011
Opening defined benefit obligation	**48,258**	**39,116**
Total service cost	2,023	6,173
Benefits paid	(306)	(814)
Interest cost on benefit obligation	1,574	2,698
Actuarial losses recognized during the year	256	1,085
Closing defined benefit obligation	**51,806**	**48,258**

	June 30, 2012	December 31, 2011
Discount rate	5.00%	5.00%
Inflation rate	1.90%	1.90%
Average salary increase rate (0-4 years)	2.90%	2.90%
Average salary increase rate (over 5 years)	3.90%	3.90%
Average remaining working period (years)	17.33	17.33

	June 30, 2012	December 31, 2011
Defined benefit obligation	51,806	48,258
Experience adjustment on plan liabilities	-	(836)

(Amounts in thousands RON)

13. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2011: 696,901). Included in the share capital there is an amount of 1,818,721 (2011: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of June 30, 2012 represents 696,901,518 (2011: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2011: RON 1).

During 2012 and 2011, the Bank did not buy back any of its own shares.

14. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2011: 513,515) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

15. 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.

For the periods ending June 30, 2012 and December 31, 2011, the adequacy of the Bank's capital has been monitored using the local regulations that are based on the European Directive 2006/48/49/EC (Basel II). During 2012 and 2011 the Bank has complied in full with these requirements.

16. Interest income

	Six months ended June 30, 2012	Six months ended June 30, 2011
		Unaudited
Interest on loans	1,386,530	1,431,240
Interest on deposit with banks	48,951	71,254
Interest on treasury notes	141,977	112,979
Total	**1,577,458**	**1,615,475**

(Amounts in thousands RON)

17. Interest expense

	Six months ended June 30, 2012	Six months ended June 30, 2011
		Unaudited
Interest on term deposits	427,624	360,268
Interest on demand deposits	119,715	134,796
Interest on borrowings	96,398	99,746
Total	**643,737**	**594,811**

18. Fees and commissions, net

	Six months ended June 30, 2012	Six months ended June 30, 2011
		Unaudited
Commission revenue from processing of transactions	420,027	410,924
Other commission revenue	40,684	43,739
Commission expense	(84,799)	(74,936)
Net commission revenue	**375,912**	**379,726**

19. 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 1,118 (2011:2,161).

20. 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.

21. Salaries and related expenses

	Six months ended June 30, 2012	Six months ended June 30, 2011
		Unaudited
Salaries	216,671	218,953
Social security	67,755	58,344
Bonuses	18,359	22,400
Post-employment benefits	448	4,487
Other	12,580	30,816
Total	**315,812**	**335,000**

Employee expenses for share - based payment transactions are included in line Other salaries and related expenses in amount of 3,115 for 2012 (2011: 4,143).

(Amounts in thousands RON)

21. Salaries and related expenses (continued)

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	ROE before tax for 2012 >10% 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 number and weighted average exercise price of shares is as follows:

	Weighted average exercise price (RON)	Number of shares
Outstanding as at January 1, 2012	**529**	**635,501**
Granted during the period		
- exercise date 31/03/2015	154	109,768
- exercise date 31/03/2016	147	164,652
Outstanding as at June 30, 2012	**830**	**909,922**

Employee expenses for share - based payment transactions

	2012	2011
Shares granted in 2010	1,070	1,070
Expense arising from shares granted in 2011	6,025	6,025
Expense arising from shares granted in 2012	3,115	-
Total expense recognised as personnel expense	**10,210**	**7,095**

The shares outstanding as at June 30, 2012 have an exercise price of 154 RON (those with an exercise date as at March 31, 2015) and of 147 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.

