BRD – GROUPE SOCIETE GENERALE

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in Accordance with
International Financial Reporting Standards

DECEMBER 31, 2006

BRD – GROUPE SOCIETE GENERALE S.A.
CONSOLIDATED BALANCE SHEET
AS OF December 31, 2006
(Amounts in thousands RON)

	Note	December 31, 2006	December 31, 2005
ASSETS			
Cash in hand	4	792,849	495,543
Accounts with Central Bank	5	7,656,066	7,190,145
Accounts and deposits with banks	6	524,179	598,274
Assets available for sale	7	29,092	41,749
Loans, net	8	17,576,635	9,521,803
Lease receivables	9	713,570	574,409
Investments in associates	10	41,616	39,232
Tangible assets, net	11	1,141,640	1,048,918
Goodwill, net	12	50,151	50,151
Intangible assets, net	13	26,296	14,770
Deferred tax asset, net	18	37,263	8,548
Other assets	14	89,727	66,497
Total assets		**28,679,084**	**19,650,039**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Demand deposits and current accounts	15	8,252,135	5,162,580
Term deposits	16	12,918,346	10,113,375
Borrowings	17	5,002,147	2,393,652
Current tax liability	18	11,454	7,943
Other liabilities	19	184,049	147,938
Total liabilities		**26,368,131**	**17,825,488**
Share capital	20	2,515,622	2,515,622
Reserves from revaluation of available for sale intruments		3,035	4,987
Accumulated deficit		(211,208)	(696,887)
Minority interest		3,504	829
Total shareholders' equity		**2,310,953**	**1,824,551**
Total liabilities and shareholders' equity		**28,679,084**	**19,650,039**

The financial statements have been authorized by the Bank’s management on March 14, 2007 and are signed on the Bank’s behalf by:

Patrick Gelin
Chief Executive Officer and Board’s President

Petre Bunescu
Deputy Chief Executive Officer

The accompanying notes are an integral part of these financial statements

(Amounts in thousands RON)

	Note	2006	2005
Interest income	22	2,021,349	1,528,381
Interest expense	23	(836,317)	(549,565)
Net interest income		1,185,032	978,816
Loans impairment	8	(71,793)	(92,467)
Net interest income less provision		1,113,239	886,349
Commission revenues	24	520,395	361,752
Commission expenses	24	(124,536)	(121,906)
Commission revenue, net		**395,859**	**239,846**
Foreign exchange income, net	25	214,069	157,772
Income /(loss) from associates		696	(1,218)
Other income	26	47,269	15,292
Total non-interest income		**262,034**	**171,846**
Income before non-interest expense		1,771,132	1,298,041
Contribution to the Deposit Guarantee Fund	27	(14,406)	(29,063)
Salaries and related expenses	28	(402,799)	(313,883)
Depreciation, amortisation and impairment	29	(107,429)	(115,720)
Other operating expenses	30	(451,440)	(263,752)
Total non-interest expense		**(976,074)**	**(722,418)**
Profit before income tax		**795,058**	**575,623**
Current income tax expense	18	(119,772)	(92,751)
Deferred tax income	18	28,344	9,553
Total income tax		**(91,428)**	**(83,198)**
Net profit for the year		**703,630**	**492,425**
Profit/(loss) attributable to minority interest		2,675	(3,044)
Profit attributable to parent company shareholders		700,955	495,469
Earnings per share (in RON)	38	**1.0058**	**0.7110**

The accompanying notes are an integral part of these financial statements

BRD – GROUPE SOCIETE GENERALE S.A.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006
(Amounts in thousands RON)

	Note	2006	2005
Cash flows from operating activities			
Profit before income tax		**795,058**	**575,623**
Adjustments for non-cash items			
Depreciation and amortization expense		105,473	117,222
Net (gain)/loss from disposals of tangible and intangible assets		(3,180)	(1,502)
Loss from investment revaluation		3,648	532
Net expenses/(income) from impairment of loans and from provisions		56,806	92,542
Operating profit before changes in operating assets and liabilities		**957,805**	**784,417**
Changes in operating assets and liabilities			
Current account with NBR		(3,376,180)	(2,183,331)
Collaterals at banks		57	(35)
Available for sale securities		10,705	23,719
Loans		(8,126,625)	(3,297,709)
Lease receivables		(139,161)	(161,008)
Other assets		(23,601)	(5,343)
Demand deposits		3,089,555	2,235,454
Term deposits		2,804,971	4,073,076
Other liabilities		49,428	54,974
Total changes in operating assets and liabilities		**(5,710,851)**	**739,797**
Income tax paid		(116,261)	(95,337)
Cash flow from operating activities		**(4,869,307)**	**1,428,877**
Investing activities			
Acquisition of equity investments		(10,955)	(12,185)
Proceeds from equity investments		4,923	18,285
Acquisition of tangible and intangible assets		(211,677)	(111,801)
Proceeds from sale of tangible and intangible assets		5,136	3,772
Cash flow from investing activities		**(212,573)**	**(101,929)**
Cash-flows from financing activities			
Increase in borrowings		2,608,495	942,117
Dividends paid		(213,606)	(174,909)
Net cash from financing activities		**2,394,889**	**767,208**
Net movements in cash and cash equivalents		**(2,686,991)**	**2,094,156**
Cash and cash equivalents at beginning of the per	31	**4,117,642**	**2,023,486**
Cash and cash equivalents at the end of the period	31	**1,430,651**	**4,117,642**

(Amounts in thousands RON)

	Note	Share capital	Reserves from revaluation of available for sale assets	Minority interest	Accumulated deficit	Total
Balance as of December 31, 2004		**2,236,862**	**3,638**	**3,873**	**(738,278)**	**1,506,095**
Increase in share capital		278,760	-	-	(278,760)	-
Net (loss)/profit in 2005		-	-	(3,044)	495,469	**492,425**
Distribution of dividends for 2004		-	-		(175,318)	**(175,318)**
Revaluation of available for sale assets		-	1,349	-	-	**1,349**
Balance as of December 31, 2005		**2,515,622**	**4,987**	**829**	**(696,887)**	**1,824,551**
Net profit in 2006				2,675	700,955	**703,630**
Distribution of dividends for 2005					(215,277)	**(215,277)**
Revaluation of available for sale assets			(1,952)			**(1,952)**
Balance as of December 31, 2006	20	**2,515,622**	**3,035**	**3,504**	**(211,209)**	**2,310,952**

(Amounts in thousands RON)

1. Corporate information

BRD Groupe Societe Generale (the "Bank" or the "Group") is a joint stock company incorporated in Romania. The Bank commenced business as a public limited corporation in 1990 by acquiring assets and liabilities of the former Banca de Investitii. The Bank headquarters is 1-7 Ion Mihalache Blvd, Bucharest.

The ultimate parent is Societe Generale France (the "Parent").

The Bank has 600 units throughout the country (December 31, 2005: 326). The average number of employees during 2006 was 6,605 (2005: 5,107), and the number of employees as of the year-end was 7,286 (December 31, 2005: 5,654).

BRD Groupe Societe Generale offers a full range of banking services to corporates and individuals, as allowed by law. The Bank accepts deposits from the public and grants loans, carries out funds transfer in Romania and abroad, exchanges currencies and provides other banking services for its commercial and retail customers.

BRD Groupe Societe Generale is quoted on First Tier of Bucharest Stock Exchange ("BVB") since January 15, 2001.

