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ANNUAL REPORT 2011



BUILDING TEAM SPIRIT TOGETHER



SOCIETE GENERALE GROUP



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MESSAGE OF THE CHAIRMAN-CEO



GUY POUPET

Although still difficult from a macroeconomic point of view, 2011 was, in many respects, a positive year for BRD.

The macroeconomic conditions improved; the agricultural production – better than estimated – had a favourable impact on the GDP growth. Also, inflation dropped to the lowest level after 1990.

However, the demand for banking products and services did not record a significant increase, as it was only sustained on the retail clients segment, by the Prima Casa programme and the refinancing campaign. On the business clients market, lending was sustained particularly by major companies.

We concentrated on improving our operational efficiency and thus we succeeded in obtaining a comfortable profitability, at the same time setting the basis for future sources of profit, particularly through innovative card payment solutions, such as Instant Pay and the proprietary contactless payment solution for public transport, already implemented in six cities in Romania and the originality of which was internationally recognised.

We managed to remain present at high level on the major corporations market and equally to be one of the financiers of the public, governmental entities or local communities.

Internally, we continued to improve the efficiency of our activity, the operational expenses were at a level similar to that of 2010, while our operating ratio was at 43%, significantly lower than the banking system average.

In 2011 our profitability kept the best level in the entire Romanian banking system.

In their turn, the BRD subsidiaries specialising in financial leasing, operational leasing and consumer loans at points of sale were profitable, proving to be flexible and enduring in the little offering business conditions.

Last year our performance was recognised by some of the most prestigious economic publications in Romania and abroad who awarded BRD "Best Bank in Romania" - "Global Finance" and "The Banker" – and "Most Trusted Bank" - "Piata Financiara" magazine. We value these awards because they show us how much our bank is appreciated by its clients and partners.

Starting from this level, in 2012 we set out to be very active and to win over new clients, thus improving our market share. Although the year is announced as problematic as the previous three, we will strive to make it a bridge towards revival. Relying on the quality of the BRD team, I have every reason to believe that we will succeed.



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PROFILE



GENERAL DATA ON THE COMPANY

SOCIETE GENERALE GROUP

Société Générale is one of the major financial service groups in Europe. The Group built its business on a diversified universal bank model, while also aiming at financial strength and long-lasting growth, with the ambition to become a client-oriented bank, a reference on its markets, chosen for the quality of its services and personnel.

The 160.000 employees present in 77 countries accompany over 33 million clients in the entire world, on a daily basis. The Société Générale team proposes consultancy and services dedicated to individuals, companies and institutions, on the following 3 business lines:

- **Retail bank in France**, represented by the Société Générale, Crédit du Nord and Boursorama brands;
- **Retail bank outside France**, present in Central and Eastern Europe and in Russia, the Mediterranean Basin, Sub-Saharan Africa, Asia and the former French territories;
- **Financing and Investment Banking**, with global expertise in investments, financing and market operations.

Société Générale is also an important player in the following fields: specialised financial services, insurance, private banking, asset management and investor services.

The group is included in the international sustainability indices: FRSE4good, ASPI, DJSI World and DJSI Europe.

BRD - GROUPE SOCIETE GENERALE

BRD - Groupe Société Générale has been, for more than a decade, among the top universal banks in Romania. With a commercial offer in constant growth, BRD ensures the right products and services for its clients, in every moment of their life. Either as individuals, freelancers, SMEs or major companies.

Thanks to our network of agencies located all over the country, we are close to our clients and welcome them in modern facilities and by highly qualified personnel:

- 937 agencies
- 8.979 employees (BRD and SG subsidiaries)

Rating of the Bank

- **Fitch:** Long term foreign currency rating **BBB +**
- **Moody's:** Long term foreign currency deposit rating **Baa3**
Long term local currency deposit rating **Baa2**

A diversified offer of products & services and client proximity are at the heart of BRD's mission.

Retail Banking

- 2.280.000 clients
- RON 16.3 billion loans to the population
- over 2.2 million banking cards included in the 3D Secure system

Corporate Banking

Customised services dedicated to the Romanian corporate clients, to the subsidiaries of large multinational companies, to SMEs, to micro-enterprises and to local authorities.

- 140.000 clients
- RON 17,2 billion loans extended

Specialised Services

- International operations - over 1.100 banking correspondents in 100 countries.
- Factoring operations - RON 3.84 billion turnover, the highest ever for BRD.
- BRD Finance – consumer loans subsidiary. High profitability and strong development on the vehicle financing segment.
- BRD Pensii – pension fund management subsidiary. 182.000 clients and a volume of subscriptions of over EUR 10 million.
- BRD Asigurari de Viata - 320.000 clients in the third year of activity. Present in top 10 life insurance companies in Romania.
- BRD Sogelease - leasing subsidiary
RON 23 million gross profit.
- ALD Automotive – full operational leasing and car fleet management subsidiary.
Number 1 in Romania with 6.705 vehicles and 240 clients.

Investment Banking

Brokerage, market operations, asset management, depositary services for Collective Investment Undertakings and Private Pension Funds, custody of financial instruments traded on local and international markets and consultancy services. We are one of the large players on the Romanian investment banking market.

We provide these services either directly or through the specialised subsidiaries:

- BRD Corporate Finance – subsidiary specialised in consulting in privatizations and mergers & acquisitions
- BRD Asset Management ranks third on the investment funds market, with a portfolio of 6 open-end investment funds (UCITS)



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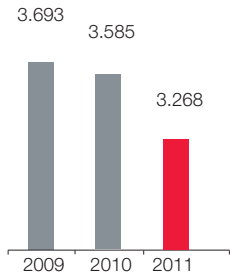
KEY FIGURES



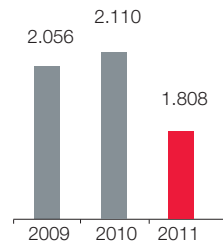
KEY FIGURES

IFRS

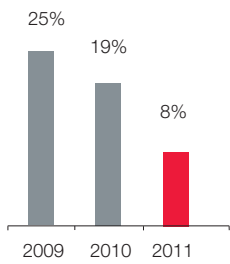
NET BANKING INCOME (million RON)



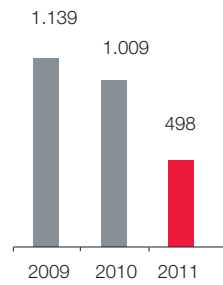
GROSS OPERATING RESULT (million RON)



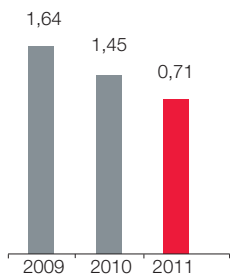
RETURN ON EQUITY (ROE)



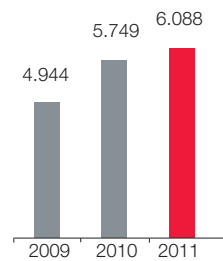
NET INCOME (million RON)



EVOLUTION OF NET INCOME/SHARE (RON)



OWNER'S EQUITY (million RON)





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CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

The corporate governance of BRD-Groupe Société Générale S.A. is the set of principles on which relies the administration framework through which the bank is managed and controlled. Transposed into internal normative documents, these principles enable the efficacy of the control mechanisms adopted in order to protect and harmonise the interests of all the categories of participants in the bank's activity – shareholders, directors, executive officers, managers of the various company structures, employees and the organisations representing their interests, clients and business partners, central and local authorities etc.

ers, of April 14th, 2011, on the position remained vacant following the renunciation to the mandate of director by Anne Fossemalle;

- The mandate of director of Sorin Marian Coclitu was renewed for a period of 4 years;

ADMINISTRATION AND MANAGEMENT OF THE BANK

BRD-Groupe Société Générale adopted the unitary system of administration in full harmony with the principles of good corporate governance, of the transparency of relevant corporate information, of the protection of the shareholders and of other stakeholders, as well as of an efficient operation on the banking market.

BOARD OF DIRECTORS

The Board of Directors is made up of 11 members, elected by the General Meeting of the Shareholders for a 4 year term in office, the Board of Directors meets once every three months or whenever necessary.

The structure of the Board of Directors ensures a balance between the executive and the non-executive members, so that no person or limited group of persons may dominate, in general, the decision-making process of the Board of Directors. It includes three executive and eight non-executive members, among which one independent non-executive member.

The year 2011 brought changes to the composition of the Board of Directors, as follows:

- By Decision no. 268 of the Board of Directors of March 10th, 2011, Anne Marion-Bouchacourt was elected as director for a 4-year mandate, following the expiration of Aurelian Dochia's mandate as director.
- The director mandates for Petre Bunescu, Sorin-Mihai Popa, Didier Alix, Jean-Louis Mattei, Bogdan Baltazar, Dumitru Popescu, Ioan Cuzman and Sorin Marian Coclitu (designated to continue as independent director), as of April 18th, 2011, for a period of 4 years;
- Bernardo Sanchez Incera was confirmed in the capacity of director, for a 4-year mandate, through Decision no. 105 of the Ordinary General Meeting of the Sharehold-

MEMBERS OF THE BOARD OF DIRECTORS



**Guy
POUPET**

- Chairman of the Board of Directors and CEO
- Chairman of the Board of Directors of BRD Finance IFN S.A.;
- Member of the Board of Directors of ALD Automotive S.R.L.;
- Chairman of the Board of Mobias-banca – Groupe Société Générale S.A.;
- Member of the Board of Directors of Société Générale European Business Services SA.
- Member of the Board of Directors of BRD Asigurari de Viata S.A.



**Sorin - Mihai
POPA**

- Member of the Board of Directors
- Associate CEO
- Member of the Board of Directors of BRD Sogetease IFN S.A.



**Petre
BUNESCU**

- Member of the Board of Directors
- Deputy CEO
- Vice-Chairman of the Romanian Banking Association
- Member of the Board of Directors of Transfond S.A.



**Didier
ALIX**

- Non-executive member of the Board of Directors



**Bernardo
SANCHEZ - INCERA**

- Non-executive member of the Board of Directors
- Deputy CEO of the Societe Generale Group



**Jean-Louis
MATTEI**

- Non-executive member of the Board of Directors
- Chairman of the Audit Committee
- Chairman of the Remuneration Committee
- Head of BHFIM – International Retail Banking Division of the Société Générale Group.



**ANNE
MARION-BOUCHACOURT**

- Non-executive member of the Board of Directors (starting from the 15th of February 2012)
- Member of the Remuneration Committee;
- Human Resources Manager of the Société Générale Group



**Bogdan
BALTAZAR**

- Non-executive member of the Board of Directors



**Dumitru D.
POPESCU**

- Non-executive member of the Board of Directors
- Member of the Audit Committee



**Sorin Marian
COCLITU**

- Non-executive, independent member of the Board of Directors
- Member of the Audit Committee
- Member of the Remuneration Committee
- Chairman – CEO of the Romanian Credit Guarantee Fund for Private Entrepreneurs
- Secretary General of the SIF Muntenia Shareholders' Representative Council



**Ioan
CUZMAN**

- Non-executive member of the Board of Directors
- Chairman-CEO of the Private Property Fund no. 1 Banat Crisana.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

For 2011, the Ordinary General Meeting of the Shareholders approved a remuneration for the non-executive members of the Board of Directors amounting to EUR 1,500/month (gross amount, in lei equivalent), as well as a general limit for the directors' and officers' additional remunerations for 2011, amounting to RON 8 million, gross amount.

AUDIT COMMITTEE

The Audit Committee is made up of 3 non-executive members of the Board of Directors: Jean-Louis MATTEI (Chairman), Dumitru POPESCU (Member of the Board), Sorin Marian COCLITU (Member, independent director).

The members of the Audit Committee have the experience required by the specific roles they have within the committee and they meet at least every six months.

The Audit Committee assists the Board of Directors in the performance of its duties in the field of internal control and financial audit and makes recommendations with regard to the strategy and policy of the credit institution in that field.

REMUNERATION COMMITTEE

It is a consultative committee, set up to support the Board of Directors, in order to elaborate and supervise the implementation of the Bank's remuneration policy.

The Committee is made up of 3 non-executive directors, one of which is independent, elected by the Board of Directors from among its members, namely: Jean-Louis MATTEI (Chairman), Aurelian DOCHIA (Member), Sorin Marian COCLITU (Member, Independent Director).

RISK MANAGEMENT COMMITTEE

Presided over by the CEO, the Risk Management Committee meets on a quarterly basis or whenever necessary. Its objective is the management of the significant risks, risks with high impact on the assets and/or image of the bank (credit risk, market risk, liquidity risk, operational risk and reputational risk), as well as the risks associated to the out-sourced activities.

The committee is made up of the members of the Management Board and the officers in charge of the internal structures with an important role in risk management.

EXECUTIVE MANAGEMENT

The operational management and the coordination of the daily activity of the bank are delegated by the Board of Directors to the executive officers.

The executive officers of the bank are elected by the Board of Directors from within or from outside the Board, and jointly they form the Management Board.

According to the Code of Corporate Governance of BRD, the Management Board is composed of minimum 5 directors, among whom one Associate CEO and it is presided over by the CEO who is also Chairman of the Board of Directors.

At the 31st of December, the Management Board of BRD was made up of the CEO, an Associate CEO, and 5 Deputy CEOs.

Each executive officer is vested with all the powers to act on behalf of the Bank and to represent it in the relationships with third parties, in any circumstances related to the activities they coordinate, in compliance with the legal provisions and the Articles of Incorporation.

Within the limit of the powers and responsibilities set by the Board of Directors, the executive officers act jointly, organised in the Management Board, for a series of activities/operations specific to the activity of the bank, detailed in the Articles of Incorporation and in the Internal Operation Norm of the bank.

MEMBERS OF THE
MANAGEMENT
BOARD



**Guy
POUPET**
Chairman - CEO



**Sorin - Mihai
POPA**
Associate CEO



**Petre
BUNESCU**
Deputy CEO



**Claudiu
CERCEL-DUCA**
Deputy CEO



**Gabriela
GAVRILESCU**
Deputy CEO



**Jean-Luc
GRASSET**
Deputy CEO



**Gheorghe
MARINEL**
Deputy CEO
(NBR approval: February 15th 2012)

RIGHTS OF THE SHAREHOLDERS

BRD respects the rights of its shareholders and ensures equal treatment for them.

VOTING RIGHT

The bank's shares are indivisible and confer equal rights to their holders, each share entitling to one vote in the General Meeting of the Shareholders.

General meetings are called by the Board of Directors.

General meetings are ordinary and extraordinary. The Ordinary General Meeting of the Shareholders meets at least once a year, within no more than 5 months of the end of the financial year. The Extraordinary General Meeting of the Shareholders meets whenever necessary.

The notice of meeting is sent at least 30 days before the set date, in compliance with the legal provisions regarding publicity and the notification of the National Securities Commission ("CNVM") and of the Bucharest Stock Exchange ("BVB").

In order to ensure the equal treatment and the full and equitable exercise of the shareholders' rights, the bank makes available to them all the information related to the General Meeting of the Shareholders and to the adopted decisions, both by mass communication means and in the special section on its own Internet page (www.brd.ro).

The shareholders may attend the works of the General meetings personally, through a representative or they may vote by correspondence. Forms of power of attorney and vote by correspondence are made available to the shareholders in the special section on the bank's Internet page.

The procedures regarding the works of the General Meeting of the Shareholders are submitted to the shareholders' approval, in order to ensure an orderly and efficient performance of such works.

Within the General Meetings of the Shareholders, dialogue between the shareholders and the members of the Board of Directors and/or executive management is allowed and encouraged. Each shareholder may ask the directors questions regarding the activity of the bank.

RIGHT TO DIVIDENDS

Each share of the bank, held by a shareholder at the registration date (set according to the specific regulations and approved by the General Meeting of the Shareholders), entitles the shareholder to dividends for the prior financial year, in the quantum and conditions established by the General Meeting of the Shareholders.

In 2011, the General Meeting approved the distribution of a gross dividend of RON 0,17957 / share, for the year 2010, and established the dividend distribution procedure.

RIGHT TO INFORMATION

BRD makes sure its shareholders have access to relevant information, so that they may exercise all their rights in an equitable manner.

BRD sets up and maintains an adequate structure for its relation with the investors, in general, and with its share-

holders, in particular. The shareholders/investors may send their requests to the Bank through e-mail or over the telephone, the contact data being displayed on the institutional website. Also, all the shareholders receive an annual individual letter of information regarding their shares and the dividends due to them for the completed financial year.

The relevant information is published on the bank's Internet page, both in Romanian and in English.

In order to communicate on its financial results, BRD organises reunions with financial analysts, investment consultants, brokers and investors. These reunions are an opportunity for the bank management and the financial market analysts to exchange opinions.

For the information of the shareholders and investors, the Bank sets at the beginning of the year a financial reporting calendar.

THE FINANCIAL CALENDAR FOR 2012

Presentation of the preliminary annual results	February 14, 2012
General Meeting of the Shareholders	April 26, 2012
Presentation of the 2011 annual results	April 26, 2012
Presentation of Q1 results	April 30, 2012
Presentation of Q2 results	July 30, 2012
Presentation of Q3 results	November 6, 2012

OTHER CORPORATE GOVERNANCE ELEMENTS

CONFLICTS OF INTEREST

In 2011, there were not identified any conflicts of interests between the members of the Board of Directors and of the Management Board and the interests of the Bank.

TRANSACTIONS WITH AFFILIATED PERSONS

The internal regulation framework establishes a set of rules to be observed by all the members of the Board of Directors, the members of the executive management and the employees of the Group when performing their own transactions, and also in order to avoid any actual or apparent (potential) conflict of interest.

The power of approval of the loans granted to private and corporate clients who are affiliated to the Bank belongs with the Board of Directors.

INSIDER TRADING

In order to set a preventive and secured action framework for market operations performed by persons who, on account of their position within the Bank, have access to privileged information, the bank established and applied a series of professional ethics rules which are to be observed by the directors, officers and the other insiders, in order to avoid the breach of the legal framework applicable to trading with financial instruments issued by BRD.

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BRD SHARE



BRD SHARE

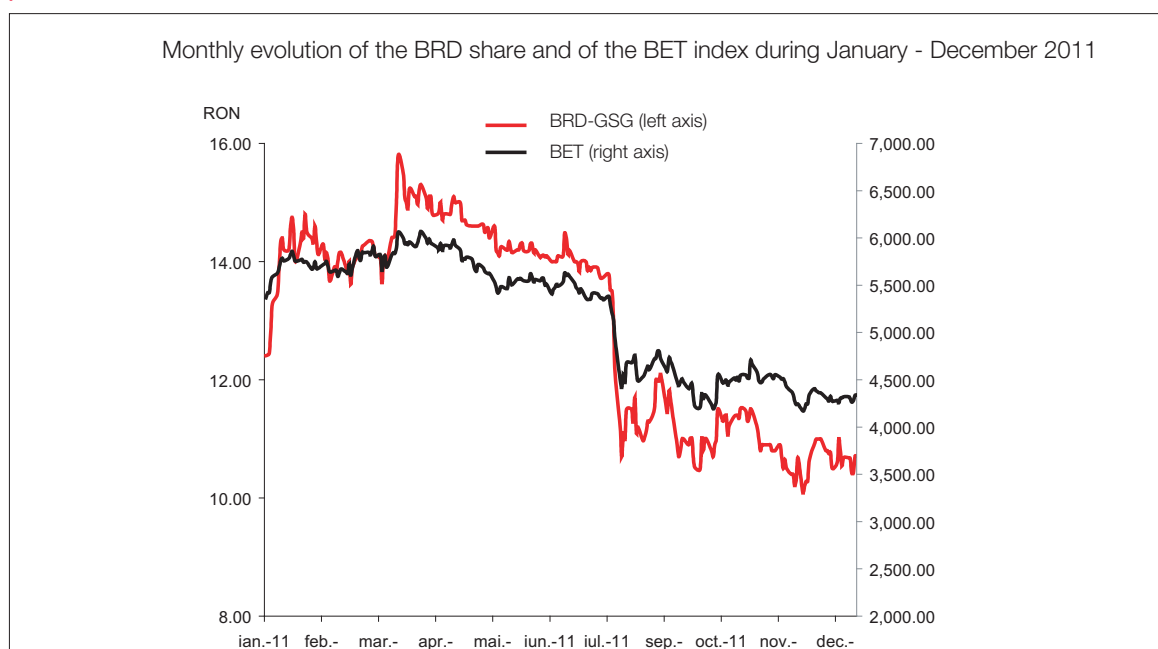
BRD shares are listed in the 1st category on the Bucharest Stock Market starting from January 15, 2001. The BRD share is included in the BET, ROTX, BET-XT and BET-C indexes.