(Amounts in thousands RON)

22. Depreciation and amortization expense

	Six months ended June 30, 2012	Six months ended June 30, 2011
		Unaudited
Depreciation and impairment	61,674	59,509
Amortisation	15,052	12,058
Losses/(Gains) on disposal of tangible and intangible assets	(541)	843
Total	**76,184**	**72,410**

23. Other operating expense

	Six months ended June 30, 2012	Six months ended June 30, 2011
		Unaudited
Administrative expenses	238,453	247,860
Publicity and sponsorships	15,729	19,664
Other expenses	26,069	14,329
Total	**280,251**	**281,853**

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

24. Credit loss expense

	Six months ended June 30, 2012	Six months ended June 30, 2011
		Unaudited
Net impairment allowance for loans	577,774	364,192
Net impairment allowance for sundry debtors	1,721	(3,874)
	(6,886)	(467)
Income from recoveries of derecognized receivables		
Write-offs of bad debts	132,276	78,794
Financial guarantee contracts	10,378	6,364
Total	**715,263**	**445,008**

(Amounts in thousands RON)

25. 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, 2012	December 31, 2011
Cash in hand	592,502	662,171
Current accounts and deposits with banks	90,193	635,103
Total	**682,695**	**1,297,274**

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, 2012	Six months ended June 30, 2011 Unaudited
Net impairment allowance for loans	577,774	364,192
Net impairment allowance for sundry debtors	1,721	(3,874)
Write-offs expenses	132,276	78,794
Financial guarantee contracts	10,378	6,364
Net movement in other provisions	202	(236)
Total	**722,351**	**445,238**

26. Guarantees and other financial 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.

	June 30, 2012	December 31, 2011
Letters of guarantee granted	7,910,571	7,191,162
Financing commitments granted	3,742,871	4,272,428
Total commitments granted	**11,653,443**	**11,463,590**

(Amounts in thousands RON)

27. Capital commitments

The line Services presented in the note includes commitments for operating leasing.

	June 30, 2012	December 31, 2011
Tangible non-current assets	6,852	15,354
Intangible non-current assets	2,177	729
Services	31,887	50,122
Total	**40,916**	**66,205**

(Amounts in thousands RON)

28. Related parties

The Bank enters into related party transactions with its parent, other SG entities 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:

	2012				2011			
	Parent	Other SG entities	Subsidiaries	Associates	Parent	Other SG entities	Subsidiaries	Associates
Assets	**551,287**	**3,921**	**126,099**	**6,391**	**335,894**	**3,538**	**157,887**	**-**
Nostro accounts	353,586	1,252	-		95,113	1,168	-	-
Deposits	14,761	2,669	-		57,841	2,370	46,002	-
Loans	182,940	-	126,099	6,391	182,940	-	109,194	-
Derivative financial instruments	-	-	-	-	-	-	2,691	-
Liabilities	**6,464,778**	**25,877**	**93,270**	**58,931**	**10,258,423**	**35,371**	**143,073**	**29,296**
Loro accounts	12,605	5,585	-	-	846	4,413	-	-
Deposits	1,217,565	20,292	51,357	58,931	2,552,539	30,958	85,639	29,296
Borrowings	4,335,613	-	-	-	6,830,877	-	5,765	-
Subordinated borrowings	898,995	-	-	-	874,161	-	-	-
Lease payable	-	-	41,912	-	-	-	48,978	-
Derivative financial instruments	-	-	-	-	-	-	2,691	-
Commitments	**9,808,608**	**5,065**	**145,109**	**-**	**8,435,161**	**21,249**	**125,985**	**-**
Letters of guarantee received	323,464	5,065	504	-	241,827	21,249	37,029	-
Letters of guarantee paid			66,741	-	-	-	88,955	-
Notional amount of foreign exchange transactions	7,540,930	-	-	-	6,048,711	-	-	-
Notional amount of interest rate derivatives	1,944,214	-	77,865	-	2,144,623	-	-	-
Income statement	**15,191**	**54,962**	**7,766**	**1,447**	**30,994**	**35,543**	**13,231**	**881**
Interest and commision revenues	7,686	14	4,901	433	7,384	52	6,672	134
Interest and commission expense	38,499	54,948	2,866	1,014	29,853	35,384	5,657	746
Net (loss) on interest rate derivatives	(16,976)	-	-	-	1,208		-	-
Net gain/(loss) on foreign exchange derivatives	(14,018)	-	-	-	(7,451)	107	-	-
Other income	-	-	-	-	-	-	550	-
Other expenses	-	-	-	-	-	-	352	-

The interest expenses include an amount of 10,157 (2011: 19,406) relating to subordinated loans.