The shareholding structure of the Bank is as follows:

	December 31, 2006	**December 31, 2005**
Societe Generale France	58.32%	58.32%
SIF Oltenia	5.34%	5.34%
SIF Muntenia	5.27%	5.27%
SIF Moldova	5.05%	5.05%
SIF Banat Crisana	4.60%	4.60%
SIF Transilvania	5.00%	5.00%
European Bank for Reconstruction and Development ("EBRD")	5.00%	5.00%
Other shareholders	11.42%	11.42%
Total	**100.00%**	**100.00%**

2. Basis of preparation

a) Basis of accounting

The consolidated financial statements of the Bank and all its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board (IASB) and include consolidated balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and notes.

The consolidated financial statements are presented in Romanian lei ("RON"), which is the Bank's and its subsidiaries' functional and presentation currency, rounded to the nearest thousand and are prepared under the historical cost convention, modified to include the fair value of certain types of financial instruments.

b) Basis for consolidation

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2006. The financial statements of the subsidiaries are prepared for the same reporting period as the parent's, using consistent accounting policies.

A subsidiary is an entity where the Bank exercises control. Control is presumed to exist when direct or indirect ownership exceeds 50% of the voting power of the enterprise. The consolidated financial statements include the financial statements of BRD Groupe Societe Generale SA and the following subsidiaries: BRD Sogelease IFN S.A (99.96% ownership, 2005: 100%), BRD Finance IFN S.A (49% ownership, 2005: 49%), BRD Securities - Groupe Société Générale SRL (99.82% ownership, 2005: 99.82%), BRD/SG Corporate Finance (51.25 % ownership, 2005: 51.25%), and ALD Automotive (20 % ownership, 2005: 20%). All the subsidiaries have the headquarter on 1-7 Ion Mihalache Blvd, Bucharest. All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities have been cancelled.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date such control ceases.

Equity and net income attributable to minority interests are shown separately in the balance sheet and income statement, respectively.

2. Basis of preparation (continued)

c) Changes in accounting policies and adoption of revised/amended IFRSs

The Bank adopted the following interpretation and amendments to IFRSs as of January 1, 2006 and during the year 2006.

IFRIC 4: Determining whether an arrangement contains a lease
The Interpretation is effective for annual periods beginning on or after January 1, 2006. The Interpretation specifies criteria for the determination of whether an agreement is or contains a lease and specifies the circumstances under which agreements that do not have the legal nature of a lease should be recognized in accordance with IAS 17 "Leases".

IAS 19 *(Amendment), Employee Benefits (effective as of January 1, 2006)*: This amendment introduces the option of an alternative recognition approach for actuarial gains and losses on defined benefit plans.

IAS 39 *(Amendment), Cash Flow Hedge Accounting of Forecast Intra-group Transactions (effective as of January 1, 2006):* The amendment allows the foreign currency risk of a highly probable forecast intra-group transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss.

IFRS 4 (Amendment, Insurance Contracts) and IAS 39 (Amendment), Financial Instruments: Recognition and Measurement: The amendment requires financial guarantee contracts to be measured at fair value at inception. Subsequent measurement should be at the higher of the amount determined in accordance with IAS 37 or the initial fair value less accumulated amortization in accordance with IAS 18.

The adoption of the above changed Standards and Interpretations did not have a material effect on the financial statements of the Bank.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which the Bank has not early adopted, as follows:

– ***IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures*** *(effective for financial years beginning on or after 1 January 2007)*

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS.
The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Bank assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital

2. Basis of preparation (continued)

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

- IFRS 8, Operating Segments *(effective for financial years beginning on or after 1 January 2009)*
IFRS 8 replaces IAS 14 *Segment Reporting* and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Bank is in the process of assessing the impact this new standard will have on its financial statements.

- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies *(effective for financial years beginning on or after 1 March 2006)*
IFRIC 7 requires entities to apply *IAS 29 Financial Reporting in Hyper-inflationary Economies* in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary.
IFRIC 7 is not relevant to the Banks's operations.

- IFRIC 8, Scope of IFRS 2 (effective for financial years beginning on or after 1 May 2006).
IFRIC 8 clarifies that IFRS 2 *Share-based payment* will apply to any arrangement when equity instruments are granted or liabilities (based on the value of an entity's equity instrument) are incurred by an entity, when the identifiable consideration appears to be less that the fair value of the instruments given.
IFRIC 8 is not relevant to the Bank's operations.

- IFRIC 9, Reassessment of Embedded Derivatives *(effective for financial years beginning on or after 1 June 2006)*
IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows.
The Bank is in the process of assessing the impact this new standard will have on its financial statements.

- IFRIC 10, Interim Financial Reporting and Impairment *(effective for financial years beginning on or after 1 November 2006).*
This Interpretation may impact the financial statements should any impairment losses be recognised in the interim financial statements in relation to available for sale equity investments, unquoted equity instruments carried at cost and goodwill as these may not be reversed in later interim periods or when preparing the annual financial statements.

- IFRIC 11, IFRS 2-Group and Treasury Share Transactions *(effective for financial years beginning on or after 1 March 2007)*
This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent.
IFRIC 11 is not relevant to the Bank's operations.

2. Basis of preparation (continued)

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

- IFRIC 12, Service Concession Arrangements *(effective for financial years beginning on or after 1 January 2008)*

The interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides for the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and / or an intangible asset.
IFRIC 12 is not relevant to the Bank's operations.

e) Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has used its judgments and makes estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

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.

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 take 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 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 December 31, 2006 was 50,151 (2005: 50,151).

(Amounts in thousands RON)

2. Basis of preparation (continued)

f) Impact of inflation

IFRS require that financial statements prepared on a historical cost basis should be adjusted to take account of the effects of inflation, if this has been significant. IAS 29 provides guidance on how financial information should be prepared in such circumstances. The standard requires that financial statements should be restated in terms of measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the income statement and disclosed separately. The restatement of financial statements in accordance with IAS 29 requires the use of a general price index that reflects changes in general purchasing power.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years is approaching, or exceeds, 100%. The annual increase in the general price index as issued by the "National Institute for Statistics and Economic Studies" ("INSSE") over the years 2003 to 2006 was as follows:

	Movement in consumer price index	**Increase / (decrease) in the exchange rate of the EUR vs. ROL**
Year ended December 31, 2004	9.3%	(3.54%)
Year ended December 31, 2005	8.6%	(7.29%)
Year ended December 31, 2006	4.9%	(8.03%)

There are other factors to be considered when deciding whether the restatement of financial statements in accordance with IAS 29 is necessary. These include, but are not limited to the following: the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency and amounts of local currency held are immediately invested to maintain purchasing power; the general population regards monetary amounts not in terms of local currency but in terms of a relatively stable foreign currency and prices may be quoted in that currency; sales and or purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; interest rates, wages and prices are linked to a price index.

However, over the recent years, a significant change in the economic behavior occurred, that together with the decreasing trend of inflation, led to the cessation of hyperinflation accounting starting with January 1, 2004.

The financial statements of the Bank have been restated to take into account the effects of inflation until December 31, 2003 in accordance with the provisions of and guidance on IAS 29.

g) 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 reportable segments which should be reported separately.

(Amounts in thousands RON)

3. Summary of significant accounting policies

a) Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The exchange rates of the currencies with the most significant impact on the Bank's financial statements as of December 31, 2006 and 2005 were as follows:

	December 31, 2006	December 31, 2005
RON/ USD	2.5676	3.1078
RON/ EUR	3.3817	3.6771

b) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short-term placements at other banks, excluding collaterals, treasury bills and other short-term highly liquid investments, with less than 90 days maturity from the date of acquisition.

c) Current accounts and deposits with banks

These are stated at amortized cost, less any amounts written off and provisions for impairment.