During 2011, the average price of the BRD share had a similar evolution with the average of the BET index. The closing price of the BRD share as at December 30, 2011, the last trading day of 2011, was RON 10,71 /share.

On the same date, the market capitalisation was RON 7.463 million.

The dividends are distributed to the shareholders proportionally to their participating interests. The income from dividends is subject to tax deduction at source.

THE BRD SHARE



DIVIDENDS

According to the Romanian legislation and to the Articles of Incorporation, dividends are paid from the funds set up for such purpose following the approval of the General Meeting of the Shareholders, within two months of the General Meeting of the Shareholders.

The net annual profit is distributed as dividends according to the GMS decision. The distributable profit is based on the income as per the individual financial statements drafted according to the local accounting standards. The change in the volume of approved and distributed dividends looks as follows:

BRD NET PROFIT (RAS)	2010	2011
Net profit (RON)	500.589.835	465.265.368
Distributable profit (RON)	500.589.835	465.265.368
Total dividends (RON)	125.147.459	116.316.342
Dividends per share (RON)	0.17957	0.16690
Rate of allocation out of the distributable profit	25%	25%

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COMMERCIAL ACTIVITY



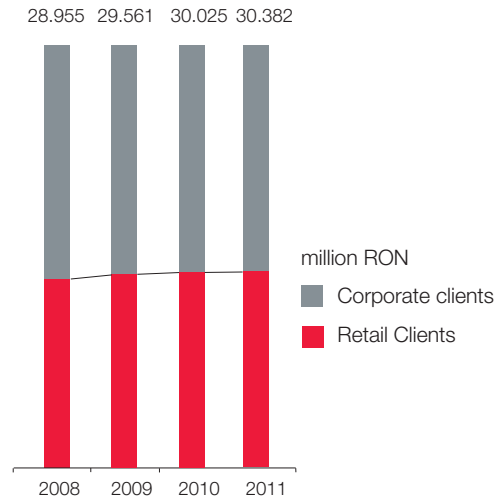
COMMERCIAL ACTIVITY

In 2011 as well, BRD Groupe Société Générale had between its main action lines to maintain profitability without ignoring the particular conditions of the environment in which it operates and the increasingly complex European context.

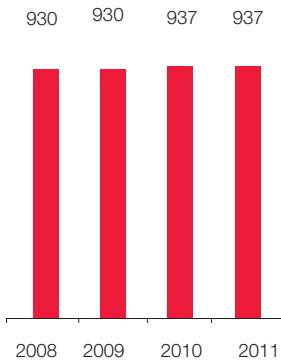
The efforts of our teams led to the fact that we are, by far, the most profitable bank in Romania. We continue to have the most extensive network of agencies among the private banks. This reality places us in a privileged position in the occurrence of any financing opportunities – both in large cities, in the medium size towns and in the rural areas with potential. Another argument for the advantage we have is that in the last years the BRD network of agencies had an important qualitative evolution thank to an innovative approach that made the difference in a more and more competitive market. Broadly, optimisations of various activities were made in conjunction with the technological level reached by the Network, as well as with the current and predictable level of demand for financing in the following period.

The evolution of the deposits and loans shows that BRD maintained its business level despite a contracted economic environment, marked by a modest demand for financing.

TOTAL CLIENTS DEPOSITS

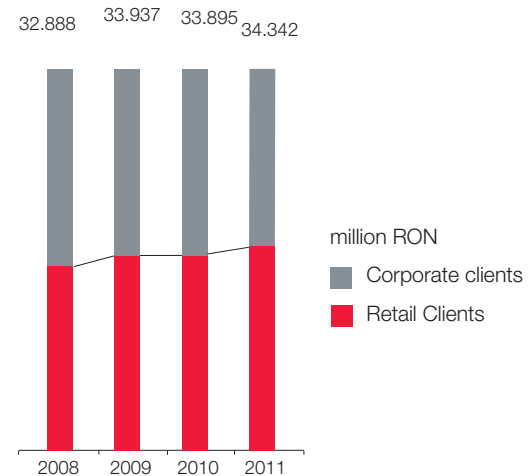


EVOLUTION OF THE NUMBER OF AGENCIES

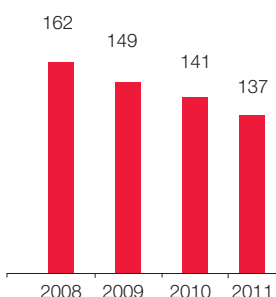


The client base is robust, high quality, even if in numbers it decreased, and the rhythm of attraction of new clients did not return to the pace before 2008, being strongly impacted by the context of the local market.

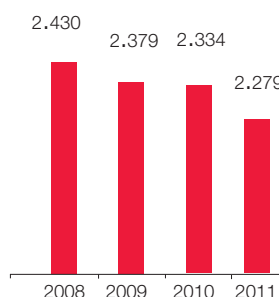
TOTAL CLIENTS LOANS



CORPORATE CLIENTS (X 1 000)



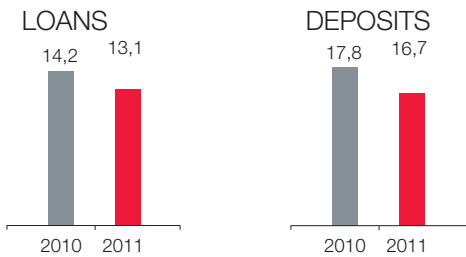
RETAIL CLIENTS (X 1 000)



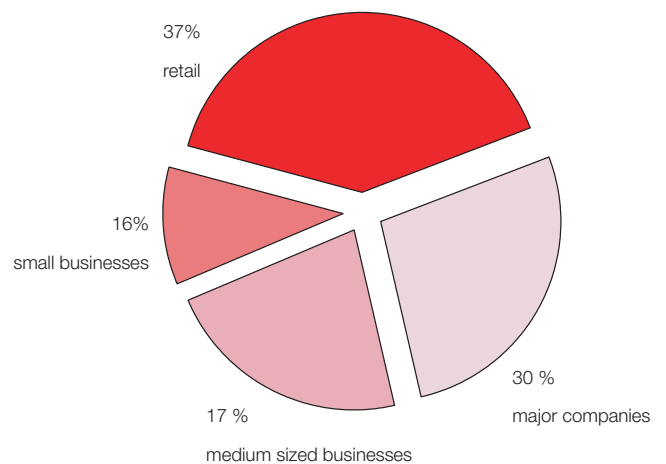
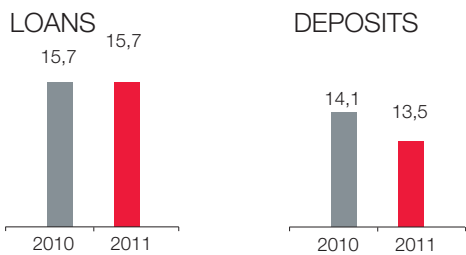
BRD continues to be a top player in the Romanian banking system. It is the second bank in Romania in terms of assets, having the following market shares:

In 2011, the amount of our commitment as a bank was of lei 45.4 billion, divided by market segments, as follows:

CORPORATE (%)



RETAIL (%)



In 2011, in the context of a persistently negative macroeconomic environment, BRD considered as a priority to conserve a high rentability even at the cost of a lower market share. Therefore, the demand for banking products and services did not record a significant increase, as it was only sustained on the retail segment, by continuing the Prima Casa programme and the refinancing campaign. On the corporate clients market, financing was requested mainly by major companies.

BRD continues to improve and extend permanently the popular, quick and practical remote banking channels: The Vocalis customer services centre, the Mobile Banking, Internet Banking and e-Commerce services.

In 2012 as well, competition promises to be rough. The still low level of banked population indicates, however, a potential which will allow significant increase. Therefore, we have key assets to consolidate our position and to increase our market shares.

At the end of December 2011, the total number of subscribers to the BRD-Net internet banking service was of 310,000, and the total amount of transactions was ron 1.2 billion, 20% higher than at the end of the previous year.

RETAIL BANKING

In 2011, the commercial campaigns were dedicated to new products, but also to the refinancing offers in order to attract and promote solutions to clients holding credits with other Banks. At the same time, the Bank continued to be a partner for clients with BRD loans, offering them, when needed, customised solutions for debt rescheduling/restructuring.

Among the Banks' priorities were keeping a proper risk management and attracting new clients. Those objectives were sustained through tailor made offers.

BRD continued to prove that innovation is not just a theory in the Bank's philosophy. Over the past year, the Bank created, developed and promoted products, thus diversifying its existing offer.

The BRD lending offer was completed through the launching of the "Casa BRD de 10" loan. Throughout 2011, BRD also continued to get involved in the Prima Casa programme, being one of the banks who participated actively and with remarkable results in all stages of that programme: BRD extended the first loan at the time of launching of the programme and it continues to be one of the programme's image vectors. The level of involvement of the bank will remain high in 2012 as well and it will be maintained until full utilisation of the guarantee ceiling extended by FNGCIMM.

The past year we've continued to pay special attention to the youth segment. Beyond the evolution of the offer, the bank organised two major campaigns at the beginning of the academic year having as main objectives promoting products dedicated to students in order to attract and bank them and build their loyalty.

Also, the Bank used the experience of the specialised subsidiaries of the group and diversified the offer of placement, private pensions and bank insurance products.

BRD INNOVATIONS

Cardul Transport – dedicated to the payment of the transport means in Bucharest (the bus and subway networks) and in several cities in the country. It was launched in June 2011 and is an innovation for the banking offer in Romania. The client may opt for loading the subscription on the card or for the direct payment from card account, without the need to purchase credit separately for the trip. This solution was declared unique by MasterCard in Europe. Besides the transport application and the known functionalities of a classic card, it also integrates the contactless technology which allows small amount payments without PIN.

Carte Suporter – launched in April 2011, this card equipped with the contactless technology is the only customised bank card with the photo of the favourite football player and can also work as subscription or ticket for entry to the stadium. It allows all types of transactions, because it is a debit card attached to a current account in RON, with national and international utilisation. The card was very well received by the target public, as it allows quicker and simpler access to the stadium, through the contactless characteristics.

In 2011, a special attention was paid to clients in payroll agreements, pensioners, youth, but also to the bank's top clients, through dedicated and custom made offers.

CORPORATE BANKING

SMEs AND CERTIFIED FREELANCERS

In 2011, BRD relaunched the financing offer dedicated to the small and medium-sized enterprises and freelance professionals. The short, medium or long term lending aims at satisfying the specific needs of this market segment in terms of current expenses, but especially of investments, favoured by the grants of up to EUR 200.000 / SME.

Relaunching and promoting the offer for liberal professions and freelance professionals four years after the first launch, brought new loans amounting at RON 84,3 million which stand for 67% of the entire portfolio at the end of 2011.

In line with the aspects listed above, BRD signed in 2011 new agreements with the National Loan Guarantee Fund for SMEs, Eximbank and the Rural Credit Guarantee Fund. The Bank also kept on extending financing based on the sources from the European Bank for Reconstruction and Development and the European Investment Bank, mainly aimed at supporting the development of the SME sector.

10 companies were financed through the EU/EBRD energy efficiency finance facility of EUR 10 million their benefits being:

- investment loans extended by BRD;
- free technical assistance services provided by consultants hired by EBRD;
- grant of up to 15% of the loan value on the end of the investment.

In 2011, BRD signed a second EU/EBRD energy efficiency facility of EUR 10 million.

By the EIB facility, 10 SMEs were financed with a total of EUR 30 million for business development projects.

On the other hand, BRD supported its clients by loan restructuring or rescheduling solutions. In 2011, the restructured and rescheduled loans represented 9% of the total commitments.

At the same time, BRD was the first bank to launch the offer for the purchase of new vehicles and tractors for juridical persons and freelance professionals within the REMAT programme.

The EUROBRD programme (financing of investment projects benefitting from European grants) has also registered a satisfactory evolution. The range of services included: pre-financing and/or co-financing the customer's own contribution, financing non-eligible expenses, covering the working capital needs for carrying out the current business and new investments.

In 2011, under the post-accession European funds programmes were financed 614 projects worth over EUR 100 million, carried out by private companies, SMEs and large enterprises in the agricultural and industrial fields, as well as by local public authorities, public institutions and non-governmental organisations.

The clients' preference for **remote banking services** has been evidenced by the increase by 15% of the number of subscribers to the BRD@office service, compared to last year. The utilisation of this channel increased considerably in 2011. The number of transactions performed through this service increased by 28% in 2011 compared to 2010 totalising approximately RON 39 billion.

BRD is the leader of the e-commerce market, with a processed volume of more than EUR 136 million, and a market share of over 85% performance that got us the title "Bank of the Year in E-Commerce" at the 2011 E-Commerce Awards Gala.

MAJOR CORPORATE CUSTOMERS

In 2011, BRD set out to consolidate its position as main partner of the major corporations.

The exposure of BRD on the major clients sector increased in total by approximately 5% from the balance sheet commitments remaining relatively stable (approximately +1% compared to December 2010), and the off-balance sheet exposure increasing (around +11% compared to the similar period of last year).

The increase of exposure was focused on the clients operating in strategic sectors for the Romanian economy, such as infrastructure, construction and energy (including renewable energy), financing municipalities (mainly the financing of investments in infrastructure). Exposure on other economic sectors remained stable, with certain adjustments related to the reduced activity of the clients because of the economic evolution.

The increase of deposits of major clients compared to the same period of last year corresponded to the increase of the balance sheet exposure for this client segment (approximately +1% compared to the same period of the previous year).

NEW FINANCING

Energy

- EUR 30 million medium term investment loan for one of the leading producers of energy in Romania;
- Participation of EUR 20 million to a type B loan within a financing package extended by BERD/IFC to a top company in the energy sector for a wind energy project in Romania, amounting at EUR 330 million.

Construction/Infrastructure

- Medium term syndicated loan of RON 145 million, for one of the main construction companies, the share of BRD being of RON 35 million; BRD participated as Mandated Lead Arranger and security agent;
- Financing package amounting at EUR 65 million in favour of a joint venture of construction companies that won the construction contract for a railway transport project amounting at EUR 215 million.

Retail sector

- Long term investment loan of EUR 35 million, for one of the leading European distribution chains, in view of development of its network of stores in Romania.
- Arranger of the financing for extension of one of the top malls in Bucharest and development of a new mall in the northern area of Romania for top players in the sector (the total participation of BRD in both projects is of EUR 15 million).

The Telecom Sector:

- Participation in a syndicated loan of EUR 40 million, co-arranged by BRD for a major TV cable, satellite TV and Internet provider in Romania.

Oil and Gas

- Participation in a syndicated medium term loan of EUR 100 million, co-arranged by BRD for a major player in the field.

Local Public Administrations:

- Investment long term loan of EUR 30 million for the local investments programme;
- RON 25 million medium term loan for modernisation of county roads and consolidation of the county hospital;
- Long term investment loan of EUR 40 million, for infrastructure projects co-financed with European funds.
- RON 21,3 million investment loan for the acquisition of trolley buses for urban public transport;

HEDGING OPERATIONS: Increased number of hedging transactions for the exchange rate and interest rate, but also for the prices of merchandise, both with multinational corporations, and with Romanian private companies;

TREASURY MANAGEMENT: Signature of several centralised treasury and treasury management agreements with multinational corporations and Romanian private companies.



7

RISK MANAGEMENT



RISK MANAGEMENT

GENERAL FRAMEWORK

The policy of BRD is to approach risk prudently, in line with its long-term strategy. Through risk management, in accordance with the practices of Société Générale, the bank is focusing on the identification and assessment of risks in an early stage. The implementation of this policy is done through the risk management function, which is independent from the commercial structures.

ORGANISATION

The Board of Directors of the Bank sets the strategic vision in the field of risk management, which is then translated into policies by the Management Board. Some of the responsibilities of the Management Board are delegated to two main committees: Risk Management Committee and Assets and Liabilities Committee.

The Central Risk Control Department is in charge of monitoring and managing credit risk, operational risk and some of the market risks, while the liquidity and interest rate risks in the banking book are monitored and managed by the Financial Department.

CREDIT RISK

The credit risk is mainly the risk that a counterparty does not meet its payment obligations towards the Bank. Credit risk management within the Bank is integrated in the risk management process of Société Générale.

COST OF RISK

The net cost of risk recorded a decrease by 17,2% compared to the one recorded in 2010, but still remained at a high level. The main causes are the very slow rate of revival of the economic environment, particularly for the fields traditionally financed by BRD, namely construction and trade, as well as the low purchasing power of individuals.

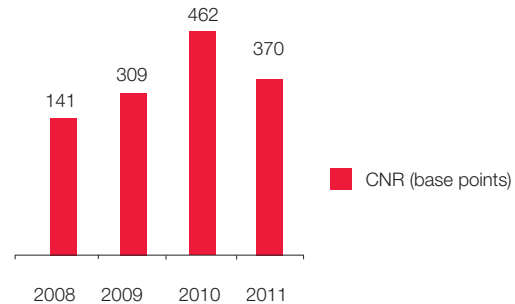
Despite this, the bad loans rate(*) remained under the banking system average:

- BRD: 12,2%
- Banking system average (**): 14,33%

(*) Loans classified as "Loss 2" (*) (debt service is higher than 90 days and/or judiciary proceedings were initiated in their case)/total loans.

(**) Source: NBR statistics

NET COST OF RISK (RAS)

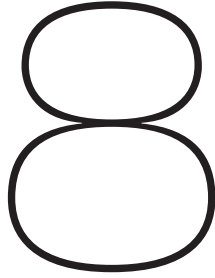


BUSINESS CONTINUITY

Business continuity management aims at preventing and reducing the impact of unforeseen events by developing business continuity and crisis management structures. The bank allocated resources, set recovery centres, locations where the vital and critical activities of the headquarters or those of the bank's territorial network may be resumed and established a data backup centre. The components of the continuity device are tested annually. For management of crisis situations, at the level of the bank's organisational structures, both in the headquarters, as well as in the network were set up crisis cells and at bank level, a Crisis Committee.

OPERATIONAL RISK AND PERMANENT SUPERVISION

BRD has a strong system for steering the operational risk and the permanent supervision, both benefiting from a sound control, a coherent normative framework and well trained personnel.



HUMAN RESOURCES



HUMAN RESOURCES

CHIFFRES CLES

- 8.979 employees of BRD and the Société Générale Group's entities in Romania
- 476 new employees within the BRD Group
- 7.8 % total turnover, out of which 4.4% voluntary turnover
- 94.47 % of the personnel attended at least one professional training course

Under the strategic programme Ambition 2015, during 2011, within the Human Resources Department were developed and continued a series of projects aiming at developing human capital, promoting a new leadership model and optimising the work pattern.

Thus, the human resources strategic directions were: employee career management, management of high potential personnel, professional training with an accent on management training, improving the organisational culture, the performance evaluation system, but also optimising activities.