As of June 30, 2012, the Board of Directors and Managing Committee members own 304,530 (2011: 329,530) shares.

The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 4,258 (2011: 6,576).

(Amounts in thousands RON)

29. Contingencies

As of June 30, 2012 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 3,495 (2011: 16,733). 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.

An amount of 19,483 (5 million Euro equivalent) was fined by the Competition Council following an audit of this authority held in October 2008 in several Romanian banks. The Bank considers the fine illegal and groundless and consequently challenged in court its application.

30. Earnings per share

	June 30, 2012	December 31, 2011
Ordinary shares on the market	696,901,518	696,901,518
Profit attributable to shareholders	39,354	469,377
Earnings per share (in RON)	0.0565	0.6735

31. Dividends on ordinary shares

	June 30, 2012	December 31, 2011
Declared and paid during the year		
Dividends for 2011: 0.16690 (2010: 0.17957)	106,100	123,076

32. 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)

32. .Fair value (continued)

	June 30, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	11,028	-	11,028
Currency swaps	-	13,463	-	13,463
Forward foreign exchange contracts	-	28,973	-	28,973
Currency options	-	31,822	-	31,822
	-	**85,287**	-	**85,287**
Financial assets available for sale				
Treasury notes	-	4,493,499	-	4,493,499
Equity investments	3,330	-	8,193	11,523
Other securities	156,504	-	-	156,504
	159,834	**4,493,499**	**8,193**	**4,661,526**
Derivatives and other financial instruments held for trading	315,816	-	-	**315,816**
Total	**475,650**	**4,578,786**	**8,193**	**5,062,629**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	90,572	-	90,572
Currency swaps	-	37,660	-	37,660
Forward foreign exchange contracts	-	3,997	-	3,997
Currency options	-	31,822	-	31,822
Total	-	**164,050**	-	**164,050**

(Amounts in thousands RON)

32. Fair value (continued)

	December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	8,731	-	8,731
Currency swaps	-	41,163	-	41,163
Forward foreign exchange contracts	-	22,160	-	22,160
Currency options	-	31,367	-	31,367
	-	**103,421**	**-**	**103,421**
Financial assets available for sale				
Treasury notes	-	4,709,049	-	4,709,049
Equity investments	2,039	-	9,479	11,519
Other securities	156,258	-	-	156,258
	158,298	**4,709,049**	**9,479**	**4,876,826**
Derivatives and other financial instruments held for trading	213,057	-	-	**213,057**
Total	**371,355**	**4,812,470**	**9,479**	**5,193,304**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	97,259	-	97,259
Currency swaps	-	25,987	-	25,987
Forward foreign exchange contracts	-	16,199	-	16,199
Currency options	-	31,367	-	31,367
Total	**-**	**170,812**	**-**	**170,812**

32. 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.

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.

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.

(Amounts in thousands RON)

32. Fair value (continued)

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

	June 30, 2012		December 31, 2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash in hand	592,502	592,502	662,171	662,171
Due from Central Bank	7,855,188	7,855,188	8,741,778	8,741,778
Due from banks	384,959	384,959	995,384	995,384
Loans and advances to customers	32,183,982	32,456,827	31,555,334	31,785,744
	41,016,631	**41,289,476**	**41,954,667**	**42,185,077**
Financial liabilities				
Demand deposits and current accounts	15,301,532	15,301,532	13,264,722	13,264,721
Term deposits	20,219,503	20,225,116	21,307,792	21,294,879
Borrowed funds and debt issued	4,902,178	4,901,094	6,793,165	6,829,363
	40,423,213	**40,427,742**	**41,365,679**	**41,388,963**

32. 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.