3. Summary of significant accounting policies (continued)

d) Loans and advances to customers and finance lease receivables

Loans and advances to customers and finance lease receivables originated by the Bank by providing money directly to the borrower are recognized when the cash is advanced to those parties. They are measured initially at fair value including arrangement costs. Loans and advances to customers are subsequently measured at amortized cost using, for the amortization of fees, the linear method.
If there is objective evidence that the Bank will not be able to collect all amounts due (principal and interest) according to the original contractual terms of the loan / finance lease, such loans / finance leases are considered impaired. The amount of the impairment is the difference between the carrying amount and the recoverable amount of each loan / finance lease receivable, being the present value of expected cash flows discounted at the loan's original effective interest rate including the amounts expected to be recovered from collateral, if the loan / finance lease receivable is collateralized and foreclosure is probable.

Impairment and uncollectibility are measured and recognized item by item for loans and receivables that are individually significant, and on a portfolio basis for similar loans and receivables that are not individually identified as impaired. The carrying amount of the asset is reduced to its estimated recoverable amount by a charge to income statement through the use of a allowance for loan impairment account. If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the release of the allowance is credited to the income statement. A write off is made when the entire loan / finance lease receivable is deemed uncollectible. Write offs are charged against previously established impairment allowances and reduce the principal amount of a loan / finance lease receivable. Recoveries of loans and receivables written off in earlier period are included in income.

e) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessor

Finance leases, which transfers to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are recognized as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are allocated both to the principal and the income statement on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Leases where the Bank retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in income on a straight-line basis over the lease term.

3. Summary of significant accounting policies (continued)

f) Investment in associates

An associate is an enterprise in which the Bank exercises significant influence and is neither a subsidiary nor a joint venture. Associates are accounted using the equity method.

Under the equity method, an investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Bank's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The Bank does an assessment of any additional impairment loss with respect to the net investment in associate. The income statement reflects the share of the results of operations of associates. Where there has been a change recognized directly in the equity of the associate, the Bank recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of associates and the Bank are identical and the associates' major accounting policies conform to those used by the Bank for like transactions and similar events in similar circumstances.

g) Investments and other financial assets classified as available for sale

Available for sale financial assets are recognized initially at fair value plus directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace.

After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

If an available-for sale asset carried at fair value is impaired, an amount comprising the difference between its cost and its current fair value less any impairment loss previously recognized in profit or loss account is transferred from equity to income statement. Reversals in respect of equity instruments classified as available-for sale are not recognized in income statement.

If the fair value cannot be reliably determined (for investment where there is no active market), available-for sale financial assets are measured at cost less any impairment loss. If there is objective evidence that the impairment loss has been incurred, for an item carried at cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

3. Summary of significant accounting policies (continued)

h) Tangible assets

Buildings and other tangible assets are stated at cost less accumulated depreciation and any impairment loss.

In accordance with IAS 29 “Reporting in Hyperinflationary Economies”, tangible assets have been restated, as appropriate, by applying the change in the consumer price index from the date of acquisition through December 31, 2003.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset, as stated below:

Asset type	*Years*
Buildings and special constructions	10-40
Computers and equipment	3-6
Furniture and other equipment	10
Vehicles	5

Land is not depreciated. Construction-in-progress is not depreciated until used. Expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is recognized as an asset under the same general recognition principle used at initial recognition.

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying amount of a tangible asset is greater than the estimated recoverable amount, it is written down to its recoverable amount.

Tangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

i) Borrowing costs

Borrowing costs are recognized as an expense when incurred.

3. Summary of significant accounting policies (continued)

j) Investment properties

Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party, or ending of construction or development. Transfers are made from investment property when and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

The depreciation of buildings included in investment properties is computed using the linear method over the useful lives as presented in note 3. h).

k) Held for sale assets

The Bank classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are those that are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and their sale is highly probable.

Assets held for sale are initially recognized and subsequently measured at the lower of their carrying amount and fair value less costs to sell.

The Bank recognizes a gain for any subsequent increase in fair value less costs to sell to the extent of the cumulative impairment loss that has been recognized either in accordance with IFRS 5 or previously in accordance with other IFRSs.

l) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Starting from January 1, 2004 goodwill is not amortized and is reviewed for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of cash-generating unit is less than the carrying amount, an impairment loss is recognized.

3. Summary of significant accounting policies (continued)

m) Intangible assets

Intangible assets are measured initially at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

In accordance with IAS 29 "Reporting in Hyperinflationary Economies", intangible assets have been restated, as appropriate, by applying the change in the consumer price index from the date of acquisition through December 31, 2003.

All intangible assets of the Bank carried as of December 31, 2006 and 2005 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 5 years. The amortization period and the amortization method are reviewed at least at each financial year end.

At each balance sheet date, intangibles are reviewed for indication of impairment or changes in estimated future benefits. Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount.

n) Derivative financial instruments

The Bank uses derivative financial instruments such as forward currency contracts and currency swaps and interest rate swaps to trade with the clients and to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest swap contracts is determined by reference to market values of similar instruments.

The Bank does not currently apply hedge accounting.

o) Borrowings

Borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently borrowings are stated at amortized cost using the effective interest rate method.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized as well as through the amortization process.

p) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle or realize on a net basis.

3. Summary of significant accounting policies (continued)

q) Sale and repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet as securities and are measured in accordance with the applicable accounting policies. The liability for amounts received under these agreements is included in customers' deposits. The difference between sale and repurchase price is treated as interest expense using the effective yield method. Assets acquired with a corresponding commitment to resell at a specified future date (reverse repos) are recorded as loans and advances.

r) Customers' deposits and current accounts

Customers' current accounts and other deposits are carried at amortized cost using the effective interest rates.

s) De-recognition of financial assets and liabilities

Financial assets
A financial asset is derecognized where:

- the rights to receive cash flows from the assets have expired;
- the Bank retains the right to receive cash flows from the asset , but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either a) has transferred substantially all the risks and rewards of the asset, or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially changed, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts are recognized in profit or loss.

3. Summary of significant accounting policies (continued)

t) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.
Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income
Revenue is recognised when the Bank's right to receive the payment is established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

3. Summary of significant accounting policies (continued)

u) Employee benefits

Short-term employee benefits:
Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

Social Security Contributions:
The Bank and its subsidiaries as well as its employees are legally obliged to make contributions described in the financial statements as social security contributions to the National Pension Fund, managed by the Romanian State Social Security (a defined contribution plan financed on a pay-as-you-go basis). The Bank has no legal or constructive obligation to pay future benefits. Its only obligation is to pay the contributions as they fall due. If the members of the Romanian State Social Security plan cease to be employed by either the Bank or its subsidiary, there will be no obligation on the Bank to pay the benefits earned by these employees in previous years. The Bank's contributions are included in salaries & related expenses.

Post-employment benefits:
The Bank has a contractual obligation to pay to retiring employees a benefit calculated taking into account the salary at the date of retirement and the number of years served by the individual. The cost of providing benefits under defined benefit plans is estimated annually using the projected unit credit actuarial valuation method and is recognized to the income statement on an accruals basis. The surplus or deficit, arising from changes in the discount rate and from other actuarial assumptions is recognized as income or expense over the expected average remaining working lives of the employees participating in the plan.

Termination benefits:
As defined by the Romanian Law, the Bank pays termination indemnities in cases of termination of employment within the framework of reduction in the labor force, connected or not with reorganization. Expenses related to termination indemnities are accrued when Management decides to adopt a plan that will result in future payments of termination benefits and by the balance sheet date either starts to implement the restructuring plan or communicates the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation that the Bank will carry out the restructuring. Until the present time, the Bank's Management has not initiated any action in this direction.