Among the key projects performed in 2011 were: A second edition of the Employee Satisfaction Barometer, presentations and local action plans as a result of an Organisational Diagnosis, identifying high potential employees and building their professional development plan, continuing the management academy and the annual human resources meetings, initiating the process of implementation of the new performance evaluation application and not lastly accompanying internal reorganisation processes, such as: setting up new Regional Client Services Centres.

The internal mobility of the personnel remained significant (12%) reflecting the structures' capacity to adapt to the requirements of the macroeconomic context, and promotions remained at 7% of the total number of personnel.

In 2011 we continued to develop the trainings associated to the career paths and to implement new training projects to support the business like: the commercial school – sales force training programme meant to increase the quality of the services offered to our clients. Within the programme the Management Academy, approximately 900 managers were trained, the average of training days per employee reaching 5 days.

In 2011, the HR policy remained constant with respect to the salary package. We continued to reward both collective and individual performance in a manner adapted to the context.

Also, new initiatives for ensuring the social protection of employees were initiated: introducing the work life balance programme, increasing the number of partners in the discounts and benefits programme for employees from BRD clients and partners, in completion to the existing benefits (medical services, meal tickets, various indemnities, private pension fund, accident insurance, retirement indemnities etc.).



9

INVESTMENT BANKING



INVESTMENT BANKING

BROKERAGE

In 2011, BRD positioned itself as an important participant in terms of transactions on the Romanian capital market, as well.

Also starting last year, BRD offers brokerage for transactions with shares and exchange traded funds (ETF) on the main European stock exchange markets, thus diversifying the range of products offered to the bank's clients.

FINANCIAL MARKETS

During 2011, BRD maintained its position as market former and provider of liquidity in RON on the local foreign exchange, monetary, and bonds markets.

BRD made available to its clients interest rate, foreign exchange and merchandise price hedging solutions, as well as various placement products of the type of structured deposits, bonds, recording an important growth both of the number of transactions performed, as well as of the associated volumes.

ASSET MANAGEMENT

BRD Asset Management ranks third on the investment funds market, with a portfolio of 6 open-end investment funds (UCITS) and a market share of 9,13% at the end of 2011.

In 2011, the assets managed increased by 38,4% compared to 2010.

DEPOSIT / CUSTODY OF SECURITIES

With an expertise of over 14 years as a depository/custodian bank, and benefiting from the expertise of the Société Générale Group – both custodian bank in Europe and seventh in the world, with a network of correspondents covering 85 countries – BRD developed and diversified its activity in conjunction with the widening of the offer of products and services.

The Bank got actively involved in the capital market development projects being a member and partner of the projects Romanian National Market Practice Group (RO NPMG) which aims at aligning and harmonising practices on the local capital market with the international standards, members of the Experts Commission of the Romania Market Implementation Group (RO MIG) all the while consolidating its position as a leader in the field of custody/depositing on the Romanian market, in terms of assets in custody/deposit.

In order to respond in the best possible manner to the specific needs of the clients, BRD participated in the Harmony XL project, an initiative for listening to the clients needs and expectations, a strategic instrument for the improvement of

partner relationships with the purpose to finalise and increase the client's confidence in the products and services offered by the bank.

Benefiting from the widest banking network, BRD got actively involved in the distribution of dividends for the listed companies, providing this service for clients as Fondul Proprietatea, OMV, Transgaz, Lafarge etc.

CONSULTANCY SERVICES

In 2011, the mergers and acquisitions market in Romania had a remarkably low number of transactions (approximately 100 finalised transactions) and very low amounts of such transactions, in general, under the threshold of EUR 20 million.

Even in this difficult market environment, BRD Corporate Finance managed to remain one of the leaders of the consultancy market in Romania. Among the major transactions of the year in which BRD Corporate Finance took part is the transaction related to the takeover of the international business of Volksbank International, in which Société Générale had the capacity of consultant for Sberbank, as well as other corporate finance transactions such as the market economy prudent private investor test, assistance in obtaining complex financing from international bodies or consultancy for transfer pricing operations performed for companies in Romania.

10

SPECIALISED SERVICES



FINANCING FOR PRIVATE CLIENTS

CONSUMER LOANS

BRD Finance – consumer loans specialised subsidiary - imposed itself – immediately after the moment of its establishment in 2004 – as one of the main player of the consumer loans market in Romania, with an accelerated development in terms of products portfolio, strategic partnerships and clientele.

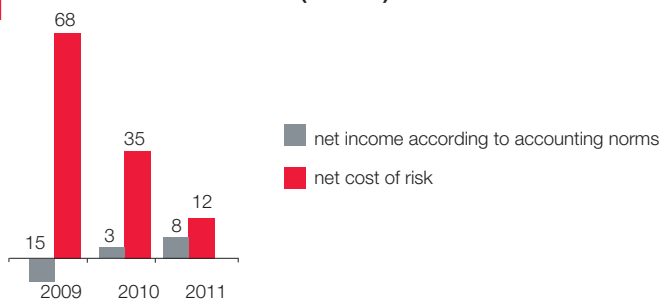
The difficult macroeconomic context, starting from 2009, led to the significant reduction of the demand for consumer loans, as well as to the decrease of the clients' repayment capacity, thus directly impacting the business of BRD Finance. However, the company managed to reach its set annual objectives, through adapted commercial development policies, operational and risk optimisation.

In an economic environment that continues to be a delicate one, the company's commercial strategies were focused on consolidating business partnerships with the main retailers on the market (Carrefour, Real, Altex, Domo, Ikea et al.), in view of providing a competitive range of credit cards, consumer loans and personal loans.

The auto financing also recorded a significant increase, through a dynamic and flexible approach with regard to supporting the sales of the networks of the main car dealers in the country.

The other important levers for increasing the company's performance were represented in 2011 by the improvement of the costs and quality of the internal processes, through the Business Process Management programmes carried out, as well as by the important decrease of the cost of risk, due to the risk performance and collection policy.

EVOLUTION OF RESULT (MRON)



The key to the continuous improvement of the company profitability is the effective management of the mix of margin levels, expenses and cost of risk.

PRIVATE PENSIONS

The efforts of the BRD Pensii - Private Pension Funds Administration specialised subsidiary - were aimed in the course of 2011, particularly at securing the investments of clients and at stabilising the business, the major event of the year being the merger by absorption of the two optional pension funds it was managing.

This process led to the consolidation of the optional pension fund BRD MEDIO (absorber fund), to the increase of the asset volume and consequently to the consolidation of the investments portfolio, which is better structured and adapted to the new economic context.

All the while, this process propelled the BRD Medio fund to the top of the private optional pension funds, so that at the end of 2011, it recorded a market share of 3,06% and around 8.000 participants.

As far as the BRD Privately Managed Pension Fund is concerned, even in the context of an extremely difficult year 2011, it recorded a market share of 3,2%, increasing compared to 2010 and it counts 174.345 participants.

The BRD PENSII subsidiary currently manages the savings of more than 182.000 clients and assets worth approximately RON 180 million for mandatory and optional private pensions.

LIFE INSURANCE

The results obtained by BRD Asigurari de Viata in 2011 show the unity and solidity of the BRD Group, as well as the maximum capitalisation on the synergies among the groups business lines.

BRD Asigurari de Viata was in 2011 among the first 10 in the top of the 22 life insurance companies on the Romanian market, managing an increase of premiums by approximately 169% up to a volume of subscriptions of over EUR 10 million and an increase of the market share above the average (+1,48%).

BRD Asigurari de Viata continued the process of extension of the portfolio, adding to its offer new products and services and, in addition continuing to develop another strategic partnership started in 2010 with BRD Finance thus providing to its clients a wide range of insurance products associated to loans and cards.

CORPORATE FINANCING

THE INTERNATIONAL OPERATIONS

ACTIVITY has known increase of volume in 2011, by 30% compared to 2010, increase that was mainly due to documentary operations, which maintained their upward trend initiated in the past years.

By a complete offer of commercial services (letters of credit, documentary collection, international guarantees, conditioned payment orders, stand-by letters of credit, cheques and avals) and Western Union fund transfer services (both inbound and outbound), BRD makes available to its clients the professionalism of its team of specialists and relations with more than 1.100 correspondent banks in 100 countries.

The vast network of correspondents throughout the world and the support of the Societe Generale Group are a real competitive advantage which bring extra quality and promptness to the services dedicated to the international market.

FACTORING SERVICES

2011 was a successful year for the factoring business, both in terms of volumes as well as of income. The turnover recorded a significant growth, by 53% compared to the previous year, reaching a level of RON 3,84 billion, representing all the while the highest turnover from factoring operations ever achieved by BRD up to present. At the same time, the net banking income increased by 36%, and the number of clients in portfolio at the end of the year increased by 63% compared to 2010.

In the structure of the turnover, the internal factoring operations continued to have an important share, 67%, while the international factoring operations maintained their share at 27%. The "reverse factoring" operations, initiated in 2010 continued to develop throughout 2011, their share increasing to 6% of the total turnover.

As for the structure of the portfolio by types of operations with recourse or without recourse, the important share of factoring operations without recourse, namely 70%, stands out, the bank's clients being interested to have the risk of default covered both for their domestic and international debtors in the context of an uncertain economic environment.

As a confirmation of the quality of its factoring services, BRD obtained the 5th place for the quality of the factoring services in the last 5 years and the 6th place in the top of the best import & export factors within Factors Chain International (FCI), this also being the best position in the FCI hierarchy of a Factor in Romania.

53%* Market share in Romania on the market of international factoring operations run through FCI.

According to the FCI statistics

LEASING

BRD Sogelease closed the year 2011 with over 1,400 leasing contracts, in the context of a more and more competitive environment. The aggregated amount of the assets financed by the company reaches EUR 75 million and a total balance of receivables of EUR 172 million.

The structure of the BRD Sogelease portfolio as at December 31, 2011 was the following: commercial vehicles (39%), cars (16%), construction equipment (13%), medical equipment, industrial and farming equipment (19%), IT and office equipment (3%), real estate (10%).

Starting with 2011, the objectives of BRD Sogelease are to differentiate itself from the competition by offering competitive and distinct products compared to those of the competition:

- Competitive commercial offers/packages of services through cross-selling synergies with the BRD Group entities in Romania: BRD Finance, ALD Romania and Econocom.
- Developing partnerships with auto vendors and dealers. A partnership was concluded with Citroen.

FULL OPERATIONAL LEASING AND CAR FLEET MANAGEMENT

With a seven years experience in Romania, ALD Automotive the full service operational leasing services subsidiary, ensures financing and a complete range of car fleet management services. At the end of 2011, ALD Automotive had a market share of 18% and managed a fleet of 6.705 vehicles for 236 clients, being the leader of the operational leasing and car fleet management market in Romania.

ALD Carmarket, the ALD Automotive online remarketing platform, destined to the promotion and sale of used vehicles returned at the end of the operational leasing contracts, facilitated in 2011 the sale of 1.218 used vehicles out of a total of 1.302 used vehicles sold: www.aldcarmarket.ro.

ALD Automotive has a team of 62 employees and a network of more than 1,000 suppliers throughout the country. In 2011, ALD Automotive received the award "Best in operational leasing" granted by Finmedia along with the financial-banking magazine "Piata Financiara" and gained the 34th place in the top of the 50 best performing Romanian private companies, made by Coface Romania, based on the business performance indicators reported by the companies in 2010.

11

COMMUNITY INVOLVEMENT



OUR SOCIAL RESPONSIBILITY

The development strategy of BRD is to conduct its business while respecting the environment, the human rights and freedoms and the values of the Romanian society.

In accordance with the policy of the Société Générale Group, the involvement of BRD in social solidarity and environment projects in the community manifests itself internally through a responsible management of resources, and externally through the control of its own actions on the environment and by the commitments undertaken within the community.

SOCIAL SOLIDARITY

BRD's priorities in this respect are: education, promoting and sustaining talented young people, combating school dropout, the professional insertion of the persons excluded from the labour market and health.

Some of the 2011 projects

- **Week of Solidarity:** 230 employees became new donors in the internal salary donations programme "Change a destiny. Give value to a life" increasing the total number of participants to 1.500 employees. Their total contributions to the programme, doubled by the bank, reached EUR 200.000. The money will be invested in the education and insertion on the labour market of children and young people in difficulty.
- **Citizen Awards 2011 :** Over 500 employees voted online for the project "Each child to the kindergarten" of the Ovidiu Rom Association. Due to their vote, the NGO received the 2nd prize of the Citizen Awards competition consisting of a EUR 40.000 funding. This allowed for 80 more children of poor communities in Romania to be included in the school dropout prevention programme.
- **Do you want to be Santa Klaus?:** 2.350 children in difficulty wrote letters for the Santas at BRD, who gave them the presents of their dreams. EUR 59.000 is the amount invested by the bank's employees in this project for the children's presents.

CULTURE

BRD continued in 2011 its traditional partnerships with the National Opera House in Bucharest and with the Village Museum "Dimitrie Gusti", but also sustained the organisation of art exhibitions in museums and classical music concerts. The most important cultural axis in the BRD strategy for 2011 was the relationship with the French Cultural Centres in Romania.

SPORTS

For 11 years, BRD has been the Official Partner of the Romanian Cycling and Triathlon Federation and the sponsor of the Romanian Cycling Tour.

In 2011, BRD also became an Official Partner of the Romanian Handball Federation.

Tennis is also a very important axis in the sponsorship strategy of BRD and besides the traditional BRD Futures Circuit in Herastrau, the bank became for three consecutive years (2011 – 2013) the Main Partner of the international tennis tournament "BRD Nastase Tiriac Trophy" – the most important tennis event in the SE of Europe.

Within a partnership, also for three years (2010-2012), the Bank continued to support the programme dedicated to children with talent for football, run by the Gheorghe Hagi Football Academy.

ENVIRONMENTAL RESPONSIBILITY

BRD – Groupe Société Générale purchased in 2011 carbon credit certificates, thus compensating all its CO2 emissions related to the year 2010.

Investments in this environment programme amount to EUR 630,000. The initiative of BRD is in line with the policy of the Société Générale Group, who decided to completely neutralise its CO2 emissions by 2012.

A volunteer to this project, BRD started in mid-2010 the Carbon Plan project with the purpose of reducing its own CO2 emissions, with 3 main lines of action:

- optimising consumptions (particularly of electricity, paper, fuel)
- increasing the energy efficiency of the buildings
- reducing the negative impact of the IT activity on the environment

In parallel, there were launched sub-projects aimed to improve the reporting process, to implement national recycling programmes and to develop eco-responsible in-house practices. Since the launch of the Carbon Plan, BRD made investments of more than EUR 630.000 particularly in IT projects, video conference call systems, energy optimisation and purchase of carbon certificates.

BRD also favours the eco behaviours of its collaborators and builds trust relations with its suppliers, based on the development of eco-responsible practices, as well.

BRD undertakes to enforce its commitments and to make continuous progress.

Environmental indicators	Unit	2011	2010	2009	2008
Scope of collection	%	100%	100%	100%	100%
Total power consumption	GWh	73	81	80	92
Total consumption/sqm.	KWh	7,726	8,771	8,735	9,694
Water consumption	KWh	210	232	243	369
Water consumption	Thousands m3	122	131	394	303
Consumption/employee	m3	13	14	43	32
Consumption of office paper	Tons	671	749	567	263
Out of which FSC certified paper	tons	671	749	567	263
	%	100%	100%	100%	100%
Consumption Paper/employee	kg	71	81	62	28
Professional travels	Thousands Km	16,817	18,093	19,642	20,0
Professional travels/employee	Km	1,783	1,966	2,138	2,100



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FINANCIAL REPORT

CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS.....37

To the Shareholders and Board of Directors of
BRD – Groupe Societe Generale S.A.

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

1. We have audited the accompanying consolidated financial statements of BRD – Groupe Societe Generale S.A., (“the Group”) which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

We have also audited the accompanying unconsolidated financial statements of BRD – Groupe Societe Generale S.A., (“the Bank”) which comprise the unconsolidated statement of financial position as at 31 December 2011, and the unconsolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's/the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – the Group

6. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of BRD – Groupe Societe Generale S.A. as of 31 December 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Opinion – the Bank

7. In our opinion, the unconsolidated financial statements give a true and fair view of the unconsolidated financial position of BRD – Groupe Societe Generale S.A. as of 31 December 2011, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on conformity of the Administrators' Report with the Consolidated Financial Statements

In accordance with the Order of the National Bank of Romania no. 13 from 24 December 2008, article no. 223 point e) we have read the Administrators' Report attached to the consolidated financial statements and presented from page 43 to 55. The Administrators' Report is not a part of the financial statements. In the Administrators' Report we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements.

Petr Pruner, Audit Partner



Registered with the Financial Auditors' Chamber of Romania under no. 4147/11.01.2012

On the behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Financial Auditors' Chamber of Romania under no.25/25.06.2001

Bucharest, Romania

22 March 2012

CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

		Group		Bank	
	Note	december 31, 2011	december 31, 2010	december 31, 2011	december 31, 2010
ASSETS					
Cash in hand	4	662,194	611,570	662,171	611,547
Due from Central Bank	5	8,743,127	9,429,298	8,741,778	9,428,409
Due from banks	6	1,035,020	662,001	995,384	622,363
Derivatives and other financial instruments held for trading	7	313,788	85,839	316,478	92,154
Loans and advances to customers	8	31,859,329	32,243,213	31,555,334	31,893,224
Financial lease receivables	9	732,665	871,821	-	-
Financial assets available for sale					
Investments in associates	10	4,877,014	4,081,509	4,876,826	4,032,352
and subsidiaries	11	95,427	78,237	153,452	153,603
Property, plant and equipment	12	1,180,794	1,177,066	1,150,743	1,149,988
Goodwill	13	50,130	50,151	50,130	50,151
Intangible assets	14	94,451	97,661	84,891	89,647
Other assets	15	235,132	278,537	163,811	164,870
Total assets		49,879,071	49,666,903	48,750,998	48,288,308
LIABILITIES AND SHAREHOLDERS' EQUITY					
Demand deposits and current accounts	16	13,233,637	13,965,114	13,264,722	13,976,859
Term deposits	17	21,253,245	17,936,160	21,307,792	18,001,057
Borrowed funds and debt issued	18	7,716,276	10,508,800	6,793,165	9,303,620
Subordinated debt	19	874,161	864,219	874,161	864,219
Derivative financial instruments	7	170,812	91,639	170,812	91,639
Current tax liability		19,731	2,383	16,867	-
Deferred tax liability	21	148,089	193,164	145,812	195,793
Other liabilities		374,724	356,357	287,430	277,923
Total liabilities		43,790,675	43,917,836	42,860,761	42,711,110
Share capital	22	2,515,622	2,515,622	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		(15,430)	24,604	(15,430)	21,786
Retained earnings	23	3,544,633	3,167,476	3,390,045	3,039,790
Minority interest		43,571	41,365	-	-
Total shareholders' equity		6,088,396	5,749,067	5,890,237	5,577,198
Total liabilities and shareholders' equity		49,879,071	49,666,903	48,750,998	48,288,308

The financial statements have been authorized by the Group's management on March 22, 2012 and are signed on the Group's behalf by:

Guy Poupet
President and Chief Executive Officer



Petre Bunescu
Deputy Chief Executive Officer



CONSOLIDATED AND INDIVIDUAL INCOME STATEMENT FOR THE YEAR ENDED
DECEMBER 31, 2011

	Note	Grup		Banca	
		2011	2010	2011	2010
Interest income	25	3,443,671	3,693,670	3,298,021	3,535,238
Interest expense	26	(1,270,811)	(1,370,293)	(1,229,480)	(1,327,267)
Net interest income		2,172,860	2,323,377	2,068,541	2,207,971
Fees and commissions, net	27	782,611	791,671	767,185	777,669
Foreign exchange gain	28	238,210	329,629	238,437	326,567
Gain on derivative and other financial instruments held for trading		93,839	92,409	93,839	92,409
(Loss)/Income from associates	29	19,598	237	2,408	8,049
Other income	30	(39,320)	47,889	(44,555)	(168)
Operating income		3,267,798	3,585,212	3,125,855	3,412,497
Salaries and related expenses	31	(712,435)	(699,079)	(673,552)	(662,122)
Depreciation, amortisation and impairment on tangible assets	32	(147,092)	(131,553)	(142,541)	(128,089)
Other operating expenses	33	(600,441)	(644,903)	(562,823)	(585,859)
Operating expenses		(1,459,968)	(1,475,535)	(1,378,916)	(1,376,070)
Credit loss expense	34	(1,252,993)	(882,945)	(1,229,468)	(831,772)
Profit before income tax		554,837	1,226,732	517,471	1,204,655
Current income tax expense	20	(99,602)	(112,071)	(96,738)	(103,403)
Deferred tax (expense)/income	20	43,251	(105,838)	48,644	(104,915)
Total income tax		(56,351)	(217,909)	(48,094)	(208,318)
Profit for the year		498,486	1,008,823	469,377	996,337
(Profit) attributable to minority interest		(2,207)	(900)	-	-
Profit attributable to parent company shareholders		496,279	1,007,923	469,377	996,337
Earnings per share (in RON)	40	0.7121	1.4463	0.6735	1.4297

CONSOLIDATED AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

	Group		Bank	
	2011	2010	2011	2010
Profit for the year	498,486	1,008,823	469,377	996,337
Other comprehensive income				
Net gain/(loss) on available-for-sale financial assets	(41,859)	(12,895)	(38,555)	(13,995)
Income tax relating to components of other comprehensive income	1,825	2,691	1,339	2,884
Other comprehensive income for the year, net of tax	(40,034)	(10,204)	(37,216)	(11,111)
Total comprehensive income for the year, net of tax	458,452	998,619	432,161	985,226
Attributable to:				
Equity holders of the parent	456,245	997,719	432,161	985,226
Minority interest	2,207	900	-	-

CONSOLIDATED AND INDIVIDUAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011

Group						
	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Minority interest	Total
December 31, 2009		2,515,622	34,808	2,353,250	40,465	4,944,145
Total comprehensive income		-	(10,204)	1,007,923	900	998,619
Increase in share capital		-	-	1,070	-	1,070
Equity dividends		-	-	(194,767)	-	(194,767)
December 31, 2010		2,515,622	24,604	3,167,476	41,365	5,749,067
Total comprehensive income		-	(40,034)	496,279	2,206	458,451
Shared-based payment transactions		-	-	6,025	-	6,025
Equity dividends		-	-	(125,147)	-	(125,147)
December 31, 2011	22	2,515,622	(15,430)	3,544,633	43,571	6,088,396

Bank					
	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Total
December 31, 2009		2,515,622	32,897	2,237,149	4,785,668
Total comprehensive income		-	(11,111)	996,338	985,227
Increase in share capital		-	-	1,070	1,070
Equity dividends		-	-	(194,767)	(194,767)
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	22	2,515,622	(15,430)	3,390,045	5,890,237

CONSOLIDATED AND INDIVIDUAL STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
DECEMBER 31, 2011

	Note	Group		Bank	
		2011	2010	2011	2010
Cash flows from operating activities					
Profit before tax		554,837	1,226,732	517,471	1,204,655
<i>Adjustments for non-cash items</i>					
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets		147,092	131,555	142,541	128,091
Share based payment		6,025	1,070	6,025	1,070
Loss/(gain) from investment revaluation		(17,190)	(4,950)	(5,833)	(12,424)
Net expenses from impairment of loans and from provisions	35	1,293,807	912,795	1,258,159	857,673
Income tax paid		(59,702)	(109,701)	(57,318)	(103,402)
Operating profit before changes in operating assets and liabilities		1,924,869	2,157,501	1,861,045	2,075,664
Changes in operating assets and liabilities					
Current account with NBR		686,171	(210,180)	686,631	(210,476)
Accounts and deposits with banks		(113,633)	93,698	(113,633)	93,698
Available for sale securities		(835,539)	(1,816,578)	(881,690)	(1,843,674)
Loans		(900,751)	(476,398)	(914,438)	(460,683)
Lease receivables		139,156	210,307	-	-
Other assets		(141,293)	(60,519)	(174,618)	(93,596)
Demand deposits		(731,477)	(653,788)	(712,137)	(659,976)
Term deposits		3,317,085	(3,164,182)	3,306,735	(3,362,898)
Other liabilities		20,738	151,542	10,311	160,501
Total changes in operating assets and liabilities		1,440,457	(5,926,098)	1,207,161	(6,377,104)
Cash flow from operating activities		3,365,326	(3,768,597)	3,068,206	(4,301,440)
Investing activities					
Acquisition of equity investments		-	(7,237)	-	(6,591)
Proceeds from equity investments		-	5,984	5,984	6,294
Acquisition of tangible and intangible assets		(149,276)	(126,572)	(140,207)	(125,631)
Proceeds from sale of tangible and intangible assets		1,687	5,854	1,687	5,810
Cash flow from investing activities		(147,589)	(121,971)	(132,536)	(120,118)
Financing activities					
(Decrease) / Increase in borrowings		(2,782,582)	4,236,442	(2,500,513)	4,767,423
Dividends paid		(125,145)	(195,043)	(125,145)	(195,043)
Net cash from financing activities		(2,907,727)	4,041,399)	(2,625,658)	4,572,380)

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CONSOLIDATED AND INDIVIDUAL STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
DECEMBER 31, 2011

	Note	Group		Bank	
		2011	2010	2011	2010
Net movements in cash and cash equivalents		310,010	150,831	310,012	150,822
Cash and cash equivalents at beginning of the period	35	1,026,923	876,092	987,262	836,440
Cash and cash equivalents at the end of the period	35	1,336,933	1,026,923	1,297,274	987,262
Operational cash flows from interest and dividends		2011	2010	2011	2010
Interest paid		1,310,634	1,376,857	1,213,520	1,398,351
Interest received		3,206,123	3,477,652	3,054,530	3,326,887
Dividends received		2,787	2,342	2,787	2,342

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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 together with its subsidiaries (the “Group”) offers a wide range of banking and financial services to corporates and individuals, as allowed by law. The Group accepts deposits from the public and grants loans and leases, carries out funds transfer in Romania and abroad, exchanges currencies and provides other financial services for its commercial and retail customers.

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

The Bank has 937 units throughout the country (December 31, 2010: 937).

The average number of employees of the Group during 2011 was 9,046 (2010: 9,098), and the number of employees of the Group as of the year-end was 8,747 (December 31, 2010: 9,227).

The average number of employees of the Bank during 2011 was 8,491 (2010: 8,498), and the number of employees of the Bank as of the year-end was 8,245 (December 31, 2010: 8,598).

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:

	December 31, 2011	December 31, 2010
Societe Generale France	60.17%	59.37%
SIF Oltenia	4.64%	5.51%
SIF Banat Crisana	4.66%	4.66%
SIF Transilvania	3.77%	4.37%
SIF Muntenia	4.15%	4.14%
SIF Moldova	3.28%	3.87%
Fondul Proprietatea	3.64%	0.00%
European Bank for Reconstruction and Development (“EBRD”)	0.00%	5.00%
Other shareholders	15.69%	13.08%
Total	100.00%	100.00%

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

2. Basis of preparation

a) Basis of preparation

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, BRD prepared consolidated and individual financial statements for the year ended December 31, 2011 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU") and in force at that date (these standards are available on European Commission Website http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)

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

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 consolidated and the individual financial statements are presented in Romanian lei ("RON"), which is the Group's and its subsidiaries' functional and presentation currency, rounded to the nearest thousand, except when otherwise indicated. The consolidated and 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) Basis for consolidation

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2011. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which 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 Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2010: 99.98%), BRD Finance IFN S.A (49% ownership, 2010: 49%, control through the power to govern the financial and operating policies of the entity under various agreements), BRD Corporate Finance SRL (100% ownership, 2010: 100 %) and BRD Asset Management SAI SA (99.98% ownership, 2010: 99.95%). All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

BRD Securities Groupe Societe Generale SA was no longer consolidated in 2011 because it was liquidated during the year and all assets and liabilities were taken over by BRD - Groupe Societe Generale SA.

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 statement of financial position and statement of comprehensive income, respectively.

Acquisition of minority interests are accounted for so that the difference between the consideration and the fair value of the share of the net assets acquired is recognised as goodwill. Any negative difference between the cost of acquisition and the fair values of the identifiable net assets acquired (i.e. a loss on acquisition) is recognised directly in the income statement in the year of acquisition. The Bank is accounting the investments in subsidiaries and associates in the individual financial statement at cost less potential impairment.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

2. Basis of preparation (continued)

c) 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 these consolidated financial statements. 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.

• **IAS 24 Related Party Disclosures** (as part of Improvements to IFRSs issued in 2009)

Amends the requirements of the previous version of IAS 24 to:

- Provide a partial exemption from related party disclosure requirements for government-related entities
- Clarify the definition of a related party
- Include an explicit requirement to disclose commitments involving related parties.

Bank will need to consider the revised definition of related parties to ensure all relevant information is still being captured.

• **IFRS 2 Share based Payment** is amended in order to clarify the accounting for cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 - Group and Treasury Share Transactions and as a consequence these two Interpretations are superseded by the amendments.

• **IAS 32 Financial Instruments:** Presentation is amended in order to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments.

The amendment will provide relief to entities that issue rights fixed in a currency other than their functional currency, and then treat the rights as derivatives with fair value changes recorded in profit and loss.

• **IFRS 7 Financial Instruments: Disclosures**

Makes amendments to IFRS 7 Financial Instruments: Disclosures resulting from the IASB's comprehensive review of off balance sheet activities.

The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

2. Basis of preparation (continued)

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

• **IFRIC 19 Extinguishing Liabilities with Equity Instruments**

Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instrument issued and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of convertible debt) or to common control transactions. As an impact, IFRIC 19 will result in a gain recognised in profit or loss as the fair value of the equity issued will often be less than the carrying value of the liability. Determining the fair value of the equity may be difficult if the shares are not actively traded.

• **IFRIC 14 Prepayments of a minimum funding requirement**

The amendment to IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits a bank to treat the prepayment of a minimum funding requirement as an asset. This amendment is applied retrospectively to the beginning of the earliest period presented in the first financial statements in which the entity originally applied IFRIC 14. Banks will need to determine whether prepayments made will need to be re-assessed for their impact on the recoverability of pension assets.

d) 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.

• **IAS 27 Separate Financial Statements**

Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

• **IAS 28 Investments in Associates and Joint Ventures**

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

2. Basis of preparation (continued)

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

• **IAS 32 Financial instruments: presentation**

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

• **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.

• **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.

• **IFRS 9 Financial Instruments (2009)**

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

• **IFRS 9 Financial Instruments (2010)**

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

Phase 1 of IFRS 9 will have a significant impact on: the classification and measurement of financial assets, reporting for entities that have designated liabilities using the FVO

• **IFRS 10 Consolidated Financial Statements**

Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

2. Basis of preparation (continued)

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

The Standard introduces 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:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the returns.

IFRS 10, creates a new and broader definition of control than under current IAS 27. This may result in changes to a consolidated group. Assessing control will require a comprehensive understanding of an investee's purpose and design, and the investor's rights and exposures to variable returns, as well as rights and returns held by other investors.

• **IFRS 11 Joint Arrangements**

Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly)
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted.

IFRS 11 represents a significant change for parties currently accounting for interests in jointly controlled entities using proportionate consolidation. If such arrangements are classified as joint ventures under IFRS 11.

• **IFRS 12 Disclosure of Interests in Other Entities**

Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information)
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

The new disclosures will assist users to make their own assessment of the financial impact were management to reach a different conclusion regarding consolidation.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

2. Basis of preparation (continued)

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

• IFRS 13 *Fair Value Measurement*

Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS 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.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

Specific requirements relating to the highest and best use and the principal market may require entities to re-evaluate their processes and procedures for determining fair value, and assess whether they have appropriate expertise.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.

As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

• IAS 19 *Employee Benefits (2011)*

An amended version of IAS 19 Employee Benefits with revised requirements for pensions and other postretirement benefits, termination benefits and other changes.

The key amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19)
- Introducing enhanced disclosures about defined benefit plans
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features
- Incorporating other matters submitted to the IFRS Interpretations Committee.

These changes represent a significant further step in reporting gains and losses outside of profit and loss, with no subsequent recycling. Actuarial gains and losses will be excluded permanently from earnings.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

2. Basis of preparation (continued)

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

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

Amends IAS 1 Presentation of Financial Statements to revise the way other comprehensive income is presented.

The amendments:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement as was proposed in the exposure draft
- Require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified
- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

Although the change in presentation of OCI is relatively minor with respect to the overall financial statements, it will assist users to identify more easily the potential impact that OCI items may have on future profit or loss.

e) Significant accounting judgments and estimates

In the process of applying the Group'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 43.

Impairment losses on loans and receivables

The Group 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.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continue)

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 Group 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 Group 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 Group 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 Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Impairment of goodwill

The Group 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 Group 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, 2011 was 50,130 (December 31, 2010: 50,151).

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 21.

f) Segment information

The operations undertaken by the Group'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 Group has not identified operating segments which should be reported separately.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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 statement of financial position 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 Group's financial statements as of December 31, 2011 and 2010 were as follows:

	December 31, 2011	December 31, 2010
RON/ USD	3.3393	3.2045
RON/ EUR	4.3197	4.2848

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.

d) Loans and advances to customers and finance lease receivables

Loans and advances to customers and finance lease receivables originated by the Group 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 the effective interest rate method, less allowance for impairment.

If there is objective evidence that the Group 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 recoverability 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 an allowance for loan impairment account and is presented in the income statement as "credit loss expense". 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.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

3. Summary of significant accounting policies (continued)

e) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

f) 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.

Group as a lessor

Finance leases are those which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item and 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 Group 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.

Group as a lessee

Leases which do not transfer to the bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Contingent rental payable are recognized as an expense in the period in which they are incurred.

g) Investment in associates

An associate is an enterprise in which the Group exercises significant influence and is neither a subsidiary nor a joint venture. Associates are accounted using the equity method for consolidation purposes and cost method for individual financial statements.

Under the equity method, an investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group'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 Group 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 Group 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 Group are identical and the associates' major accounting policies conform to those used by the Group for like transactions and similar events in similar circumstances.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

3. Summary of significant accounting policies (continued)

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

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

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. Fair value movements between trade date and settlement date are recognized in other comprehensive income.

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 other comprehensive income in the available for sale reserve 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 the available for sale reserve 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 statement of financial position 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 is transferred from available for sale reserve 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), the fair value is determined by using valuation techniques with reference to observable market inputs.

i) 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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

3. Summary of significant accounting policies (continued)

i) Tangible assets

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.

j) Borrowing costs

All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

k) 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. i).

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 January 1, 2004 goodwill already registered in balance sheet is not amortized any longer 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.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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 Group carried as of December 31, 2011 and 2010 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 statement of financial position 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 Group uses derivative financial instruments such as forward currency contracts, currency swaps, currency options, forward and swaps on interest rate as products offered to its clients but also to hedge its risks associated with interest rate, liquidity and foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured 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 Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. The Group formally documents the relationship between the hedging instruments and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

The Group applies fair value hedges.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit and loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

3. Summary of significant accounting policies (continued)

n) Derivative financial instruments

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

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 statement of financial position 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.

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 statement of financial position 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 Group 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 Group 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.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

3. Summary of significant accounting policies (continued)

s) De-recognition of financial assets and liabilities (continue)

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.

t) Recognition of income and expenses

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

Interest and similar income

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale, 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 origination fees and incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate. 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 recognized using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Group 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 asset management, custody and other management and advisory fees.

(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 recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Dividend income

Revenue is recognized when the Group's right to receive the payment is established.

Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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 Group 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 Group 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 Group or its subsidiary, there will be no obligation on the Group to pay the benefits earned by these employees in previous years. The Group's contributions are included in salaries and related expenses.

Post-employment benefits:

The Group 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 Group 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 statement of financial position 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 Group will carry out the restructuring. Until the present time, the Group's Management has not initiated any action in this direction.

Share-based payment transactions:

Employees (including senior executives) of the Group receive remuneration in the form of SG share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions") and Group Societe Generale attains certain ratios.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in "Personnel expenses" and represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognized in "Personnel expenses" is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

3. Summary of significant accounting policies (continued)

u) Employee benefits (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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 statement of financial position 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 statement of financial position 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 statement of financial position 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 Group 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.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011 and 2010 there were no dilutive equity instruments issued by the Group.

z) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders.

aa) Related parties

Parties are considered related with the Group 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.

ab) Subsequent events

Post - balance sheet events that provide additional information about the Group's position at the statement of financial position (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.

ac) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received / receivables. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required settling 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 recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

ad) Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year and specific disclosures are presented in the corresponding notes to the financial statements.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

4. Cash in hand

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Cash in vaults	414,241	375,584	414,218	375,561
Cash in ATM	247,953	235,986	247,953	235,986
Total	662,194	611,570	662,171	611,547

5. Due from Central Bank

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Current accounts	8,743,127	9,429,298	8,741,778	9,428,409
Total	8,743,127	9,429,298	8,741,778	9,428,409

The National Bank of Romania (NBR or Central Bank) requires commercial banks to maintain an amount on current account with NBR ("minimum compulsory reserve"), calculated as a percentage of the average qualifying non-derivative financial liabilities. As of December 31, 2011 the rate for RON and foreign currency denominated compulsory reserves was 15% and 20%, respectively (2010: 15% and 25%).

The required level of the minimum compulsory reserve for the last calculation period of the year was 6,737,515 (2010: 8,159,154).

6. Due from banks

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Deposits at Romanian banks	440,188	260,114	440,188	260,114
Deposits at foreign banks	299,241	248,612	259,605	208,974
Current accounts at Romanian banks	60,405	-	60,405	-
Current accounts at foreign banks	235,186	153,275	235,186	153,275
Total	1,035,020	662,001	995,384	622,363

As of December 31, 2011 amounts due from banks include exposures to SG Group amounting 350,872 (December 31, 2010 exposures of 316,758).

The breakdown by rating of BRD's banking counterparties exposures is based on an internal counterparty rating system, presented in equivalent rating of Standard&Pooors:

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
AA	7,196	311,783	7,196	272,145
A	364,117	14,877	324,481	14,877
BBB	400,886	-	400,886	-
BB	95,669	260,256	95,669	260,256
Fara rating*	167,152	75,085	167,152	75,085
Total	1,035,020	662,001	995,384	622,363

*short term exposures, mainly amounts in settlement

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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7. Derivative financial instruments

Group

	December 31, 2011		
	Assets	Liabilities	Notional
Interest rate swaps	6,040	97,259	2,437,932
Currency swaps	41,163	25,987	6,305,263
Forward foreign exchange contracts	22,160	16,199	1,710,711
Currency options	31,368	31,367	4,692,817
Total derivatives	100,731	170,812	15,146,723
Financial instruments held for trading	213,057	-	4,766,221
Total	313,788	170,812	19,912,944

	December 31, 2010		
	Assets	Liabilities	Notional
Interest rate swaps	3,431	10,839	647,866
Currency swaps	27,041	19,097	4,728,078
Forward foreign exchange contracts	3,294	9,630	759,845
Currency options	52,073	52,073	3,539,902
Total	85,839	91,639	9,675,691

Bank

	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	-	4,766,221
Total	316,478	170,812	20,013,808

	December 31, 2010		
	Assets	Liabilities	Notional
Interest rate swaps	9,746	10,839	851,694
Currency swaps	27,041	19,097	4,728,078
Forward foreign exchange contracts	3,294	9,630	759,845
Currency options	52,073	52,073	3,539,902
Total	92,154	91,639	9,879,519

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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7. Derivative financial instruments (continued)

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

a) On 6 May 2011, the Group purchased a 3 year fixed rate bond; as a result the Group 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%.

b) On 28 July 2011, the Group purchased a 4 year fixed rate bond; as a result the Group 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 relationships that there were effective.

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 Group with other financial institutions in which the Group 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 Group 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 Group purchases and sells options in the over-the-counter markets. Options purchased by the Group provide the Group 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 Group 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 Group provide the purchaser the opportunity to purchase from or sell to the Group the underlying asset at an agreed-upon value either on or before the expiration of the option.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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8. Loans and advances to customers

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Loans, gross	34,341,712	33,894,627	33,953,459	33,413,538
Loans impairment	(2,482,383)	(1,651,414)	(2,398,125)	(1,520,314)
Total	31,859,329	32,243,213	31,555,334	31,893,224

The structure of loans is the following:

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Working capital loans	9,236,286	8,984,472	9,302,255	9,048,226
Loans for equipment	7,488,372	7,232,447	7,488,372	7,232,440
Trade activities financing	567,187	259,671	567,187	259,671
Acquisition of real estate, including mortgage for individuals	4,722,784	4,019,660	4,722,784	4,019,660
Government loans	-	1,094,856	-	1,094,856
Consumer loans	11,195,032	11,230,007	10,740,810	10,685,171
Other	1,132,051	1,073,514	1,132,051	1,073,514
Total	34,341,712	33,894,627	33,953,459	33,413,538

As of December 31, 2011, balances relating to factoring, both for Group and Bank, amount to 558,447 (December 31, 2010: 255,500) and those relating to discounting 36,719 (December 31, 2010: 3,708).

The analysis of portfolio by type of ownership

Type of ownership	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Private companies	15,420,167	14,769,265	15,486,136	14,833,049
State owned companies	1,852,552	2,666,737	1,852,552	2,666,743
Individuals	17,068,992	16,458,625	16,614,771	15,913,746
Total	34,341,712	33,894,627	33,953,459	33,413,538

Sector analysis	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Manufacturing	10.4%	8.5%	10.3%	8.7%
Food industry	3.1%	3.2%	3.0%	3.2%
Transportation and other services	10.0%	9.2%	9.8%	9.3%
Trade	15.3%	15.7%	15.1%	16.0%
Agriculture	1.7%	1.5%	1.6%	1.5%
Constructions	6.8%	6.4%	6.8%	6.5%
Individuals	48.5%	49.0%	49.1%	48.2%
Other	4.2%	6.5%	4.2%	6.6%
Total	100.0%	100.0%	100.0%	100.0%

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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

8. Loans and advances to customers (continued)

As of December 31, 2011 the amortized cost of loans granted to the 20 largest corporate clients of the Group (groups of connected borrowers) amounts to 2,212,634 (December 31, 2010:1,740,055) and to 2,277,003 (December 31, 2010: 1,745,993) for the Bank, while the value of letters of guarantee and letters of credit issued in favor of these clients amounts for the Group to 3,080,222 (December 31, 2010:3,234,596) and to 3,091,008 (December 31, 2010:3,377,443) for the Bank.

Impairment allowance for loans

Group

	Collective impairment	Specific impairment	Total
Balance as of December 31, 2009	190,180	1,066,946	1,257,126
Net provision expenses	1,057	388,726	389,783
Foreign exchange losses	994	3,511	4,505
Balance as of December 31, 2010	192,231	1,459,183	1,651,414
Net provision expenses/ (income)	(70,218)	883,116	812,898
Foreign exchange losses/ (gains)	(545)	18,616	18,071
Balance as of December 31, 2011	121,468	2,360,915	2,482,383

Bank

	Collective impairment	Specific impairment	Total
Balance as of December 31, 2009	190,180	920,232	1,110,412
Net provision expenses	1,057	404,340	405,397
Foreign exchange losses	994	3,511	4,505
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

The value of loans individually determined to be impaired for the Group is 5,762,671 (December 31, 2010:4,482,233), while for the Bank is 5,677,862 (December 31, 2010:4,349,769).

The increase in provisions as of 31 December 2011 compared to 31 December 2010 is explained by the fact that during 2011 the Group has performed revaluations of certain types of its collateral portfolio which revealed depreciation in value of collaterals.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

8. Loans and advances to customers (continued)

Ageing analysis of past due but not impaired loans (continued)

Group

December 31, 2011

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
Corporate lending	1,117,551	188,418	253,636	10,143	1,569,748
Small business lending	174,966	64,403	70,219	1,216	310,804
Consumer lending	1,647,260	374,580	247,153	13,190	2,282,183
Residential mortgages	298,765	83,536	76,597	943	459,841
Total	3,238,542	710,937	647,605	25,492	4,622,576

December 31, 2010

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
Corporate lending	1,096,458	363,759	427,753	155,556	2,043,526
Small business lending	188,055	69,584	71,470	183	329,292
Consumer lending	875,839	384,423	291,588	19,255	1,571,105
Residential mortgages	250,136	81,394	69,532	453	401,515
Total	2,410,488	899,160	860,343	175,447	4,345,438

Bank

December 31, 2011

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
Corporate lending	1,177,754	188,418	253,636	10,143	1,629,952
Small business lending	174,966	64,403	70,219	1,216	310,804
Consumer lending	1,288,424	366,734	244,425	13,190	1,912,773
Residential mortgages	298,765	83,536	76,597	943	459,841
Total	2,939,910	703,091	644,877	25,492	4,313,369

December 31, 2010

	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
Corporate lending	1,096,458	363,759	427,753	155,556	2,043,526
Small business lending	188,055	69,584	71,470	183	329,292
Consumer lending	875,839	375,835	288,023	19,255	1,558,952
Residential mortgages	250,136	81,394	69,531	453	401,514
Total	2,410,488	890,572	856,777	175,447	4,333,284

Carrying amount of loans whose terms have been renegotiated, that would otherwise be past due or impaired

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2011
Corporate lending	785,661	641,086	785,661	641,086
Small business lending	148,393	112,843	148,393	112,843
Consumer lending	341,021	262,592	340,646	261,754
Residential mortgages	14,764	6,844	14,764	6,844
Total	1,289,839	1,023,365	1,289,464	1,022,527

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

8. Loans and advances to customers (continued)

Analysis of collateral coverage

Group

December 31, 2011

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate lending	1,569,748	1,138,278	10,012,684	5,461,766
Retail lending	3,052,829	1,467,946	13,943,781	6,115,900
Total	4,622,577	2,606,224	23,956,465	11,577,666

December 31, 2010

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate lending	2,043,526	1,688,636	10,520,408	5,993,955
Retail lending	2,301,911	1,515,227	14,546,548	6,562,252
Total	4,345,437	3,203,863	25,066,956	12,556,207

Bank

December 31, 2011

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate lending	1,629,952	1,138,278	10,018,449	5,461,766
Retail lending	2,683,418	1,467,946	13,943,779	6,115,900
Total	4,313,370	2,606,224	23,962,228	11,577,666

December 31, 2010

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate lending	2,043,526	1,688,636	10,584,155	5,993,955
Retail lending	2,289,758	1,515,227	14,146,329	6,562,252
Total	4,333,284	3,203,863	24,730,484	12,556,207

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

8. Loans and advances to customers (continued)

As of December 31, 2011 the carrying value of repossessed assets is 214 (December 31, 2010: 39), representing two residential buildings.

The fair value of properties, letters of guarantee and cash that the Group and the Bank holds as collateral relating to loans individually determined to be impaired as at December 31, 2011 amounts to 3,354,285 (December 31, 2010: 2,797,387). The amounts are capped to the gross exposure level.

Analysis of neither impaired nor past due loans corporate lending by credit rating

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Very good	45,353	1,123,401	51,117	1,187,148
Good	72,922	462,779	72,922	462,779
Rather good	464,017	292,307	464,017	292,307
Acceptable	8,738,006	7,506,209	8,738,006	7,506,209
Performing but sensitive	514,974	988,595	514,974	988,595
Sensitive - credit risk not acceptable	177,412	147,117	177,412	147,117
Total	10,012,684	10,520,408	10,018,448	10,584,155

The internal credit rating review is performed on a quarterly basis or as soon as new and significant aspects occur modifying the credit quality of the counterparty. This process results in the classification of exposures between healthy, sensitive and non performing clients

Retail portfolio includes credit exposure to individuals, sole traders and small businesses managed consistently over time and in a similar manner. The significant number and similarities of retail exposures substantially decrease the credit risk associated to these portfolios. The risk measurement is regulated by the internal norms and procedures providing specific criteria and principles to allocate exposure into classes based on counterparty and transactions characteristics.

The quality of corporate exposures is managed using an internal credit rating system in which the human judgment is a key element of the assessment process. The internal rating system is based on rating models that include both quantitative and qualitative assessment criteria relevant to counterparty type and size.

The set of internal models is developed on the Group' available data history and the use of rating in business is formalized in internal norms and procedures.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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9. Lease receivables

	Group	
	December 31, 2011	December 31, 2010
Gross investment in finance lease:		
Maturity under 1 year	362,699	426,344
Maturity between 1 and 5 years	455,776	527,756
Maturity higher than 5 years	70,755	60,290
	889,230	1,014,390
Unearned finance income	(114,722)	(109,953)
Net investment in finance lease	774,508	904,437
Net investment in finance lease:		
Maturity under 1 year	310,176	378,885
Maturity between 1 and 5 years	403,295	473,369
Maturity higher than 5 years	61,037	52,183
	774,508	904,437

	Group	
	December 31, 2011	December 31, 2010
Net investment in the lease	774,508	904,437
Accumulated allowance for uncollectible minimum lease payments receivable	(41,843)	(32,616)
Total	732,665	871,821

Ageing analysis of past due but not impaired lease receivables

December 31, 2011

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate leases	78,926	22,056	19,095	5,698	125,775
Retail leases	14,977	11,023	11,202	14,835	52,036
Total	93,903	33,079	30,297	20,533	177,811

December 31, 2010

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate leases	67,145	25,313	34,936	29,283	156,677
Retail leases	31,998	14,000	48,640	1,523	96,160
Total	99,143	39,313	83,576	30,806	252,837

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

9. Lease receivables (continued)

Analysis of collateral coverage

December 31, 2011

	Overdue but not impaired	Covered by collaterals & guarantees	Neither impaired nor past due	Covered by collaterals & guarantees
Corporate leases	125,775	102,793	325,040	313,625
Retail leases	52,036	41,643	125,016	121,648
Total	177,811	144,436	450,056	435,273

December 31, 2010

	Overdue but not impaired	Covered by collaterals & guarantees	Neither impaired nor past due	Covered by collaterals & guarantees
Corporate leases	156,678	129,648	425,912	411,626
Retail leases	96,160	84,924	137,979	134,644
Total	252,838	214,572	563,891	546,270

The fair value of leased objects relating to financial lease receivables individually determined to be impaired as at December 31, 2011 amounts to 95,610 (December 31, 2010: 54,158). The amounts are capped to the gross exposure level.

Analysis of neither impaired nor past due corporate lease receivables by credit rating

	December 31, 2011	December 31, 2010
Very good	-	14
Good	1,006	14,845
Rather good	2,217	6,804
Acceptable	300,969	367,902
Performing but sensitive	19,858	35,408
Sensitive - credit risk not acceptable	990	939
Total	325,040	425,912

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

10. Financial assets available for sale

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Treasury notes	4,709,048	3,964,454	4,709,049	3,964,453
Equity investments	11,708	8,826	11,519	7,691
Other securities	156,258	108,229	156,258	60,208
	4,877,014	4,081,509	4,876,826	4,032,352

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 December 31, 2011 treasury notes amounting to 494,564 have been pledged to NBR (2010: 3,581) for repo transactions.

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 Group holds units in:

- A monetary fund ("Simfonia 1") amounting to 14,202 (December 31, 2010: 59,499);
- A balanced fund ("BRD Obligatiuni") amounting 12,086 (December 31, 2010: 11,408);
- A balanced fund ("Diverso Europa Regional") amounting to 20,427 (December 31, 2010:21,079);
- A balanced fund ("Actiuni Europa Regional") amounting to 11,956 (December 31, 2010:13,981).
- A balanced fund ("Index Europa Regional") amounting to 1,910 (December 31, 2010: 2,263

The Bank holds units in:

- A monetary fund ("Simfonia 1") amounting to 14,202 (December 31, 2010:11,477);
- A balanced fund ("BRD Obligatiuni") amounting to 12,086 (December 31, 2010: 11,408);
- A balanced fund ("Diverso Europa Regional") amounting to 20,427 (December 31, 2010:21,079);
- A balanced fund ("Actiuni Europa Regional") amounting to 11,956 (December 31, 2010:13,981).
- A balanced fund ("Index Europa Regional") amounting to 1,910 (December 31, 2010: 2,263)

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

10. Financial assets available for sale (continued)

“Simfonia 1” invests on the monetary market and in liquid debt instruments (treasury bills and bonds, corporate bonds, municipal bonds). The Group held as of the year-end a total number of 443,129.46 units (2010:1,974,733), while the Bank held a total number of 443,129.46 (2010: 380,913) with a unit value of RON 32.05 (2010: 30.13)

“BRD Obligatiuni” invests in monetary market instruments, debt instruments as well as equities traded on Bucharest Stock Exchange. As of the year-end the Group held a number of 90,353 units (2010: 90,353), while the Bank held a total number of 90,353 (2010: 90,353) with a unit value of RON 133.76 (2010: 126.26).

“Diverso Europa Regional” invests in monetary market instruments, debt instruments as well as equities traded on a regulated market. As of the year-end the Group held a number of 175,730.35 units (2010: 175,730), while the Bank held a total number of 175,730.35 (2010: 175,730) with a unit value of RON 116.24 (2010: 119.95)

“Actiuni Europa Regional” invests mostly in equities traded on a regulated market, in monetary market instruments as well as in debt instruments. As of the year-end the Group held a number of 116,238 units, (2010: 116,238), while the Bank held a total number of 116,238 (2010: 116,238) with a unit value of RON 102.86 (2010: 120.28)

“Index Europa Regional”invest mainly in equities which make part of index mix based BET-XT 50%, WIG-20 20%, Budapest SE Index-10% si Prague SE Index 20% as well as in monetary market instruments. As of the year-end the Group held a number of 21,794 units, (2010: 21,794), while the Bank held a total number of 21,794 (2010: 21,794) with a unit value of RON 87.6585 (2010: 103.83)

Other securities also include as at December 31, 2011 bonds issued by Municipality of Timisoara in amount of 95,677 (2010: 0).

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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11. Investments in subsidiaries and associates

Group							
Associates	Field of activity	%	December 31, 2010	Additions/ Reclassifications	Disposals	Increase / (decrease) in net assets	December 31, 2011
ALD Automotive	Operational leasing	20.00%	12,528	-	-	4,144	16,672
Mobiasbanca Groupe				-	-		
Societe Generale S.A.	Financial institution	20.00%	32,970	-	-	8,584	41,554
BRD Asigurari de Viata SA	Insurance	49.00%	10,099	-	-	1,635	11,734
Fondul de Garantare a Creditolui Rural	Loans guarantee	33.33%	9,889	-	-	2,914	12,803
Biroul de Credit S.A.	Financial institution	18.85%	2,874	-	-	360	3,234
BRD Fond de Pensii S.A.	Pension fund management	49.00%	9,547	-	-	(725)	8,822
BRD Sogelease Asset Rental SRL	Operational leasing	20.00%	330	-	-	278	608
			79,271	-	-	17,190	95,427

Group							
Associates	Field of activity	%	December 31, 2009	Additions/ Reclassifications	Disposals	Increase / (decrease) in net assets	December 31, 2010
ALD Automotive	Operational leasing	20.00%	-	7,237	-	5,291	12,528
Mobiasbanca Groupe							
Societe Generale S.A.	Financial institution	20.00%	30,111	-	-	2,859	32,970
BRD Asigurari de Viata SA	Insurance	49.00%	12,456	-	-	(2,357)	10,099
Fondul de Garantare a Creditolui Rural	Loans guarantee	33.33%	21,827	-	-	(11,938)	9,889
ECS International Romania SA	Operational leasing	15.00%	145	-	(145)	0	-
Romcard S.A.	Card transaction processing	20.00%	624	-	(624)	0	-
Biroul de Credit S.A.	Credit bureau	18.85%	2,660	-	-	213	2,874
BRD Fond de Pensii S.A.	Pension fund management	49.00%	11,388	-	-	(1,840)	9,547
BRD Sogelease Asset Rental SRL	Operational leasing	20.00%	60	-	-	270	330
			79,271	7,237	(769)	(7,502)	78,237

In the case of associates where the Group holds less than 20% of the voting rights the existence of significant influence is evidenced by representation on the Board of Directors of the investee and/or participation in policy-making processes, including participation in decisions about dividends or other distributions.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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11. Investments in subsidiaries and associates (continued)

Bank						
	Field of activity	%	December 31, 2010	Additions/ Reclas- sifications	Disposals	December 31, 2011
ALD Automotive	Operational leasing	20.00%	11,853	-	-	11,853
Mobiasbanca Groupe						
Societe Generale S.A.	Financial institution	20.00%	29,017	-	-	29,017
BRD Asigurari de Viata SA	Insurance	49.00%	13,532	-	-	13,532
Fondul Roman de Garantare a Creditului Rural	Loans guarantee	33.33%	14,220	-	-	14,220
Biroul de Credit SA	Financial institution	18.85%	779	-	-	779
BRD Fond de Pensii S.A.	Pension fund management	49.00%	14,690	-	-	14,690
BRD Sogelease Asset Rental SRL	Operational leasing	20.00%	60	-	-	60
Associates			84,151	-	-	84,151
BRD Securities Groupe						
Societe Generale SA	Financial institution	100.00%	2,151	-	2,151	(0)
BRD Sogelease IFN SA	Financial leasing	99.98%	11,558	-	-	11,558
BRD Finance Credite de Consum IFN SA	Financial institution	49.00%	53,019	-	-	53,019
BRD Asset Management SAI SA	Funds administration	99.95%	2,321	2,000	-	4,321
BRD Corporate Finance SRL	Business and managment consultancy	100.00%	403	-	-	403
Subsidiaries			69,452	2,000	2,151	69,301
Total Associates and Subsidiaries			153,603	2,000	2,151	153,452

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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11. Investments in subsidiaries and associates (continued)

Bank						
	Field of activity	%	December 31, 2009	Additions/ Reclas-sifications	Disposals	December 31, 2010
ALD Automotive	Operational leasing	20.00%	5,262	6,591	-	11,853
Mobiasbanca Groupe						
Societe Generale S.A.	Financial institution	20.00%	29,017	-	-	29,017
BRD Asigurari de Viata SA	Insurance	49.00%	13,532	-	-	13,532
Fondul Roman de Garantare a Creditului Rural	Loans guarantee	33.33%	14,220	-	-	14,220
ECS International						
Romania SA	Operational leasing	15.00%	288	-	(288)	-
Romcard S.A.	Card transaction processing	20.00%	172	-	(172)	-
Biroul de Credit SA	Credit bureau	18.85%	779	-	-	779
BRD Fond de Pensii S.A.	Pension fund management	49.00%	14,690	-	-	14,690
BRD Sogelease Asset Rental SRL	Operational leasing	20.00%	60	-	-	60
Associates			78,020	6,591	(460)	84,151
BRD Securities Groupe						
Societe Generale SA	Financial institution	100.00%	2,151	-	-	2,151
BRD Sogelease IFN SA	Financial leasing	99.98%	11,558	-	-	11,558
BRD Finance Credite de Consum IFN SA	Financial institution	49.00%	53,019	-	-	53,019
BRD Asset Management SAI SA	Funds administration	99.95%	2,321	-	-	2,321
BRD Corporate Finance SRL	Business and managment consultancy	100.00%	403	-	-	403
Subsidiaries			69,452	-	-	69,452
Total Associates and Subsidiaries			147,472	6,591	(460)	153,603

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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11. Investments in subsidiaries and associates (continued)

The subsidiaries and associate summary of financial position and income statement as at December 31, 2011 are as follows:

The amounts for the subsidiaries and associates are not audited.