3. Summary of significant accounting policies (continued)

v) Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit, reported in the statutory financial statements, computed in accordance with Romanian tax rules and accrued for in the period to which it relates.

Deferred income tax liabilities are recognized for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unutilized tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry-forward of unutilized tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize all or part of the deductible temporary differences or tax losses.

Deferred income tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities after taking into account the tax rates and legislation that have been enacted or substantially enacted until the balance sheet date.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

w) Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as borrowing cost.

x) Contingencies

Contingent liabilities are not recognized in the financial statements but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3. Summary of significant accounting policies (continued)

y) Earnings per share

Basic earnings per share are calculated by dividing net profit for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2006 and 2005 there were no dilutive equity instruments issued by the Bank.

z) Related parties

Parties are considered related with the Bank when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party in making financial and operating decisions.

Related party transaction represents a transfer of resources or obligations between related parties, regardless of whether a price is charged.

aa) Subsequent events

Post - balance sheet events that provide additional information about the Bank's position at the balance sheet date (adjusting events), or those that indicate that the going concern assumption is not appropriate are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when significant.

bb) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances.
Financial guarantees are initially recognised in the financial statements at fair value, in 'Other liabilities', being the premium received / receivables. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.
Any increase in the liability relating to financial guarantees is taken to the income statement in 'Credit loss expense'. The premium received is recognised in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

(Amounts in thousands RON)

4. Cash in hand

	December 31, 2006	December 31, 2005
Cash in vaults	569,900	246,777
Cash in ATM	222,949	248,766
Total	**792,849**	**495,543**

5. Accounts with the Central Bank

	December 31, 2006	December 31, 2005
Current accounts	7,542,086	4,165,906
Deposits	113,980	3,024,239
Total	**7,656,066**	**7,190,145**

The National Bank of Romania (NBR or Central Bank) requires commercial banks to maintain a minimum amount on current account with NBR ("minimum compulsory reserve"), calculated as a percentage of the average funds borrowed by the Bank during the previous month including all customer deposits. As of December 31, 2006 the rate for RON and foreign currency denominated compulsory reserves was 20% and 40% respectively (16%, and 30% respectively for 2005).
The required level of the minimum compulsory reserve for the last calculation period of the year was 6,804,051 (2005: 3,726,780).

The interest paid by the NBR for the compulsory reserves during 2006 was 1.5% to 1.90% p.a. for RON deposits (2005: 1.5% - 4% p.a.), and 0.70% to 0.80% p.a. for EUR deposits (2005: 0.8% - 0.95).

The deposits at NBR as of December 31, 2006 are placed for an initial period of 30 respective 31 days, all of them maturing in January 2006 and bearing an interest rate of 8.75% p.a.

6. Current accounts and deposits with banks

	December 31, 2006	December 31, 2005
Deposits at Romanian banks	240,409	70,027
Deposits at foreign banks	213,065	452,348
Current accounts at Romanian banks	7,974	425
Current accounts at foreign banks	62,731	75,474
Total	**524,179**	**598,274**

As of December 31, 2006 the above balances include pledged accounts of 357 (2005: 414).

The interest rates earned on current accounts in foreign currency ranged between 0.1% and 4.65% p.a. (2005: 0.1%-1.71% p.a.). The interest rates earned on bank deposit in RON ranged between 1.20% and 21% p.a. (2005: 1.35%-19.0% p.a.). For foreign currency deposits the rates ranged between 1.30% and 7.80% p.a. (2005: 1.00%-5.90% p.a.).

(Amounts in thousands RON)

7. Assets available for sale

	December 31, 2006	December 31, 2005
Treasury bonds	4,890	27,450
Equity investments	7,766	8,084
Other securities	16,436	6,215
Total	**29,092**	**41,749**

Treasury bills

Treasury bonds consist of RON interest bearing issued by the Romanian Ministry of Public Finance with maturities between 2 and 15 years (2005: between 2 and 3 years).

Other securities

The Bank holds units in a monetary fund ("Simfonia 1") and a balanced fund ("Concerto") amounting to 6,577 (6,215 as of December 31, 2005) respectively 9,859.

According to the Prospectus, Simfonia 1 invests in monetary market and liquid debt instruments (treasury bills and bonds, corporate bonds, municipal bonds). The Bank held as of the year-end a total number of 309,497 units (2005: 309,497) and the value per unit was RON 21.25 (2005: 20.08)

According to the prospectus Concerto invests in monetary market instruments, debt instruments as well as equities traded on Bucharest Stock Exchange. As of the year-end the Bank held a number of 90,353 units with a unit value of RON 109.12.

Other equity investments

Other equity investments represent shares in Romanian Shareholders' Register, Victoria Business Centre S.A, Romanian Commodities Exchange, Romanian Securities Clearing and Depository Company, Bianca S.A., Thyssen Krupp Bilstein Compa S.A., Regisco S.A. (Shareholders' Register for the National Securities Commission) and TransFond.

(Amounts in thousands RON)

8. Loans, net

	December 31, 2006	December 31, 2005
Loans, gross	18,143,770	10,075,922
Loans impairment	(567,135)	(554,119)
Total	**17,576,635**	**9,521,803**

The total loans granted as of December 31, 2006 and 2005 had the following structure:

	December 31, 2006	December 31, 2005
Working capital loans	5,369,790	3,279,199
Loans for equipment	3,468,645	2,056,407
Trade activities financing	242,793	159,494
Acquisition of real estate	899,175	763,018
Government loans	968	1,441
Consumer loans	7,213,996	3,291,296
Other	948,403	525,067
Total	**18,143,770**	**10,075,922**

The Government loan is guaranteed by the Ministry of Public Finance through the issuance of a 15-year treasury bond and is repaid in ten equal annual installments commencing 1998. Interest on the bond is paid quarterly at the NBR "credit line" rate.

As of December 31, 2006, balances relating to factoring amount to 189,332 (107,811 as of December 31, 2005) and those relating to forfeiting 53,307 (50,795 as of December 31, 2005).

The annual interest rates for the loans in RON ranged between 5% and 30% p.a. (2005: 8.44% - 30% p.a.) and for foreign currency between 6.5% and 13% p.a. (2005: 9.4%-13% p.a.)

Working capital loans include an amount of 65,656 representing customers' liabilities under accepted letters of credit.

The analysis of portfolio by type of ownership is as follows:

December 31, 2006:

Type of ownership	Total loans	Out of which	
		In RON	In foreign currency
Private companies	8,345,459	3,862,724	4,482,735
Public companies	499,204	355,229	143,975
Individuals	9,299,107	6,890,119	2,408,988
Total	**18,143,770**	**11,108,072**	**7,035,698**

(Amounts in thousands RON)

8. Loans, net (continued)

December 31, 2005:

Type of ownership	Total loans	Out of which	
		In RON	In foreign currency
Private companies	5,524,290	2,456,344	3,067,946
Public companies	443,170	140,871	302,299
Individuals	4,108,462	2,464,718	1,643,744
Total	**10,075,922**	**5,061,933**	**5,013,989**

Sector analysis

	December 31, 2006	December 31, 2005
Manufacturing	12.0%	13.7%
Food industry	3.8%	4.2%
Transportation and other services	7.6%	11.3%
Trade	16.3%	15.8%
Agriculture	1.5%	1.3%
Constructions	3.2%	3.9%
Individuals	49.2%	41.2%
Other	6.4%	8.6%
Total	**100.0%**	**100.0%**

Loans to individuals include mortgage loans, consumer loans and overdrafts.

As of December 31, 2006 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 1,095,515 (979,563 as of December 31, 2005), while the value of letters of guarantee and letters of credit issued in favor of these clients amounts to 510,048 (542,617 as of December 31, 2005).