Associate	Address	Total assets	Total liabilities	Net assets	Shareholders interest	Net profit/(loss)
ALD Automotive	1-7, Ion Mihalache Street, Bucharest	219,140	145,790	73,350	62,157	10,455
Mobiasbanca Groupe Societe Generale S.A.	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova	696,133	531,281	164,852	69,777	14,723
BRD Asigurari de Viata SA	64 Blvd. Unirii Bl. K4, sector 3, Bucharest	41,030	17,543	23,487	26,671	699
Fondul de Garantare a Creditului Rural	5 Occidentului Street, Bucharest	1,397,027	1,362,540	34,487	18,782	11,004
Biroul de Credit S.A.	15 Calea Victoriei, Bucharest	16,042	691	15,351	6,235	2,258
BRD Fond de Pensii S.A.	64 Unirii Blvd, Bucharest	19,276	677	18,599	35,557	(1,032)
BRD Sogelease Asset Rental SRL	1-7, Ion Mihalache Street, Bucharest	76,494	73,406	3,088	1,162	997

Subsidiar	Address	Total assets	Total liabilities	Net assets	Shareholders interest	Net profit/(loss)
BRD Sogelease IFN SA	1-7, Ion Mihalache Street, Bucharest	835,052	659,614	175,437	175,401	20,184
BRD Finance Credite de Consum IFN SA	1-7, Ion Mihalache Street, Bucharest	471,710	386,275	85,435	97,045	4,328
BRD Asset Management SAI SA	1-3, Clucerul Udricani Street, Bucharest	5,719	433	5,286	5,389	877
BRD Corporate Finance SRL	1-7, Ion Mihalache Street, Bucharest	549	83	466	466	(251)

The summary of financial statements for associates is prepared based on latest available financial statements as at June 30, 2011, except for Mobiasbanca for which we had no interim available financial statements and we considered the amounts as at December 31, 2010.

For the subsidiaries, the information for BRD Sogelease IFN SA and for BRD Finance Credite de Consum IFN SA is as at December 31, 2011 and for the other companies as at June 30, 2011.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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12. Property, plant and equipment

Group	Land & Buildings	Investment properties	Office equipment	Materials and other assets	Construction in progress	Total
Cost:						
as of December 31, 2009	1,378,443	40,663	207,030	297,396	67,543	1,991,075
Transfers and additions	41,751	(2,751)	30,745	5,875	16,392	92,012
Disposals	(10,623)	(48)	(6,140)	(5,937)	(40)	(22,788)
as of December 31, 2010	1,409,571	37,864	231,635	297,334	83,895	2,060,299
Transfers and additions	(130,253)	1,258	33,170	315,703	(4,979)	214,899
Disposals	(7,647)	-	(37,482)	(47,521)	(9)	(92,659)
as of December 31, 2011	1,271,671	39,122	227,323	565,516	78,907	2,182,539
Depreciation and impairment:						
as of December 31, 2009	(444,118)	(14,010)	(177,567)	(149,597)	-	(785,292)
Depreciation and impairment	(68,259)	(1,117)	(19,849)	(26,740)	-	(115,965)
Disposals	6,800	41	6,078	5,599	-	18,519
Transfers	(2,754)	896	866	498	-	(494)
as of December 31, 2010	(508,331)	(14,190)	(190,472)	(170,240)	-	(883,233)
Depreciation and impairment	(41,195)	(4,317)	(24,054)	(48,784)	-	(118,350)
Disposals	4,531	67	36,443	5,140	-	46,181
Transfers	97,478	-	(5,080)	(138,741)	-	(46,343)
as of December 31, 2011	(447,517)	(18,440)	(183,163)	(352,625)	-	(1,001,745)
Net book value:						
as of December 31, 2009	934,325	26,653	29,463	147,799	67,543	1,205,783
as of December 31, 2010	901,240	23,674	41,163	127,094	83,895	1,177,066
as of December 31, 2011	824,154	20,682	44,160	212,891	78,907	1,180,794

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

12. Property, plant and equipment (continued)

Bank

	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Total
Cost:						
as of December 31, 2009	1,368,650	40,663	196,016	269,644	67,543	1,942,516
Transfers and additions	41,731	(2,751)	32,522	7,524	16,392	95,418
Disposals	(10,623)	(48)	(6,140)	(5,815)	(40)	(22,666)
as of December 31, 2010	1,399,758	37,864	222,398	271,353	83,895	2,015,268
Transfers and additions	(130,253)	1,258	32,802	269,311	(4,979)	168,139
Disposals	(7,624)	-	(37,346)	(5,856)	(9)	(50,835)
as of December 31, 2011	1,261,881	39,122	217,854	534,808	78,907	2,132,572
Depreciation and impairment:						
as of December 31, 2009	(441,789)	(14,010)	(169,030)	(143,850)	-	(768,679)
Depreciation and impairment	(67,899)	(1,117)	(18,859)	(26,658)	-	(114,533)
Disposals	6,800	41	6,078	5,509	-	18,428
Transfers	(2,755)	896	(438)	1,801	-	(496)
as of December 31, 2010	(505,643)	(14,190)	(182,249)	(163,198)	-	(865,280)
Depreciation and impairment	(40,848)	(4,317)	(23,198)	(47,828)	-	(116,191)
Disposals	4,531	66	36,248	5,140	-	45,986
Transfers	97,478	-	(5,080)	(138,742)	-	(46,343)
as of December 31, 2011	(444,482)	(18,441)	(174,279)	(344,628)	-	(981,829)
Net book value:						
as of December 31, 2009	926,861	26,653	26,986	125,794	67,543	1,173,837
as of December 31, 2010	894,115	23,674	40,149	108,155	83,895	1,149,988
as of December 31, 2011	817,399	20,681	43,575	190,181	78,907	1,150,743

The land and buildings have a fair value of 979,934 as at December 31, 2011 (December 31, 2010: 954,188).
The investment properties have a fair value of 22,976 as at December 31, 2011 (December 31, 2010: 31,853).

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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13. 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 2011 there was no impairment of the goodwill.

14. Intangible assets

The balance of the intangible assets as of December 31, 2011 and 2010 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2009	207,570	194,446
Additions	35,103	30,758
as of December 31, 2010	242,673	225,204
Additions	24,464	20,514
as of December 31, 2011	267,137	245,718
Amortization:		
as of December 31, 2009	(127,789)	(120,378)
Amortization expense	(17,174)	(15,130)
Transfers	(49)	(49)
as of December 31, 2010	(145,012)	(135,557)
Amortization expense	(27,674)	(25,270)
as of December 31, 2011	(172,686)	(160,827)
Net book value:		
as of December 31, 2009	79,781	74,068
as of December 31, 2010	97,661	89,647
as of December 31, 2011	94,451	84,891

15. Other assets

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Advances to suppliers	19,983	92,879	-	-
Sundry debtors	124,293	151,632	113,715	137,818
Materials and consumables	31,533	1,407	1,061	1,070
Miscellaneous assets	59,324	32,619	49,034	25,982
Total	235,133	278,537	163,810	164,870

The sundry debtors balances are presented net of an impairment allowance, at Group level, of 59,228 (December 31, 2010: 53,678) and at Bank level of 59,228 (December 31, 2010: 53,678) related to amounts under litigation.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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16. Demand deposits and current accounts

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Individuals and legal entities	12,696,453	13,432,459	12,727,538	13,444,204
Foreign banks	236,777	448,965	236,777	448,965
Romanian Banks	300,407	83,690	300,407	83,690
Total	13,233,637	13,965,114	13,264,722	13,976,859

17. Term deposits

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Individuals and legal entities	17,685,339	16,592,190	17,739,886	16,657,087
Foreign banks	2,505,807	1,264,206	2,505,807	1,264,206
Romanian Banks	1,062,099	79,764	1,062,099	79,764
Total	21,253,245	17,936,160	21,307,792	18,001,057

Term deposits refer to deposits with initial maturities over 3 days.

18. Borrowed funds and debt issued

	Group		Bank	
	December 31, 2011	December 31, 2011	December 31, 2011	December 31, 2010
Borrowings from related parties	6,841,105	8,491,221	5,929,204	7,295,171
Borrowings from international financial institutions	589,803	988,686	529,598	924,043
Borrowings from other institutions	263,960	262,756	263,960	262,756
Bonds issued	-	737,330	-	737,331
Other borrowings	21,408	28,807	70,403	84,319
Total	7,716,276	10,508,800	6,793,165	9,303,620

The maturity structure and the re-pricing gap of the borrowings are presented in note 42.

The bonds represent RON denominated notes issued in December 2006 on the Luxembourg stock exchange amounting to 735,000 for five years at a fixed rate of 7.75%.

Bonds issued were fully reimbursed at maturity date in December 2011.

19. Subordinated debt

Subordinated debt is in amount of EUR 200,000,000, RON 863,940,000 equivalent (2010: EUR 200,000,000, RON 856,960,000 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 in amount of RON 10,221,430.

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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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20. Taxation

Current income tax is calculated based on the taxable income as per the tax statement derived from the stand alone accounts of each consolidated entity.

The deferred tax liability/asset is reconciled as follows:

Group	December 31, 2011		
	Temporary differences	Consolidated Statement of Financial Position	Consolidated Income Statement
<i>Deferred tax liability</i>			
Loans and advances to customers	(1,070,384)	(171,261)	150
Investments and other securities	(28,214)	(4,514)	(207)
Total	(1,098,598)	(175,775)	(57)
<i>Deferred tax asset</i>			
Tangible and intangible assets	22,744	3,639	37,342
Provisions and other liabilities	150,296	24,047	5,966
Total	173,040	27,686	43,308
Taxable items	(925,558)	(148,089)	
Deferred tax expense			43,251

Bank	December 31, 2011		
	Temporary differences	Consolidated Statement of Financial Position	Consolidated Income Statement
<i>Deferred tax liability</i>			
Loans and advances to customers	(1,070,384)	(171,261)	144
Investments and other securities	(17,547)	(2,808)	2,545
Total	(1,087,931)	(174,069)	2,689
<i>Deferred tax asset</i>			
Tangible and intangible assets	22,744	3,638	37,343
Provisions and other liabilities	153,867	24,619	8,612
Total	176,611	28,257	45,955
Taxable items	(911,320)	(145,812)	
Deferred tax expense			48,644

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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20. Taxation (continued)

Group	December 31, 2010		
	Temporary differences	Consolidated Statement of Financial Position	Consolidated Income Statement
<i>Deferred tax liability</i>			
Loans and advances to customers	(1,071,297)	(171,410)	(97,067)
Investments and other securities	(38,327)	(6,132)	1,991
Tangible and intangible assets	(210,645)	(33,703)	(9,152)
Total	(1,320,269)	(211,245)	(104,228)
<i>Deferred tax asset</i>			
Provisions and other liabilities	113,004	18,081	(1,610)
Total	113,004	18,081	(1,610)
Taxable items	(1,207,265)	(193,164)	
Deferred tax expense			(105,838)

Bank	December 31, 2010		
	Temporary differences	Individual Statement of Financial Position	Individual Income Statement
<i>Deferred tax liability</i>			
Loans and advances to customers	(1,071,297)	(171,407)	(97,062)
Investments and other securities	(41,813)	(6,690)	631
Tangible and intangible assets	(210,645)	(33,703)	(9,152)
Total	(1,323,755)	(211,800)	(105,583)
<i>Deferred tax asset</i>			
Provisions and other liabilities	100,047	16,007	668
Total	100,047	16,007	668
Taxable items	(1,223,708)	(195,793)	
Deferred tax expense			(104,915)

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20. Taxation (continued)

Movement in deferred tax is as follows:

	Group	Bank
Deferred tax liability, net as of December 31, 2009	(90,018)	(93,761)
Deferred tax recognized in other comprehensive income	2,691	2,884
Net deferred tax expense	(105,838)	(104,915)
Deferred tax liability, net as of December 31, 2010	(193,164)	(195,793)
Deferred tax recognized in other comprehensive income	1,825	1,339
Net deferred tax expense	43,251	48,644
Deferred tax liability, net as of December 31, 2011	(148,089)	(145,812)

Reconciliation of total tax charge

	Group		Bank	
	2011	2010	2011	2010
Gross profit (before income tax)	554,837	1,226,732	517,471	1,204,655
Income tax (16%)	88,774	196,488	82,795	192,959
Fiscal credit	(7,515)	-	(7,515)	-
Non-deductible elements	22,121	185,401	14,216	181,047
Non-taxable elements	(47,029)	(163,985)	(41,403)	(165,690)
Income tax at effective tax rate	56,351	217,904	48,094	208,316
Effective tax rate	10.2%	17.8%	9.3%	17.3%

The effective tax rate at Group and Bank level reflects the impact of fiscal treatment related to conversion of local accounting standards to IFRS starting January 2012.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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21. Other liabilities

	Group		Bank	
	Decembrie 31, 2011	Decembrie 31, 2010	Decembrie 31, 2011	Decembrie 31, 2010
Sundry creditors	105,320	176,152	63,400	103,001
Other payables to State budget	59,941	60,680	58,221	59,088
Deferred income	18,419	28,599	18,419	28,599
Payables to employees	116,842	75,683	78,778	74,242
Dividends payable	2,072	2,069	2,072	2,069
Financial guarantee contracts	58,647	8,863	58,647	8,863
Provisions	13,483	4,311	7,893	2,061
Total	374,724	356,357	287,430	277,923

Payables to employees include, among other, gross bonuses relating to 2011 profit, amounting to 29,952 (2010: 35,000) and post-employment benefits amounting to 48,258 (2010: 39,101). The social security contributions relating to bonuses 8,448 (2010: 9,800) are included in Other payables to State Budget. Provisions are related to legal claims and penalties.

The movement in provisions is as follows:

Group

Carrying value as of December 31, 2009	4,946
Additional expenses	2,025
Reversals of provisions	(2,660)
Carrying value as of December 31, 2010	4,311
Additional expenses	9,303
Reversals of provisions	(131)
Carrying value as of December 31, 2011	13,483

Bank

Carrying value as of December 31, 2009	4,112
Additional expenses	305
Reversals of provisions	(2,356)
Carrying value as of December 31, 2010	2,061
Additional expenses	5,963
Reversals of provisions	(131)
Carrying value as of December 31, 2011	7,893

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21. 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

Expenses recognised in profit and loss	December 31, 2011	December 31, 2010
Current service cost	6,153	4,820
Interest cost on benefit obligation	2,698	3,023
Actuarial losses recognized during the year	1,085	998
Past service cost	20	20
Net benefit expense	9,956	8,861

Movement in defined benefits obligations

	December 31, 2011	December 31, 2010
Opening defined benefit obligation	39,116	31,728
Total service cost	6,173	4,840
Benefits paid	(814)	(1,473)
Interest cost on benefit obligation	2,698	3,023
Actuarial losses recognized during the year	1,085	998
Closing defined benefit obligation	48,258	39,116

Main actuarial assumptions

	December 31, 2011	December 31, 2010
Discount rate	5.00%	4.15%
Inflation rate	1.90%	1.87%
Average salary increase rate (0-4 years)	2.90%	1%
Average salary increase rate (over 5 years)	3.90%	2%
Average remaining working period (years)	17.33	17.69

	December 31, 2011	December 31, 2010
Defined benefit obligation	48,258	39,116
Experience adjustment on plan liabilities	(836)	(1,980)

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

22. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2010: 696,901). Included in the share capital there is an amount of 1,818,721 (2010: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of December 31, 2011 represents 696,901,518 (2010: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2010: RON 1).

During 2011 and 2010, the Bank did not buy back any of its own shares.

23. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2010: 513,515) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

24. 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 December 31, 2011 and December 31, 2010, 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). These requirements apply to the figures obtained based on the local accounting and financial reporting regulations (derived from European Directives on the accounting standards of credit institutions). During 2011 and 2010 the Bank has complied in full with these requirements.

25. Interest income

	Group		Bank	
	2011	2010	2011	2010
Interest on loans	3,038,932	3,344,823	2,896,170	3,189,280
Interest on deposit with banks	133,723	139,377	130,835	136,487
Interest on treasury notes	271,016	209,470	271,016	209,471
Total	3,443,671	3,693,670	3,298,021	3,535,238

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 74,137 (2010: 137,544).

Interest on loans includes an amount of 31,729 representing loans to government entities.

For comparison purposes prior year figures have been reclassified accordingly by increasing Interest on loans and decreasing Interest on deposit with banks.

26. Interest expense

	Group		Bank	
	2011	2010	2011	2010
Interest on term deposits	728,985	817,424	733,657	825,044
Interest on demand deposits	318,574	436,541	264,526	374,166
Interest on borrowings	223,252	116,328	231,297	128,057
Total	1,270,811	1,370,293	1,229,480	1,327,267

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27. Fees and commissions, net

	Group		Bank	
	2011	2010	2011	2010
Commission revenue from processing of transactions	869,261	844,249	852,219	827,734
Other commission revenue	90,848	84,319	88,997	82,494
Commission expense	(177,498)	(136,897)	(174,031)	(132,559)
Net commission revenue	782,611	791,671	767,185	777,669

28. Foreign exchange gain

	Group		Bank	
	2011	2010	2011	2010
Foreign exchange income	9,782,206	7,561,421	9,653,938	7,410,290
Foreign exchange expenses	(9,543,997)	(7,231,792)	(9,415,501)	(7,083,723)
Total	238,209	329,629	238,437	326,567

29. Income from associates

	Group		Bank	
	2011	2010	2011	2010
Share of increase/(decrease) in net assets from associates	17,190	(7,502)	-	-
Dividends from associates	2,408	1,755	2,408	1,755
Net gain from sale of interest in associates	-	5,984	-	6,294
Total	19,598	237	2,408	8,049

30. 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, both for the Group and the Bank, is 2,161 (2010:2,390).

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.

For comparison purposes prior year figures have been reclassified accordingly by including the amounts regarding Deposit Guarantee Fund in Other Income, also prior year figures have been reclassified accordingly by decreasing Other income and decreasing Other operating expenses.

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31. Salaries and related expenses

	Group		Bank	
	2011	2010	2011	2010
Salaries	469,714	457,194	440,558	430,085
Social security	130,071	128,809	122,366	121,364
Bonuses	38,400	44,800	38,400	44,800
Post-employment benefits (see note 20)	9,158	7,373	9,158	7,373
Other	65,092	60,902	63,071	58,499
Total	712,435	699,079	673,552	662,122

During the Parent Board of Directors' meeting of November 2nd, 2010, it has been decided to grant 40 shares to each of the group's employees under certain performance and presence conditions.

Employee expenses for share - based payment transactions are included in line Other salaries and related expenses in amount of 7,095, both for the Group and Bank for 2011 (2010: 1,070).

Share based payment transactions

On November 2nd, 2010 the Parent established a share based payment programme that grants each employee of the group 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		

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31. Salaries and related expenses (continued)

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, 2011	236	361,080
Granted during the period		
- exercise date 31/03/2015	149	109,768
- exercise date 31/03/2016	143	164,652
Outstanding as at December 31, 2011	529	635,501
	2011	2010
Shares granted in 2010	1,070	1,070
Shares granted in 2011	6,025	-
Total expense recognised as personnel expense	7,095	-

The shares outstanding as at December 31, 2011 have an exercise price of 149 RON (those with an exercise date as at March 31, 2015) and of 143 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.

32. Depreciation and amortization expense

	Group		Bank	
	2011	2010	2011	2010
Depreciation and impairment (see Note 12)	118,350	115,965	116,192	114,533
Amortisation (see Note 14)	27,674	17,174	25,270	15,130
Losses/(Gains) on disposal of tangible and intangible assets	1,068	(1,586)	1,080	(1,574)
Total	147,092	131,553	142,541	128,089

33. Other operating expense

	Group		Bank	
	2011	2010	2011	2010
Administrative expenses	547,122	548,523	518,609	519,277
Publicity and sponsorships	40,528	41,625	39,969	41,113
Other expenses	12,791	54,755	4,246	25,470
Total	600,441	644,903	562,823	585,859

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

The Group has operating leases that are cancellable with prior notice much shorter than the remaining contract period and/or with penalties to be paid which are much lower than lease expense for the remaining contract period.

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34. Credit loss expense

	Group		Bank	
	2011	2010	2011	2010
Net loans impairment allowance	812,898	389,781	859,740	405,397
Net impairment allowance for sundry debtors	36,793	30,407	37,301	31,695
Net impairment allowance for financial leases	15,300	10,336	-	-
Income from recoveries of derecognized receivables	(31,642)	(30,485)	(22,860)	(27,952)
Write-offs of bad debts	370,794	481,282	306,435	421,008
Financial guarantee contracts	48,850	1,624	48,852	1,624
Total	1,252,993	882,945	1,229,468	831,772

35. 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:

Group

	December 31, 2011	December 31, 2010
Cash in hand (see note 4)	662,194	611,570
Current accounts and deposits with banks	674,739	415,353
Total	1,336,933	1,026,923

Bank

	December 31, 2011	December 31, 2010
Cash in hand (see note 4)	662,171	611,547
Current accounts and deposits with banks	635,103	375,715
Total	1,297,274	987,262

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35. Cash and cash equivalents for cash flow purposes (continued)

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

Group

	December 31, 2011	December 31, 2010
Net loans impairment allowance	812,898	389,781
Net impairment allowance for sundry debtors	36,793	30,407
Net impairment allowance for financial leases	15,300	10,336
Write-offs expenses	370,794	481,282
Financial guarantee contracts	48,850	1,624
Net movement in other provisions	9,172	(635)
Total	1,293,807	912,795

Bank

	December 31, 2011	December 31, 2010
Net loans impairment allowance	859,740	405,397
Net impairment allowance for sundry debtors	37,301	31,695
Write-offs expenses	306,435	421,008
Financial guarantee contracts	48,852	1,624
Net movement in other provisions	5,832	(2,051)
Total	1,258,160	857,673

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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36. Guarantees and other financial commitments

Guarantees and letters of credit

The Group 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 Group 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 Group as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Group.

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 Group 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.

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Letters of guarantee granted	7,106,928	7,931,516	7,191,162	8,022,717
Financing commitments granted	4,224,903	3,274,814	4,272,428	3,313,193
Total commitments granted	11,331,831	11,206,330	11,463,590	11,335,910

37. Capital commitments

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Tangible non-current assets	15,354	16,637	15,354	16,637
Intangible non-current assets	729	8,687	729	8,687
Services	50,122		50,122	
Total	66,205	25,324	66,205	25,324

The line Services presented in the note includes operational leasing.

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38. Related parties

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

	2011				2010			
	Parent	Other SG entities	Subsidiaries	Associates	Parent	Other SG entities	Subsidiaries	Associates
Assets	335,894	3,538	157,887	-	244,844	994	160,585	-
Nostro accounts	95,113	1,168	-	-	42,951	1,470	-	-
Deposits	57,841	2,370	46,002	-	18,953	6,524	43,597	-
Loans	182,940	-	109,194	-	182,940	-	110,673	-
Derivative financial instruments	-	-	2,691	-	-	-	6,315	-
Liabilitie	10,258,423	35,371	143,073	29,296	9,977,929	869,572	147,036	581
Loro accounts	846	4,413	-	-	14,143	722	-	-
Deposits	2,552,539	30,958	85,639	29,296	608,354	868,850	76,645	581
Borrowings	6,830,877	-	5,765	-	8,491,213	-	8,577	-
Subordinated borrowings	874,161	-	-	-	864,219	-	-	-
Lease payable	-	-	48,978	-	-	-	55,499	-
Derivative financial instruments	-	-	2,691	-	-	-	6,315	-
Commitments	8,435,161	21,249	-	-	4,745,481	33,978	-	-
Letters of guarantee received	241,827	21,249	-	-	284,153	8,197	-	-
Notional amount of foreign exchange transactions	6,048,711	-	-	-	4,022,021	25,781	-	-
Notional amount of interest rate derivatives	2,144,623	-	-	-	439,307	-	-	-
Income statement	127,324	90,403	27,022	1,267	88,003	66,757	40,739	423
Interest and commission revenues	15,118	127	13,797	254	14,075	76	21,389	2
Interest and commission expense	69,550	90,174	11,281	1,013	34,383	67,083	17,395	421
Net (loss) on interest rate derivatives	(21,688)	-	-	-	(10,093)	-	521	-
Net gain/(loss) on foreign exchange derivatives	64,344	102	-	-	49,638	(402)	-	-
Other income	-	-	1,234	-	-	-	548	-
Other expenses	-	-	710	-	-	-	886	-

The interest expenses include an amount of 10,221 (2010: 15,271) relating to subordinated loans.

As of December 31, 2011, the Board of Directors and Managing Committee members own 329,530 shares (2010: 344,680).

The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 6,576 (2010: 6,236).

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

39. Contingencies

As of December 31, 2011 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 16,733 (2010: 10,111). The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group'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 Group considers the fine illegal and groundless and consequently challenged in court its application.

40. Earnings per share

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Ordinary shares on the market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to parent company shareholders	496,279	1,007,923	469,377	996,338
Earnings per share (in RON)	0.7121	1.4463	0.6735	1.4297

41. Dividends on ordinary shares

	Group		Bank	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Dividends for 2010: 0.17957 (2009: 0.27947) Proposed for approval at AGM	123,076	192,698	123,076	192,698
Dividends for 2011: 0.16690 (2010:0.17957)	116,316	125,147	116,316	125,147

42. Risk management

The main financial assets and liabilities of the Group 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.

42.1 Credit risk

Credit risk represents the loss, which the Group 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 fair value derivative contracts (refer to the notes 8, 9 and 36).

The Group restricts its credit exposure to both individual counterparties and counterparty groups by using credit limits attributed when the Group rates the client. The size of limit depends on the assessment of quantitative factors such as the clients' financial strength, industry position, if a business client, as well as qualitative factors such as the quality of management and shareholders structure. Besides, the soundness of the securities provided by the client is considered. The securities could take the form of collateral or personal guarantees. In the case of individuals the collaterals are mainly mortgages and pledges on vehicles. The personal guarantees are provided in most of the cases by close relatives. For companies most of the collaterals are mortgages on the production facilities or other owned real estate, pledges on equipment and stock while the personal guarantees are provided by parent, other companies in the group or by other banks. The exposures are monitored against limits on a continuous basis.

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42. Risk management (continued)

42.1 Credit risk (continued)

Maximum exposure to credit risk before considering any collaterals or guarantees

Group	December 31, 2011	December 31, 2010
ASSETS		
Due from Central Bank	8,743,127	9,429,298
Due from banks	1,035,020	662,001
Derivatives and other financial instruments held for trading	313,788	85,839
Loans, gross	34,341,712	33,894,627
Impairment reserve for loans	(2,482,383)	(1,651,414)
Loans and advances to customers	31,859,329	32,243,213
Financial lease receivables	732,665	871,821
Financial assets available for sale	4,877,014	4,081,509
Investments in associates and subsidiaries	95,427	78,237
Other assets	67,511	92,571
Total in balance sheet	47,723,881	47,544,489
Letters of guarantee granted	4,224,903	3,274,814
Financing commitments granted	-	-
Total commitments granted	4,224,903	3,274,814
Total credit risk exposure	51,948,784	50,819,302

Bank	December 31, 2011	December 31, 2010
ASSETS		
Due from Central Bank	8,741,778	9,428,409
Due from banks	995,384	622,363
Derivatives and other financial instruments held for trading	316,478	92,154
Loans, gross	33,953,459	33,413,538
Impairment reserve for loans	(2,398,125)	(1,520,314)
Loans and advances to customers	31,555,334	31,893,224
Financial lease receivables	-	-
Financial assets available for sale	4,876,826	4,032,352
Investments in associates and subsidiaries	153,452	153,603
Other assets	36,950	14,122
Total in balance sheet	46,676,202	46,236,227
Letters of guarantee granted	4,272,428	3,313,193
Financing commitments granted	-	-
Total commitments granted	4,272,428	3,313,193
Total credit risk exposure	50,948,630	49,549,420

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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42. Risk management (continued)

42.2 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 Group 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.

The table below indicates the currencies to which the Group had significant exposure as at December 31 on its assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against RON, with all other variables held constant, on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against RON would have resulted in an equivalent but opposite impact

The impact on equity does not contain the impact in income statement.

2011		Group		Bank		
Currency	Change in currency rate %	Effect on profit before tax	Effect on equity	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	(73,196)	152	+5	(77,398)	152
Other	+5	1,186	-	+5	1,179	-

2010		Group		Bank		
Currency	Change in currency rate %	Effect on profit before tax	Effect on equity	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	(45,943)	- 195	+5	26,657	(195)
Other	+5	932	-	+5	2,814	-

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42. Risk management (continued)

42.2 Market risk (continued)

The Group and the Bank statement of financial position structure by currency is presented below:

	Group				Bank			
	December 31, 2011				December 31, 2011			
	Total	RON	EUR	Other	Total	RON	EUR	Other
Cash in hand	662,194	523,315	103,412	35,467	662,171	523,292	103,412	35,467
Due from Central Bank	8,743,127	3,743,317	4,999,810	-	8,741,778	3,741,968	4,999,810	-
Due from banks	1,035,020	790,574	171,516	72,930	995,384	750,938	171,516	72,930
Derivatives and other financial instruments held for trading	313,788	313,788	-	-	316,478	316,478	-	-
Loans and advances to customers	31,859,329	14,186,274	16,972,301	700,754	31,555,334	13,831,717	17,020,859	702,758
Financial lease receivables	732,665	4,694	725,969	2,002	-	-	-	-
Financial assets available for sale	4,877,014	2,990,300	1,849,835	36,879	4,876,826	2,990,113	1,849,834	36,879
Investments in associates and subsidiaries	95,427	95,427	-	-	153,452	153,452	-	-
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Deferred tax asset	-	-	-	-	-	-	-	-
Non current assets and other assets	1,510,377	1,352,180	153,454	4,743	1,399,445	1,289,234	106,907	3,304
Total assets	49,879,071	24,049,999	24,976,298	852,775	48,750,998	23,647,321	24,252,338	851,338
LIABILITIES								
Demand deposits and current accounts	13,233,637	8,798,595	3,917,979	517,063	13,264,722	8,829,680	3,917,979	517,063
Term deposits	21,253,245	11,070,057	9,098,928	1,084,260	21,307,792	11,124,604	9,098,928	1,084,260
Borrowed funds and debt issued	7,716,276	307,041	7,407,939	1,296	6,793,165	25,129	6,768,036	-
Subordinated debt	874,161	-	874,161	-	874,161	-	874,161	-
Derivatives and other financial instruments held for trading	170,811	103,705	67,107	-	170,812	103,705	67,107	-
Current tax liability	19,731	19,731	-	-	16,867	16,867	-	-
Deferred tax liability	148,089	148,089	-	-	145,812	145,812	-	-
Other liabilities	374,725	345,146	19,769	9,809	287,430	257,852	19,769	9,809
Shareholders' equity	6,088,396	6,088,396	-	-	5,890,237	5,890,237	-	-
Total liabilities and shareholders' equity	49,879,071	26,880,761	21,385,883	1,612,428	48,750,998	26,393,887	20,745,979	1,611,132
Position		(2,830,761)	3,590,415	(759,653)		(2,746,566)	3,506,359	(759,794)
Position off BS		2,384,235	(3,204,491)	820,256		2,384,235	(3,204,491)	820,256
Position total		(446,526)	385,924	60,603		(362,331)	301,868	60,462

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42. Risk management (continued)

42.2 Market risk (continued)

	Group				Bank			
	December 31, 2010				December 31, 2010			
	Total	RON	EUR	Other	Total	RON	EUR	Other
Cash in hand	611,570	484,405	106,286	20,879	611,547	484,382	106,286	20,879
Due from Central Bank	9,429,298	4,052,507	5,376,791	-	9,428,409	4,051,618	5,376,791	-
Due from banks	662,001	516,256	117,670	28,075	622,363	476,618	117,670	28,075
Derivative financial instruments	85,839	85,839	-	-	92,154	92,154	-	-
Loans and advances to customers	32,243,213	14,010,626	17,621,206	611,381	31,893,224	13,580,470	17,698,713	614,041
Financial lease receivables	871,821	17,228	843,694	10,899	-	-	-	-
Financial assets available for sale	4,081,509	2,672,952	1,374,283	34,274	4,032,352	2,623,795	1,374,283	34,274
Investments in associates	78,237	78,237	-	-	153,603	153,603	-	-
Goodwill	50,151	50,151	-	-	50,151	50,151	-	-
Deferred tax asset	-	-	-	-	-	-	-	-
Non current assets and other assets	1,553,264	1,520,550	31,578	1,136	1,404,505	1,371,791	31,578	1,136
Total assets	49,666,903	23,488,750	25,471,508	706,644	48,288,308	22,884,582	24,705,321	698,405
LIABILITIES								
Demand deposits and current accounts	13,965,114	8,610,134	4,792,142	562,838	13,976,859	8,621,879	4,792,142	562,838
Term deposits	17,936,160	9,706,362	7,287,061	942,737	18,001,057	9,771,259	7,287,061	942,737
Borrowed funds and debt issued	10,508,800	1,114,876	9,382,332	11,592	9,303,620	765,186	8,538,434	-
Subordinated debt	864,219	-	864,219	-	864,219	-	864,219	-
Derivative financial instruments	91,639	90,524	1,115	-	91,639	90,524	1,115	-
Current tax liability	2,383	2,383	-	-	-	-	-	-
Deferred tax liability	193,164	193,164	-	-	195,793	195,793	-	-
Other liabilities	356,357	331,796	17,076	7,485	277,923	253,362	17,077	7,485
Shareholders' equity	5,749,067	5,749,067	-	-	5,577,198	5,577,198	-	-
Total liabilities and shareholders' equity	49,666,903	25,798,306	22,343,944	1,524,652	48,288,308	25,275,201	21,500,047	1,513,060
Position		(2,309,556)	3,127,564	(818,008)		(2,390,619)	3,205,274	(814,655)
Position off BS		1,801,210	(2,672,141)	870,931		1,801,210	(2,672,141)	870,931
Position total		(508,346)	455,423	52,923		(589,409)	533,133	56,276

The accompanying notes are an integral part of these financial statements
(Amounts in thousands RON)

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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42. Risk management (continued)

42.2 Market risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The only interest risk taken by the Group is non-trading and it is monitored by the means of interest rate gap. In accordance with the Group's policy, positions are monitored on a regular basis and appropriate strategies are used to ensure positions are maintained within the established limits. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's and Bank's income statement and equity.

Group			Bank		
December 31, 2011			December 31, 2011		
Change in interest rate (b.p)	Effect on profit before tax	Effect on equity	Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	(17,266)	9,621	100	(14,054)	9,621
(100)	17,266	(9,621)	(100)	14,054	(9,621)
December 31, 2010			December 31, 2010		
Change in interest rate (b.p)	Effect on profit before tax	Effect on equity	Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	(4,509)	9,665	100	636	9,665
(100)	4,509	(9,665)	(100)	(636)	(9,665)

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the financial assets and financial liabilities held at 31 December. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets at 31 December for the effects of the assumed changes in interest rates. The total sensitivity of the income statement and equity is based on the assumption that there are parallel shifts in the yield curve.

The table below analyses the Group's and the Bank's interest rate risk exposure. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

42. Risk management (continued)

42.2 Market risk (continued)

Group

December 31, 2011	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	662,194	-	-	-	-	662,194
Due from Central Bank	8,743,127	-	-	-	-	8,743,127
Due from banks	798,498	72	101,580	30,847	104,023	1,035,020
Derivative financial instruments	313,788	-	-	-	-	313,788
Loans and advances to customers	13,148,284	11,085,390	2,369,208	4,475,019	781,428	31,859,329
Financial lease receivables	93,364	62,629	421,795	154,876	-	732,664
Financial assets available for sale	239,891	35,619	1,911,712	2,434,955	254,837	4,877,014
Investments in associates	-	-	-	-	95,427	95,427
Goodwill	-	-	-	-	50,130	50,130
Non current assets and other assets	-	235,133	-	-	1,275,245	1,510,378
Total assets	23,999,147	11,418,842	4,804,295	7,095,697	2,561,090	49,879,071
LIABILITIES						
Demand deposits and current accounts	13,233,637	-	-	-	-	13,233,637
Term deposits	13,255,793	4,595,355	2,407,810	855,141	139,146	21,253,245
Borrowed funds and debt issued	1,191,635	5,777,458	171,353	567,800	8,030	7,716,276
Subordinated debt	874,161	-	-	-	-	874,161
Derivative financial instruments	170,812	-	-	-	-	170,812
Current tax liability	-	-	19,731	-	-	19,731
Deffered tax liability	11,763	10,252	31,713	56,837	37,524	148,089
Other liabilities	372,653	2,072	-	-	-	374,724
Total liabilities	29,110,455	10,385,136	2,630,607	1,479,778	184,700	43,790,675
Total shareholders' equity	-	-	-	-	6,088,396	
Net position	(5,111,308)	1,033,706	2,173,688	5,615,919	(3,712,006)	

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

42. Risk management (continued)

42.2 Market risk (continued)

Group

December 31, 2010	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	611,570	-	-	-	-	611,570
Due from Central Bank	9,429,298	-	-	-	-	9,429,298
Due from banks	422,363	85	110,423	25,106	104,024	662,001
Derivative financial instruments	85,839	-	-	-	-	85,839
Loans and advances to customers	14,273,938	11,087,654	2,750,809	3,323,727	807,085	32,243,213
Financial lease receivables	96,172	91,445	454,404	211,003	18,797	871,821
Financial assets available for sale	112,344	149,086	1,956,946	1,639,285	223,848	4,081,509
Investments in associates	-	-	-	-	78,237	78,237
Goodwill	-	-	-	-	50,151	50,151
Non current assets and other assets	-	278,537	-	-	1,274,727	1,553,264
Total assets	25,031,524	11,606,807	5,272,582	5,199,121	2,556,869	49,666,903
LIABILITIES						
Demand deposits and current accounts	13,965,114	-	-	-	-	13,965,114
Term deposits	10,086,960	5,084,469	1,860,242	859,282	45,207	17,936,160
Borrowed funds and debt issued	1,400,504	5,240,286	3,702,970	144,887	20,153	10,508,800
Subordinated debt	431,804	432,415	-	-	-	864,219
Derivative financial instruments	91,639	-	-	-	-	91,639
Current tax liability	-	-	2,383	-	-	2,383
Deferred tax liability	16,102	11,142	35,496	53,008	77,416	193,164
Other liabilities	354,288	2,069	-	-	-	356,357
Total liabilities	26,346,411	10,770,381	5,601,091	1,057,177	142,776	43,917,836
Total shareholders' equity	-	-	-	-	5,749,067	
Net position	(1,314,887)	836,426	(328,509)	4,141,944	(3,334,975)	