Impairment allowance for loans

Balance as of December 31, 2004	**481,516**
Write offs, net of recoveries	(19,864)
Provision expense, net of provision income	92,467
Balance as of December 31, 2005	**554,119**
Write offs, net of recoveries	(58,777)
Provision expense, net of provision income	71,793
Balance as of December 31, 2006	**567,135**

The impairment allowance includes the provisions for the loans specifically identified as impaired as well as the provision for the collective impairment.

(Amounts in thousands RON)

9. Lease receivables

	December 31, 2006	December 31, 2005
Gross investment in finance lease:		
Maturity under 1 year	278,343	56,923
Maturity between 1 and 5 years	527,713	579,249
Maturity higher than 5 years	18,120	32,631
	824,176	**668,803**
Unearned finance income	(110,606)	(94,394)
Net investment in finance lease	**713,570**	**574,409**
Net investment in finance lease:		
Maturity under 1 year	229,460	48,943
Maturity between 1 and 5 years	467,131	496,325
Maturity higher than 5 years	16,979	29,141
	713,570	**574,409**

10. Investments in associates

	Field of activity	December 31, 2006 (%)	December 31, 2005	Additions in 2006	Disposals in 2006	Change in net assets	December 31, 2006
Fondul Roman de Garantare a Creditului Rural "FGCR"	Loan guarantee	26.32%	13,762	-	-	(1,060)	12,702
Asiban S.A	Insurance	25.00%	19,243	10,750	-	(2,966)	27,027
Romcard S.A.	Card transaction processing	20.00%	238	3	-	60	301
Biroul de Credit SA	Loan grant supervision	18.80%	774	-	-	812	1,586
RCI Leasing Romania SRL	Leasing	0.00%	5,215	-	(5,215)	-	-
			39,232	10,753	(5,215)	(3,154)	41,616

The associates' headquarters' addresses are as follows:

Associate	Address
Fondul Roman de Garantare a Creditului Rural "FGCR"	5 Occidentului Street, Bucharest
Asiban S.A	2 Marasti Blvd, Bucharest
Romcard S.A.	38 Stefan Mihaileanu Street, Bucharest
Biroul de Credit SA	15 Calea Victoriei, Bucharest
RCI Leasing Romania SRL	133-137, Calea Floreasca, Bucharest

(Amounts in thousands RON)

11. Tangible fixed assets, net

	Land	Buildings and special constructions	Computers and equipment	Materials and other assets	Construction in progress	Total
Net carrying value as of December 31, 2004	**30,436**	**872,974**	**27,474**	**75,510**	**43,970**	**1,050,364**
Transfers and additions	2,692	47,246	37,792	24,903	(13,903)	98,730
Net book value of disposals	(86)	(900)	(1,639)	(248)	-	(2,873)
Transfers to held for sale assets	(6,929)	6,787	-	(1,250)	-	(1,392)
Depreciation	-	(47,741)	(26,530)	(21,954)	-	(96,225)
Impairment loss	(22)	336	-	-	-	314
Net carrying value as of December 31, 2005	**26,091**	**878,702**	**37,097**	**76,961**	**30,067**	**1,048,918**
Transfers and additions	3	67,884	42,804	40,239	41,463	192,393
Net book value of disposals	(94)	(906)	(148)	(784)	(28)	(1,960)
Depreciation	-	(49,149)	(25,424)	(22,241)	-	(96,814)
Impairment loss	-	(897)	-	-	-	(897)
Net carrying value as of December 31, 2006	**26,000**	**895,634**	**54,329**	**94,175**	**71,502**	**1,141,640**

The balance of tangible fixed assets contains investment properties. The movement of investment properties is presented below.

Net carrying value as of December 31, 2004	**14,854**
Transfers and additions	39,073
Net book value of disposals	-
Depreciation	(3,120)
Impairment loss	(238)
Net carrying value as of December 31, 2005	**50,569**
Transfers and additions	6,140
Net book value of disposals	(273)
Depreciation	(3,782)
Impairment loss	(897)
Net carrying value as of December 31, 2006	**51,757**

The carrying value of investment properties approximates their fair value.

12. Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of net identifiable assets transferred from Societe Generale Bucharest to the Bank in 1999. The goodwill is no longer amortized starting with January 1, 2004 (see accounting policies). During 2006 there was no impairment of the goodwill.

(Amounts in thousands RON)

13. Intangible assets, net

The balance of the intangible assets as of December 31, 2006 and 2005 represents mainly banking software.

Net book value as of December 31, 2004	**21,016**
Additions in 2005	10,690
Net book value of intangibles written-off	-
Amortization expense	(16,936)
Net book value as of December 31, 2005	**14,770**
Additions in 2006	19,283
Net book value of intangibles written-off	-
Amortization expense	(7,757)
Net book value as of December 31, 2006	**26,296**

14. Other assets

	December 31, 2006	December 31, 2005
Sundry debtors	21,564	18,813
Fair value of derivatives	5,052	2,412
Materials and consumables	5,833	3,694
Advances to suppliers	36,914	19,726
Held for sale assets	-	4,734
Miscellaneous assets	20,364	17,118
Total	**89,727**	**66,497**

The sundry debtors balances are presented net of an impairment allowance of 7,927 (December 31, 2005: 7,790).

Held for sale assets represent buildings and related land that are not used any more and all intended to be sold in less than 1 year. The movement is as follows:

Carrying value as of December 31, 2004	**3,556**
Additions	1,392
Disposals	(214)
Carrying value as of December 31, 2005	**4,734**
Additions	
Disposals	(4,734)
Carrying value as of December 31, 2006	**-**

(Amounts in thousands RON)

15. Demand deposits and current accounts

	December 31, 2006	December 31, 2005
Individuals and legal entities	8,114,562	4,986,869
Ministry of Public Finance	30,556	80,542
Romanian Banks	35,737	94,501
Foreign banks	71,280	668
Total	**8,252,135**	**5,162,580**

The RON annual interest rates offered by the Bank for current accounts and demand deposits in RON of individuals and companies ranged between 0.25 % p.a. and 7.00% p.a. (between 0.25% p.a. and 14.50% p.a. during 2005).

The deposits from the Ministry of Public Finance represent amounts, relating to financing facilities from the International Bank for Reconstruction and Development (“IBRD”) and the European Investment Bank (“EIB”).

The amounts from other banks are mainly denominated in USD and EUR. The maximum interest rate offered by the Bank for Loro accounts was 0.25% p.a. for USD and EUR (0.25% p.a. in 2005). The average interest rates for interbank deposits paid by the Bank during 2006 were 5.54% p.a. for USD and 2.94% p.a. for EUR (2.48% p.a. for USD and 2.15% p.a. for EUR in 2005).

16. Term deposits

	December 31, 2006	December 31, 2005
Individuals and legal entities	11,972,154	9,922,256
Foreign banks	588,562	183,972
Romanian banks	357,630	7,147
Total	**12,918,346**	**10,113,375**

The annual interest rates paid by the Bank for the RON deposits ranged between 0.25% and 7.25% p.a. (2005: 0.25%-14.75% p.a.) and for foreign currency deposits between 2.00% and 4.25% p.a. (2005: 1.25%-4.00% p.a.)

(Amounts in thousands RON)

17. Borrowings

	December 31, 2006	December 31, 2005
Borrowings from related parties	3,747,762	1,991,359
Borrowings from international financial institutions	259,463	351,168
Borrowings from other credit istitutions	169,713	-
Bonds issued	785,801	51,125
Other borrowings	39,408	-
Total	**5,002,147**	**2,393,652**

The interest rates for the borrowings in EUR ranged between 2.55% p.a. and 7.17% p.a. The interest rates for the borrowings in USD ranged between 4.49% p.a. and 7.64% p.a. Refer to notes 40 and 41 for the maturity structure, respectively the re-pricing gap of the borrowings.

Borrowings from related parties include an amount of EUR 200,000,000 (2005: EUR 100,000,000) representing two subordinated loans. A EUR 100,000,000 loan granted in 2005, at EURIBOR3M+0.5%, due in 2015 and a EUR 100,000,000 loan granted in 2006, at EURIBOR6M+0.99%, due in 2013.

The bonds represent RON denominated notes issued in December 2006 on the Luxembourg market in an amount of 735,000 for five years at a fix rate of 7.75% and notes issued on the Romanian market in April 2004, and due March 2007, at a variable rate (BUBOR 6M) in an amount of 50,000.

18. Taxation

Current income tax is calculated on the taxable income per the statutory financial statements.

	2006	2005
Current income tax expense	119,772	92,751
Deferred tax income	(28,344)	(9,553)
Total	**91,428**	**83,198**

(Amounts in thousands RON)

18. Taxation (continued)

The deferred tax liability/asset is reconciled as follows:

	December 31, 2006		
	Temporary differences	**Consolidated Balance Sheet**	**Consolidated Income statement**
Deferred tax liability			
Tangible and intangible assets	(117,666)	(18,827)	19,572
Investments and other securities	(26,414)	(4,226)	447
Others	-	-	919
Total	**(144,080)**	**(23,053)**	**20,939**
Deferred tax asset			
Loans	282,505	45,201	(3,686)
Other	94,471	15,115	11,091
Total	**376,976**	**60,316**	**7,405**
Taxable items according IAS 12	**232,896**	**37,263**	
Deferred tax income			**28,344**

	December 31, 2005		
	Temporary differences	**Consolidated Balance Sheet**	**Consolidated Income statement**
Deferred tax liability			
Tangible and intangible assets	(239,997)	(38,399)	(325)
Investments and other securities	(31,533)	(5,045)	(292)
Others	(5,746)	(919)	(919)
Total	**(277,276)**	**(44,363)**	**(1,536)**
Deferred tax asset			
Loans	305,541	48,887	8,383
Other	25,149	4,024	2,706
Total	**330,690**	**52,911**	**11,089**
	53,414	**8,548**	
Deferred tax income			**9,553**

Movement in deferred tax is as follows:

Deferred tax liability, net as of December 31, 2004	**(751)**
Deferred tax recognized as equity	(254)
Net deferred tax income	9,553
Deferred tax asset, net as of December 31, 2005	**8,548**
Deferred tax recognized as equity	371
Net deferred tax income	28,344
Deferred tax asset, net as of December 31, 2006	**37,263**

(Amounts in thousands RON)

18. Taxation (continued)

The IFRS accounting profit before tax and tax expense for 2006 are reconciled as follows:

	2006	2005
Gross profit (before income tax)	795,058	575,623
Income tax (16%)	(127,209)	(92,100)
Non-deductible/ Non-taxable elements	35,781	8,902
Income tax at effective tax rate	**(91,428)**	**(83,198)**

The effective tax rate for 2006 is 11.5 % (2005: 14.5 %)

19. Other liabilities

	December 31, 2006	December 31, 2005
Sundry creditors	114,758	75,192
Dividends payable	1,681	795
Payables to employees	32,341	31,040
Deferred income	10,306	14,828
Other payables to State budget	24,696	10,829
Provisions	267	15,254
Total	**184,049**	**147,938**

Payables to employees include, among other, bonuses relating to 2006 profit, amounting to 26,120 (2005: 22,400) and post-employment benefits amounting to 8,563 (2005: 8,499).

Included in deferred income is an amount of 4,983 (2005: 7,043) representing the initial fair value of financial guarantees less subsequent amortization.

The movement in provisions is as follows:

Carrying value as of December 31,2005	**15,254**
Additional expenses	-
Reversals of provisions	(14,987)
Carrying value December 31, 2006	**267**

The most significant reversal amounting to 14,000 refers to a single litigation in respect of the implementation of a third party debt order. The litigation was closed in favor of the Bank during the first half of 2006.

(Amounts in thousands RON)

20. Equity

Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2005: 696,901). Included in the share capital there is an amount of 1,818,721 (2005: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of December 31, 2006 represents 696,901,518 (2005: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2005: 1).

During 2006 and 2005, the Bank did not buy back any of its own shares

Accumulated deficit

Included in the Accumulated deficit there is an amount of 426,637 (2005: 351,791) representing legal reserves, general banking risk reserves and other reserves with restricted use required by the banking legislation.

21. Capital adequacy

The Bank applies the local capital adequacy regulations derived from the European regulations in the field, 2000/12/EC Directive. These requirements apply to the stand alone figures obtained based on the local accounting and financial reporting regulations harmonized with International Accounting Standards and European Economic Community Directive no. 86/635/CEE.

As of December 31, 2006 the capital adequacy ratio determined in accordance with the above-mentioned regulations was 13.3% (2005: 17.91%)

22. Interest income

	2006	2005
Interest on loans	1,796,197	1,272,291
Interest on deposit with banks	179,525	192,312
Interest on treasury bills	45,627	63,778
Total	**2,021,349**	**1,528,381**

(Amounts in thousands RON)

23. Interest expense

	2006	2005
Interest for term deposits	604,683	427,622
Interest for demand deposits	130,940	75,646
Interest for borrowings	100,694	46,297
Total	**836,317**	**549,565**

24. Bank fees and commissions, net

	2006	2005
Commission revenue from processing of transactions	483,130	250,886
Other commission revenue	37,265	110,866
Commission expense	(124,536)	(121,906)
Net commission revenue	**395,859**	**239,846**

25. Foreign exchange income, net

	2006	2005
Foreign exchange income	2,463,636	1,898,466
Foreign exchange expenses	(2,249,567)	(1,740,694)
Total	**214,069**	**157,772**

26. Other income

Includes income from non-banking activities, such as incomes from rentals and sale of fixed assets.

27. Contribution to the Deposit Guarantee Fund

The deposits of individuals and, starting with 2004 of certain other 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 represented mainly by the contributions made by the banks, calculated as a percentage of qualifying deposits.

(Amounts in thousands RON)

28. Salaries and related expenses

	2006	2005
Salaries	235,600	201,759
Social security	90,810	65,965
Bonuses	26,120	22,400
Other	50,269	23,759
Total	**402,799**	**313,883**

The Bank has a contractual obligation to pay to retiring employees a lump sum calculated on the basis of salary and the number of years served by the individual. The plan covers substantially all the employees and the benefits are unfunded.

The net present value of the obligations under the plan is estimated annually by an independent actuary using the projected unit credit method.

The main actuarial assumptions used for the computation of the obligations are the increase in real salary by 3% per annum, personnel turnover of 6 % per annum, discount rate of 4.77%.