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

42. Risk management (continued)

42.2 Market risk (continued)

Bank

December 31, 2011	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	662,171	-	-	-	-	662,171
Due from Central Bank	8,741,778	-	-	-	-	8,741,778
Due from banks	758,862	72	101,580	30,847	104,023	995,384
Derivative financial instruments	316,478	-	-	-	-	316,478
Loans and advances to customers	13,148,680	11,116,005	2,347,173	4,220,804	722,672	31,555,334
Financial assets available for sale	239,890	35,620	1,911,712	2,499,130	190,474	4,876,826
Investments in associates	-	-	-	-	153,452	153,452
Goodwill	-	-	-	-	50,130	50,130
Non current assets and other assets	-	163,810	-	-	1,235,635	1,399,445
Total assets	23,867,859	11,315,507	4,360,465	6,750,781	2,456,386	48,750,998
LIABILITIES						
Demand deposits and current accounts	13,264,722	-	-	-	-	13,264,722
Term deposits	13,277,787	4,595,355	2,407,810	855,141	171,699	21,307,792
Borrowed funds and debt issued	1,044,648	5,252,933	11,796	483,105	682	6,793,165
Subordinated debt	874,161	-	-	-	-	874,161
Derivative financial instruments	170,812	-	-	-	-	170,812
Current tax liability	-	-	16,867	-	-	16,867
Deferred tax liability	11,976	10,343	31,979	56,135	35,379	145,812
Other liabilities	285,358	2,072	-	-	-	287,430
Total liabilities	28,929,465	9,860,703	2,468,452	1,394,381	207,760	42,860,761
Total shareholders' equity	-	-	-	-	5,890,237	
Net position	(5,061,606)	1,454,804	1,892,013	5,356,400	(3,641,611)	

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

42. Risk management (continued)

42.2 Market risk (continued)

Bank

December 31, 2010	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	611,547	-	-	-	-	611,547
Due from Central Bank	9,428,409	-	-	-	-	9,428,409
Due from banks	420,416	85	110,392	-	91,470	622,363
Derivative financial instruments	92,154	-	-	-	-	92,154
Loans and advances to customers	14,295,921	11,085,404	2,712,719	3,055,446	743,734	31,893,224
Financial assets available for sale	261,430	839,948	1,344,908	1,407,489	178,577	4,032,352
Investments in associates	-	-	-	-	153,603	153,603
Goodwill	-	-	-	-	50,151	50,151
Non current assets and other assets	-	164,870	-	-	1,239,635	1,404,505
Total assets	25,109,877	12,090,307	4,168,019	4,462,935	2,457,170	48,288,308
LIABILITIES						
Demand deposits and current accounts	13,976,859	-	-	-	-	13,976,859
Term deposits	10,114,304	5,089,469	1,860,242	859,282	77,760	18,001,057
Borrowed funds and debt issued	1,131,321	4,569,322	3,535,044	64,765	3,168	9,303,620
Subordinated debt	431,804	432,415	-	-	-	864,219
Derivative financial instruments	91,639	-	-	-	-	91,639
Deferred tax liability	16,302	11,253	35,773	52,232	80,233	195,793
Other liabilities	275,854	2,069	-	-	-	277,923
Total liabilities	26,038,083	10,104,528	5,431,059	976,279	161,161	42,711,110
Total shareholders' equity	-	-	-	-	5,577,198	
Net position	(928,206)	1,985,779	(1,263,040)	3,486,656	(3,281,190)	

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

42. Risk management (continued)

42.3 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 Group permanently monitors the current liquidity gaps and forecasts regularly the future liquidity position. As well the Group uses stress scenarios as part of liquidity risk management.

The maturity structure of the Group's and the Bank's assets and liabilities, based on the expected maturity as of December 31, 2011 and 2010 is as follows:

Group							
December 31, 2011	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	662,194	662,194	-	-	-	-	-
Due from Central Bank	8,743,127	8,743,127	-	-	-	-	-
Due from banks	1,035,020	798,498	-	30,847	101,652	104,023	-
Derivative financial instruments	313,788	313,788	-	-	-	-	-
Loans and advances to customers	31,859,329	4,049,809	1,907,078	7,181,508	10,573,268	8,147,666	-
Financial lease receivables	732,665	93,364	62,629	421,796	154,876	-	-
Financial assets available for sale	4,877,014	239,890	35,620	1,911,712	2,434,955	254,837	-
Investments in associates	95,427	-	-	-	-	-	95,427
Goodwill	50,130	-	-	-	-	-	50,130
Non current assets and other assets	1,510,377	-	235,133	-	-	-	1,275,244
Total assets	49,879,071	14,900,670	2,240,460	9,545,863	13,264,751	8,506,526	1,420,801
LIABILITIES							
Demand deposits and current accounts	13,233,637	13,233,637	-	-	-	-	-
Term deposits	21,253,245	13,204,718	4,452,044	2,429,408	941,535	225,540	-
Borrowed funds and debt issued	7,716,275	68,830	474,852	6,076,853	1,087,710	8,030	-
Subordinated debt	874,161	10,221	-	-	863,940	-	-
Derivative financial instruments	170,812	170,812	-	-	-	-	-
Current tax liability	19,731	-	-	19,731	-	-	-
Deferred tax liability	148,089	11,763	10,252	31,713	56,837	19,672	17,852
Other payables	374,724	372,652	2,072	-	-	-	-
Total liabilities	43,790,675	27,072,633	4,939,220	8,557,705	2,950,022	253,242	17,852
Total shareholders equity	6,088,396	-	-	-	-	-	6,088,396
Gap		(12,171,963)	(2,698,760)	988,158	10,314,729	8,253,284	(4,685,447)
Cumulative gap		(12,171,963)	(14,870,723)	(13,882,565)	(3,567,837)	4,685,447	-

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

42. Risk management (continued)

42.3 Liquidity risk (continued)

Group							
December 31, 2010	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash	611,570	611,570	-	-	-	-	-
Due from Central Bank	9,429,298	9,429,298	-	-	-	-	-
Due from banks	662,001	422,449	-	18,294	98,282	122,976	-
Derivative financial instruments	85,839	85,839	-	-	-	-	-
Loans, net	32,243,213	3,457,251	2,095,862	8,025,397	9,971,210	8,693,493	-
Financial lease receivables	871,821	96,172	91,445	454,404	211,003	18,797	-
Financial assets available for sale	4,081,509	112,344	149,086	1,956,946	1,639,285	223,848	-
Investments in associates	78,237	-	-	-	-	-	78,237
Goodwill	50,151	-	-	-	-	-	50,151
Non current assets and other assets	1,597,854	-	278,537	-	-	-	1,274,727
Total assets	49,666,903	14,214,923	2,614,930	10,455,041	11,919,780	9,059,114	1,403,115
LIABILITIES							
Demand deposits and current accounts	13,965,114	13,965,114	-	-	-	-	-
Term deposits	17,936,160	10,086,960	4,870,229	1,881,666	944,978	152,327	-
Borrowed funds and debt issued	10,508,800	969,441	257,743	7,758,696	1,374,223	148,697	-
Subordinated debt	864,219	3,324	3,935	-	856,960	-	-
Derivative financial instruments	91,639	91,639	-	-	-	-	-
Current tax liability	2,383	-	-	2,383	-	-	-
Deferred tax liability	193,164	16,102	11,142	35,496	53,008	23,003	54,413
Other payables	356,357	354,288	2,069	-	-	-	-
Total liabilities	43,917,836	25,486,869	5,145,118	9,678,241	3,229,169	324,027	54,413
Total shareholders equity	5,749,067	-	-	-	-	-	5,749,067
Gap		(11,271,945)	(2,530,188)	776,800	8,690,611	8,735,088	(4,400,365)
Cumulative gap		(11,271,945)	(13,802,133)	(13,025,333)	(4,334,722)	4,400,366	-

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

42. Risk management (continued)

42.3 Liquidity risk (continued)

Bank

December 31, 2011	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	662,171	662,171	-	-	-	-	-
Due from Central Bank	8,741,778	8,741,778	-	-	-	-	-
Due from banks	995,384	796,521	-	18,294	89,099	91,470	-
Derivative financial instruments	316,478	316,478	-	-	-	-	-
Loans and advances to customers	31,555,334	4,050,283	1,905,749	7,161,844	10,343,049	8,094,409	-
Financial lease receivables	-	-	-	-	-	-	-
Financial assets available for sale	4,876,826	239,890	35,620	1,911,710	2,499,130	190,476	-
Investments in associates	153,452	-	-	-	-	-	153,452
Goodwill	50,130	-	-	-	-	-	50,130
Non current assets and other assets	1,399,445	-	163,810	-	-	-	1,235,635
Total assets	48,750,998	14,807,121	2,105,179	9,091,848	12,931,278	8,376,355	1,439,217
LIABILITIES							
Demand deposits and current accounts	13,264,722	13,264,722	-	-	-	-	-
Term deposits	21,307,792	13,226,712	4,452,044	2,429,408	941,535	258,093	-
Borrowed funds and debt issued	6,793,165	7,920	448,389	5,436,573	899,600	682	-
Subordinated debt	874,161	10,221	-	-	863,940	-	-
Derivative financial instruments	170,812	170,812	-	-	-	-	-
Current tax liability	16,867	-	-	16,867	-	-	-
Deferred tax liability	145,812	11,976	10,343	31,979	56,135	19,572	15,807
Other payables	287,430	285,358	2,072	-	-	-	-
Total liabilities	42,860,761	26,977,722	4,912,847	7,914,827	2,761,210	278,347	15,807
Total shareholders equity	5,890,237	-	-	-	-	-	5,890,237
Gap		(12,170,601)	(2,807,668)	1,177,023	10,170,068	8,098,006	(4,466,827)
Cumulative gap		(12,170,601)	(14,978,268)	(13,801,246)	(3,631,178)	4,466,827	-

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

42. Risk management (continued)

42.3 Liquidity risk (continued)

Bank

December 31, 2010	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash	611,547	611,547	-	-	-	-	-
Due from Central Bank	9,428,409	9,428,409	-	-	-	-	-
Due from banks	622,363	420,501	-	18,294	73,176	110,392	-
Derivative financial instruments	92,154	92,154	-	-	-	-	-
Loans, net	31,893,224	3,457,080	2,093,798	7,989,799	9,718,697	8,633,850	-
Financial assets available for sale	4,032,352	261,430	839,948	1,344,908	1,407,489	178,577	-
Investments in associates	153,603	-	-	-	-	-	153,603
Goodwill	50,151	-	-	-	-	-	50,151
Non current assets and other assets	1,404,505	-	164,870	-	-	-	1,239,635
Total assets	48,288,308	14,271,121	3,098,616	9,353,001	11,199,362	8,922,819	1,443,389
LIABILITIES							
Demand deposits and current accounts	13,976,859	13,976,859	-	-	-	-	-
Term deposits	18,001,057	10,114,304	4,875,229	1,881,666	944,978	184,880	-
Borrowed funds and debt issued	9,303,620	861,503	225,978	7,410,191	674,236	131,712	-
Subordinated debt	864,219	3,324	3,935	-	856,960	-	-
Derivative financial instruments	91,639	91,639	-	-	-	-	-
Deferred tax liability	195,793	16,302	11,253	35,773	52,232	22,933	57,300
Other payables	277,923	275,854	2,069	-	-	-	-
Total liabilities	42,711,110	25,339,784	5,118,464	9,327,630	2,528,406	339,525	57,300
Total shareholders equity	5,577,198	-	-	-	-	-	5,577,198
Gap	(11,068,664)	(2,019,848)	25,371	8,670,956	8,583,294	(4,191,109)	
Cumulative gap	(11,068,664)	(13,088,512)	(13,063,141)	(4,392,186)	4,191,109		

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

42. Risk management (continued)

42.3 Liquidity risk (continued)

Future undiscounted cash flows

The tables below summaries the maturity profile of the financial liabilities based on contractual undiscounted repayment obligations.

Group							
December 31, 2011	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Demand deposits and current accounts	13,233,900	13,233,900	-	-	-	-	-
Term deposits	21,553,612	13,220,677	4,466,133	2,549,189	1,035,792	281,821	-
Borrowed funds and debt issued	7,841,663	71,571	485,071	6,176,286	1,100,766	7,968	-
Subordinated debt	927,375	11,304	-	10,896	905,175	-	-
Derivative financial instruments	(16,550)	12,309	188	31,523	(60,733)	163	-
Current tax liability	19,731	-	-	19,731	-	-	-
Deffered tax liability	148,089	11,763	10,252	31,713	56,837	19,672	17,852
Other liabilities except for fair values of derivatives	374,723	372,652	2,071	-	-	-	-
Letters of guarantee granted	7,106,928	7,106,928	-	-	-	-	-
Total	51,189,471	34,041,105	4,963,715	8,819,338	3,037,838	309,624	17,852

Group							
December 31, 2010	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Demand deposits and current accounts	13,965,467	13,965,467	-	-	-	-	-
Term deposits	18,154,390	10,052,328	4,928,262	1,950,359	1,034,351	189,090	-
Borrowed funds and debt issued	10,756,519	866,747	261,971	7,728,568	1,743,433	155,800	-
Subordinated debt	951,594	8,081	-	8,957	934,556	-	-
Derivative financial instruments	448	(1,591)	555	8,837	(5,830)	(1,523)	-
Current tax liability	2,383	-	-	2,383	-	-	-
Deferred tax liability	193,164	16,102	11,142	35,496	53,008	23,003	54,413
Other liabilities except for fair values of derivatives	356,357	354,288	2,069	-	-	-	-
Letters of guarantee granted	7,931,516	7,931,516	-	-	-	-	-
Total	52,311,838	33,192,937	5,203,999	9,734,600	3,759,518	366,370	54,413

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

42. Risk management (continued)

42.3 Liquidity risk (continued)

Future undiscounted cash flows (continued)

Bank							
December 31, 2011	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Demand deposits and current accounts	13,264,985	13,264,985	-	-	-	-	-
Term deposits	21,608,160	13,242,671	4,466,133	2,549,189	1,035,792	314,374	-
Borrowed funds and debt issued	6,914,288	9,338	457,077	5,526,795	920,397	682	-
Subordinated debt	927,375	11,304	-	10,896	905,175	-	-
Derivative financial instruments	(13,854)	12,309	644	32,377	(59,347)	163	-
Current tax liability	16,867	-	-	16,867	-	-	-
Deffered tax liability	145,811	11,976	10,343	31,979	56,135	19,572	15,806
Other liabilities except for fair values of derivatives	287,430	285,358	2,072	-	-	-	-
Letters of guarantee granted	7,191,162	7,191,162	-	-	-	-	-
Total liabilities	50,342,224	34,029,104	4,936,269	8,168,103	2,858,152	334,791	15,806

Bank							
December 31, 2010	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Demand deposits and current accounts	13,977,212	13,977,212	-	-	-	-	-
Term deposits	18,223,977	10,082,102	4,933,262	1,950,359	1,034,351	223,904	-
Borrowed funds and debt issued	9,576,515	868,518	222,160	7,549,880	800,482	135,475	-
Subordinated debt	951,594	8,081	-	8,957	934,556	-	-
Derivative financial instruments	6,882	(1,581)	1,202	10,496	(1,711)	(1,523)	-
Deferred tax liability	138,494	16,302	11,253	35,773	52,232	22,934	-
Other liabilities except for fair values of derivatives	277,923	275,854	2,069	-	-	-	-
Letters of guarantee granted	8,022,717	8,022,717	-	-	-	-	-
Total liabilities	51,175,315	33,249,204	5,169,946	9,555,465	2,819,909	380,791	-

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43. Fair value

Determination of fair value and fair value hierarchy

The Group 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:

	Group				Bank			
	December 31, 2011				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	6,040	-	6,040	-	8,731	-	8,731
Currency swaps	-	41,163	-	41,163	-	41,163	-	41,163
Forward foreign exchange contracts	-	22,160	-	22,160	-	22,160	-	22,160
Currency options	-	31,368	-	31,368	-	31,367	-	31,367
	-	100,731	-	100,731	-	103,421	-	103,421
Financial assets available for sale								
Treasury notes	-	4,709,048	-	4,709,048	-	4,709,049	-	4,709,049
Equity investments	2,039	-	9,519	11,708	2,039	-	9,479	11,519
Other securities	156,258	-	-	156,258	156,258	-	-	156,258
	158,297	4,709,048	9,519	4,877,014	158,297	4,709,049	9,479	4,876,826
Financial instruments for transaction	213,057	-	-	213,057	213,057	-	-	213,057
Total	371,354	4,809,779	9,519	5,190,802	371,354	4,812,470	9,479	5,193,304
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	97,259	-	97,259	-	97,259	-	97,259
Currency swaps	-	25,987	-	25,987	-	25,987	-	25,987
Forward foreign exchange contracts	-	16,199	-	16,199	-	16,199	-	16,199
Currency options	-	31,367	-	31,367	-	31,367	-	31,367
Total	-	170,812	-	170,812	-	170,812	-	170,812

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43. Fair value (continued)

	Group				Bank			
	December 31, 2010				December 31, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	3,431	-	3,431	-	9,746	-	9,746
Currency swaps	-	27,041	-	27,041	-	27,041	-	27,041
Forward foreign exchange contracts	-	3,294	-	3,294	-	3,294	-	3,294
Currency options	-	52,073	-	52,073	-	52,073	-	52,073
	-	85,839	-	85,839	-	92,154	-	92,154
Financial assets available for sale								
Treasury notes	-	3,964,454	-	3,964,454	-	3,964,453	-	3,964,454
Equity investments	1,356	-	7,470	8,826	1,356	-	6,335	7,691
Other securities	108,229	-	-	108,229	60,208	-	-	60,208
	109,585	3,964,454	7,470	4,081,509	61,564	3,964,453	6,335	4,032,352
Total	109,585	4,050,293	7,470	4,167,348	61,564	4,056,607	6,335	4,124,506
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	10,839	-	10,839	-	10,839	-	10,839
Currency swaps	-	19,097	-	19,097	-	19,097	-	19,097
Forward foreign exchange contracts	-	9,630	-	9,630	-	9,630	-	9,630
Currency options	-	52,073	-	52,073	-	52,073	-	52,073
Total	-	91,639	-	91,639	-	91,639	-	91,639

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 Group'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.

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43. Fair value (continued)

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

Financial assets

Deposits with banks, loans originated by the Group 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.

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

	Group				Bank			
	December 31, 2011		December 31, 2010		December 31, 2011		December 31, 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	662,194	662,194	611,570	611,570	662,171	662,171	611,547	611,547
Due from Central Bank	8,743,127	8,743,127	9,429,298	9,429,298	8,741,778	8,741,778	9,428,409	9,428,409
Due from banks	1,035,020	1,035,020	662,001	662,001	995,384	995,384	622,363	622,363
Loans and advances to customers	31,859,329	32,054,499	32,243,213	32,354,730	31,555,334	31,785,744	31,893,224	32,068,947
Financial lease receivables	732,665	687,796	871,821	840,158	-	-	-	-
	43,032,335	43,182,636	43,817,903	43,897,757	41,954,667	42,185,077	42,555,543	42,731,266
Financial liabilities								
Demand deposits and current accounts	13,233,637	13,233,637	13,965,114	13,965,114	13,264,722	13,264,721	13,976,859	13,976,859
Term deposits	21,253,245	21,240,365	17,936,160	17,237,828	21,307,792	21,294,879	18,001,057	17,271,983
Borrowed funds and debt issued	7,716,276	7,757,392	11,373,019	11,405,727	6,793,165	6,829,363	10,167,839	10,891,164
	42,203,158	42,231,394	43,274,293	42,608,669	41,365,679	41,388,963	42,145,755	42,140,006

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43. 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.

44. Post balance sheet events

According to NBR Order No. 9/2010 regarding applying International Financial Reporting Standards by credit institutions as basis of accounting for the preparation of financial statements starting financial year 2012, the Group adopted the above mentioned regulation and implemented IFRS as basis of accounting starting January 1, 2012.

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