29. Depreciation and amortization expense

	2006	2005
Depreciation and impairment (see Note 11)	97,711	95,911
Amortisation of intangible assets (see Note 13)	7,757	16,936
Loss on disposal of fixed assets	1,961	2,873
Total	**107,429**	**115,720**

30. Other operating expense

	2006	2005
Administrative expenses	384,247	218,608
Publicity and sponsorships	31,019	27,954
Other expenses	36,174	17,190
Total	**451,440**	**263,752**

(Amounts in thousands RON)

31. Cash and cash equivalents analysis 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:

	December 31, 2006	December 31, 2005
Cash in hand	792,849	495,543
Current accounts and deposits with banks	523,822	597,860
Deposits and deposit certificates at NBR	113,980	3,024,239
Total	**1,430,651**	**4,117,642**

32. Guarantees and other financial commitments

	December 31, 2006	December 31, 2005
Letters of guarantee granted	1,701,366	1,059,255
Financing commitments granted	2,916,105	1,857,743
Total commitments granted	**4,617,471**	**2,916,998**

Guarantees and letters of credit

The Bank issues guarantees and letters of credit for its customers. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry 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 portions 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)

33. Capital commitments

	December 31, 2006	December 31, 2005
Tangible non-current assets	12,124	8,994
Intangible non-current assets	14,182	1,731
Total	**26,306**	**10,725**

34. Related parties

BRD-Groupe Societe Generale enters into related party transactions with its 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:

	2006	2005
Amounts from entities under common control		
Nostro accounts	25,579	14,993
Loans	183,100	182,940
Amounts to entities under common control		
Loro accounts	66,116	369
Term deposits	385,217	183,855
Borrowings	3,058,902	1,799,940
Subordinated loans	688,860	372,805
Commitments to entities under common control		
Letters of guarantee issued	5,100	331,458
Notional amount of foreign exchange operations	520,564	213,853
Notional amount of interest rate derivatives	600,705	412,378
Interest and commision revenues	13,049	5,852
Interest and commission expense	100,668	38,400
Net (gain)/loss on interest rate derrivatives	4,701	

The interest expenses include an amount of 18,680 (2005: 4,657) relating to subordinated loans.

As of December 31, 2006, the Board of Directors and Managing Committee members own 571,010 shares (2005: 703,010).

The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 2,378 (2005: 1,936).

(Amounts in thousands RON)

35. Contingencies

As of December 31, 2006 BRD-Groupe Societe Generale is defendant in a number of lawsuits arising in the course of business, amounting to approximately 1,167 (2005: 35,500). 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.

36. Earnings per share

	December 31, 2006	December 31, 2005
Ordinary shares on the market	696,901,518	696,901,518
Result for the year	700,955	495,469
Earnings per share (in RON)	1.0058	0.7110

37. Dividends on ordinary shares

	2006	2005
Declared and paid during the year		
Dividends for 2005: 0.3089 RON (2004: 0.2514)	213,606	174,909
Proposed for approval at AGM		
Dividends for 2006: 0.3672 RON (2005: 0.3089)	255,916	215,277

The dividends payable amounting to 1,681 (2005: 795) are included in other liabilities.

38. Risk management

The main financial assets and liabilities of the bank are the loans and advances, lease receivables, amounts placed with NBR, demand and term deposits and borrowings. These instruments are exposed to a series of risks such as credit risk, foreign exchange risk, interest rate risk and liquidity risk that are discussed below.

Credit risk

Credit risk represents the loss, which the Bank would suffer if a client or counterparty fails to meet its contractual obligations. The credit risk is inherent in traditional banking products – loans, commitments to lend and other contingent liabilities, such as letters of credit and derivative contracts (refer to the notes 8, 9 and 32).

The Bank restricts its credit exposure to both individual counterparties and counterparty groups by using credit limits attributed when the Bank rates the client. The size of limit depends on the assessment of quantitative factors such as their financial strength, industry position, and qualitative factors such as quality of management and shareholders structure, as well as the soundness of the securities provided by the client. The securities could take the form of collateral or personal guarantees. The exposure is monitored against limits on a continuous basis. The Bank grants loans to individuals based on a scoring system that is ongoing validated.

Market risk

Market risk is the risk of loss arising from movements in observable market variables such as interest rates, and exchange rates.

Foreign exchange risk
The foreign exchange risk is the risk of loss resulting from changes in exchange rates. The Bank manages the foreign currency risk by using limits for the open foreign currency positions both by currency and at the level of global foreign currency position.

Interest rate risk
Interest rate risk is the risk of loss resulting from changes in market interest rates. It is controlled primarily through the monitoring of interest rate gaps of assets and liabilities by maturity ranges, respectively by using a sensitivity based limit of the balance sheet.

Liquidity risk

The liquidity risk is associated either with the difficulty of an enterprise to raise necessary funds in order to meet commitments or with its inability to realize a financial asset quickly and for an amount close to its fair value.

The Bank's approach to the management of liquidity begins with the liquidity strategy, approved by the Bank's management. The Bank permanently monitors the liquidity gaps of assets and liabilities and uses stress scenarios as parrt of liquidity risk management.

(Amounts in thousands RON)

39. Balance sheet structure by currency

	December 31, 2006			
ASSETS	**Total**	**RON**	**EUR**	**Other**
Cash and cash equivalents	792,849	662,585	109,889	20,375
Accounts with Central Bank	7,656,066	3,325,058	4,331,008	-
Current accounts and deposits at banks	524,179	443,935	36,345	43,899
Assets available for sale	29,092	29,092	-	-
Loans, net	17,576,635	10,608,142	6,537,730	430,763
Lease receivables	713,570	-	696,773	16,797
Goodwill	50,151	50,151	-	-
Deferred tax asset, net	37,263	37,263	-	-
Non current assets and other assets	1,299,279	1,299,111	165	3
Total assets	**28,679,084**	**16,455,337**	**11,711,910**	**511,837**
LIABILITIES				
Demand deposits and current accounts	8,252,135	5,484,064	2,304,990	463,081
Term deposits	12,918,346	7,945,556	3,874,552	1,098,238
Borrowings	5,002,147	813,381	4,187,960	806
Current income tax payable, net	11,454	11,454	-	-
Other payables	184,049	147,201	-	36,848
SHAREHOLDERS' EQUITY	2,310,953	2,310,953	-	-
Total liabilities and shareholders' equity	**28,679,084**	**16,712,609**	**10,367,502**	**1,598,973**

	December 31, 2005			
ASSETS	**Total**	**RON**	**EUR**	**Other**
Cash and cash equivalents	495,543	427,732	48,447	19,364
Accounts with Central Bank	7,190,145	4,832,792	2,357,353	-
Current accounts and deposits at banks	598,274	297,282	48,375	252,617
Assets available for sale	41,749	40,482	-	1,267
Loans, net	9,521,803	4,772,626	4,368,900	380,277
Lease receivables	574,409	-	555,362	19,047
Goodwill	50,151	50,151	-	-
Deferred tax asset, net	8,548	8,548	-	-
Non current assets and other assets	1,169,417	1,074,897	-	94,520
Total assets	**19,650,039**	**11,504,510**	**7,378,437**	**767,092**
LIABILITIES				
Demand deposits and current accounts	5,162,580	3,265,874	1,393,076	503,630
Term deposits	10,113,375	6,031,914	2,833,596	1,247,865
Borrowings	2,393,652	51,075	2,323,509	19,068
Current income tax payable, net	7,943	7,943	-	-
Other payables	147,938	128,830	17,314	1,794
SHAREHOLDERS' EQUITY	1,824,551	1,824,551	-	-
Total liabilities and shareholders' equity	**19,650,039**	**11,310,187**	**6,567,495**	**1,772,357**

(Amounts in thousands RON)

40. Maturity structure

The maturity structure of the Bank's assets and liabilities, based on the remaining maturity as of December 31, 2006 and 2005 is as follows:

December 31, 2006	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash and cash equivalents	792,849	792,849	-	-	-	-	-
Accounts with the Central Bank	7,656,066	7,656,066	-	-	-	-	-
Current accounts and deposits at banks	524,179	341,239	-	18,294	91,470	73,176	-
Assets available for sale	29,092	-			4,890	24,202	-
Loans, net	17,576,635	986,767	1,013,471	5,044,455	6,451,073	4,080,869	-
Lease receivables	713,570	28,858	121,611	200,515	354,672	7,914	-
Goodwill	50,151	-	-	-	-	-	50,151
Deferred tax asset, net	37,263	3,555	-	4,179	-	29,529	-
Non current assets and other assets	1,299,279	-	89,727	-	-	-	1,209,552
Total assets	**28,679,084**	**9,809,334**	**1,224,809**	**5,267,443**	**6,902,105**	**4,215,690**	**1,259,703**
LIABILITIES							
Demand deposits	8,252,135	8,252,135	-	-	-	-	-
Term deposits	12,918,346	4,273,759	1,532,726	2,328,327	4,620,065	163,469	-
Borrowings	5,002,147	704,711	185,640	847,369	2,588,087	676,340	-
Current income tax liability	11,454	-	-	11,454	-	-	-
Other liabilities	184,049	69,291	114,758	-	-	-	-
Total liabilities	**26,368,131**	**13,299,896**	**1,833,124**	**3,187,150**	**7,208,152**	**839,809**	**-**
Total shareholders equity	**2,310,953**	**-**	**-**	**-**	**-**	**-**	**2,310,953**
Gap		**(3,490,562)**	**(608,315)**	**2,080,293**	**(306,047)**	**3,375,881**	**(1,051,250)**
Cumulated gap		**(3,490,562)**	**(4,098,877)**	**(2,018,584)**	**(2,324,631)**	**1,051,250**	**-**

(Amounts in thousands RON)

40. Maturity structure (continued)

December 31, 2005	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash and cash equivalents	495,543	495,543	-	-	-	-	-
Accounts with the Central Bank	7,190,145	5,998,638	1,191,507	-	-	-	-
Current accounts and deposits at banks	598,274	415,334	-	18,294	73,176	91,470	-
Assets available for sale	41,749	-	-	-	27,450	14,299	-
Loans, net	9,521,803	898,077	876,758	3,204,418	3,511,269	1,031,281	-
Lease receivables	574,409	26,124	32,768	130,960	360,907	23,650	-
Goodwill	50,151	-	-	-	-	-	50,151
Deferred tax asset, net	8,548	-	-	3,584	-	4,964	-
Non current assets and other assets	1,169,417	-	65,922	-	-	-	1,103,495
Total assets	**19,650,039**	**7,833,716**	**2,166,955**	**3,357,256**	**3,972,802**	**1,165,664**	**1,153,646**
LIABILITIES							
Demand deposits	5,162,580	5,162,580	-	-	-	-	-
Term deposits	10,113,375	5,615,638	1,857,447	2,028,247	506,391	105,652	-
Borrowings	2,393,652	8,797	23,156	46,447	1,763,687	551,565	-
Current income tax liability	7,943	-	-	7,943	-	-	-
Other liabilities	147,938	72,746	75,192	-	-	-	-
Total liabilities	**17,825,488**	**10,859,761**	**1,955,795**	**2,082,637**	**2,270,078**	**657,217**	**-**
Total shareholders equity	**1,824,551**	**-**	**-**	**-**	**-**	**-**	**1,824,551**
Gap		**(3,026,045)**	**211,160**	**1,274,619**	**1,702,724**	**508,447**	**(670,905)**
Cumulated gap		**(3,026,045)**	**(2,814,885)**	**(1,540,266)**	**162,458**	**670,905**	**-**

(Amounts in thousands RON)

41. Interest rate risk exposure

The items are allocated on time slots, based on either the residual maturity of each installment for the fixed rate items, or on the closest interest repricing date, for those instruments with a changing rate before maturity.

December 31, 2006	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	792,849	-	-	-	-	792,849
Accounts with the Central Bank	7,656,066	-	-	-	-	7,656,066
Current accounts and deposits at banks	341,239	-	18,294	91,470	73,176	524,179
Assets available for sale	-	-	-	4,890	24,202	29,092
Loans, net	11,350,165	2,135,581	1,120,033	2,178,918	791,938	17,576,635
Lease receivables	28,858	121,611	200,515	354,672	7,914	713,570
Goodwill	-	-	-	-	50,151	50,151
Deferred tax asset, net	3,555	-	4,179	-	29,529	37,263
Non current assets and other assets	-	-	-	-	1,299,279	1,299,279
Total assets	**20,172,732**	**2,257,192**	**1,343,021**	**2,629,950**	**2,276,189**	**28,679,084**
Liabilities						
Demand deposits	8,252,135	-	-	-	-	8,252,135
Term deposits	9,031,512	1,722,929	1,670,637	492,247	1,021	12,918,346
Borrowings	1,651,587	1,922,312	221,501	1,206,747	-	5,002,147
Current tax liability	-	-	11,454	-	-	11,454
Other liabilities	69,291	114,758	-	-	-	184,049
Total liabilities	**19,004,525**	**3,759,999**	**1,903,592**	**1,698,994**	**1,021**	**26,368,131**
Total shareholders' equity	**-**	**-**	**-**	**-**	**2,310,953**	
Net position	**1,168,207**	**(1,502,807)**	**(560,571)**	**930,956**	**(35,785)**	

(Amounts in thousands RON)

41. Interest rate risk exposure (continued)

December 31, 2005	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	495,543	-	-	-	-	495,543
Accounts with the Central Bank	5,998,638	1,191,507	-	-	-	7,190,145
Current accounts and deposits at banks	415,334	-	18,294	73,176	91,470	598,274
Assets available for sale	-	-	-	27,450	14,299	41,749
Loans, net	5,000,306	1,681,741	816,809	1,869,118	153,829	9,521,803
Lease receivables	26,124	32,768	130,960	360,907	23,650	574,409
Goodwill	-	-	-	-	50,151	50,151
Deferred tax asset, net	-	-	3,584	-	4,964	8,548
Non current assets and other assets	-	-	-	-	1,169,417	1,169,417
Total assets	**11,935,945**	**2,906,016**	**969,647**	**2,330,651**	**1,507,780**	**19,650,039**
Liabilities						
Demand deposits	5,162,580	-	-	-	-	5,162,580
Term deposits	7,083,488	1,058,435	1,565,675	405,389	388	10,113,375
Borrowings	-	1,849,718	543,934	-	-	2,393,652
Current tax liability	-	-	7,943	-	-	7,943
Other liabilities	-	-	-	-	147,938	147,938
Total liabilities	**12,246,068**	**2,908,153**	**2,117,552**	**405,389**	**148,326**	**17,825,488**
Total shareholders' equity	-	-	-	-	**1,824,551**	
Net position	**(310,123)**	**(2,137)**	**(1,147,905)**	**1,925,262**	**(465,097)**	

42. Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value is best evidenced by a quoted market price, if such exists.

Financial assets

Deposits with banks, loans originated by the Bank, leases are measured at amortized cost using the effective interest rates 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.

The following table presents the fair value of loans to customers, accompanied by a discussion of the methods used to determine the fair value.

	Carrying value 31.12.2006	Fair value 31.12.2006
Loans to customers	18,290,205	18,201,177

The following methods and significant assumptions have been applied in determining the fair values of loans which are carried at cost:

(a) the fair value of variable rate financial instruments is assumed to be approximated by their carrying amount;
(b) the fair value of fixed rate loans carried at amortized cost is estimated by using current market rates offered to similar clients.

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

Financial liabilities

The amortized cost of customer deposits and borrowings is considered to approximate their respective fair values, since these items have predominantly short re-pricing, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

43. Subsequent events

Change in prudential regulations

Starting with January, 1 2007 the local capital adequacy ratio changed from 12% to 8%.