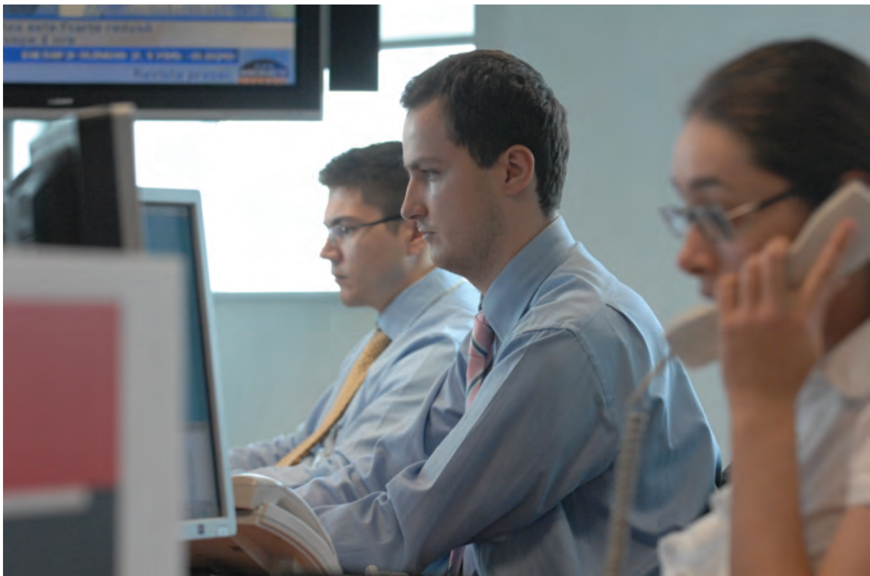
# Annual Report 2007

BRD
GROUPE SOCIETE GENERALE

# Content





## Chairman and CEO's message

2007 has confirmed once again the commercial dynamism of BRD. The network has pursued its development: 200 new agencies have been opened, our network thus reaching over 800 outlets; 300,000 new customers have placed their trust in us; our outstanding deposits increased by 37%, while our loans augmented by 44%, a rhythm superior to the average in the banking system.

BRD's contribution to the Romanian economy reaches more than 10 billion euros, spread on all the market segments: individuals, micro-enterprises, SMEs, large corporations, the public sector and the local governments.

In parallel with its commercial development, BRD has adapted its risk and internal control device, so as to line it up with the new prudential rules of Basel II.

Also, various investments have been made to improve our processes and productivity: we have created a customer service pole, which regroups the administrative services of the agencies in the Bucharest area, and an IT centre in the Southern outskirts, destined to secure our systems and dimensioned so as to accompany our growth.

All these commercial and functional developments have not affected our financial performances, which have got better with every passing year.

It comes as no surprise then that "Euromoney" designated BRD, for the third consecutive year, the best bank in Romania, a qualification that was later repeated by "The Banker" and „Global Finance".

The year 2008 presents a certain number of uncertainties which might weigh on the banking system. The degradation of some macroeconomic indicators and the effects of the international financial crisis have already turned access to the markets into an expensive business and may have an impact on the development and quality of some counterparties.

Romania's capacity to attract European funds to modernise its economy, especially its infrastructure and agriculture, also represents an important stake. Agriculture constitutes indeed a potential asset that would be decisive in the context of a significant increase of food needs; the delay of road and rail infrastructures may become in time a bottleneck of the economy. BRD has created a specific device to accompany such financings and intents to play a major part in this sector. Nevertheless, such eligible projects still need validation.

The strength of BRD lies in its 8,500 employees who share the same values and in the 2,400,000 customers who have chosen us. We are confident that, thanks to all of them and despite the uncertainties of the circumstances, we have the ability to maintain the level of performance reached so far.

Patrick Gelin

**Key points 2007***

Net Banking Income
707 M EUR (+40%)

Net Result
306 M EUR (+ 54%)

**A strong dynamics of organic growth**

Investments
69 M EUR

Number of agencies
806 (+206)

**A solid financial structure**

Shareholders' equity
858 M EUR (+26% )

**High profitability**

ROE
43%

BRD share price multiplied by 18.4 in EUR equivalent since IPO (2001)

Dividends per share
0,59 RON (+50%)

*IFRS figures

# 2007 – Review

## Signature for the Băneasa Project

BRD was the leading investor in a EUR 186 millions syndicated loan granted for the financing of the Băneasa Project, the most complex real estate project developed so far in Romania.

## Commercial Innovations: Gadget Card, RoboBRD


The Gadget Card was launched in March with the purpose of attracting the non-customers which paid their invoices in the BRD agencies.
In the month of April, the nice RoboBRD appeared in the BRD agencies –a robot which allowed especially an automatic payment of the invoices. This robot was created based on an electronic payment terminal, equipped with a barcode reader and a money receiving device and its main advantage was the relief of the congestion at the desk for the payment of the invoices.
RoboBRD won the award « e-products and services », granted by the e-Finance magazine.

## The banking card no. 2,000,000

BRD surpassed the 2,000,000 issued cards threshold in early June 2007. The Bank has doubled, in two years, the number of issued cards.

## The Société Générale Art Collection in Bucharest

From June 14 to July 15, Société Générale presented for the first time to the Bucharest public a selection of the modern contemporary art works in its collection, considered to be one of the most important private art collections. With this occasion, those interested in art were able to admire works of artists such as Pierre Alechinsky, Victor Burgin, Tom Carr, Lewitt Sol, Philippe Ramette or Andy Warhol.

## For love of rugby

The year 2007 was in the Société Générale Community the year of rugby. The fact that France organized, in September and October, The Rugby World Cup and that Société Générale was the main partner of this event become the opportunity for an external and internal communication campaign regarding the themes of the values underlying this sport: conviviality, respect, team spirit. Société Générale also celebrated the anniversary of 20 years of involvement in supporting rugby. On the other side, BRD supports the Romanian Rugby Federation for 8 years.


## Entering the market of private pensions


BRD announced, in September, its entry on the market of the mandatory private pensions (second pillar). BRD Fond de Pensii is a company of pensions' funds management, the result of a joint participation of Sogecap, life assurance company of the Group Société Générale, which owns 51% of the shares and of BRD Groupe Société Générale, which holds 49% of the shares of the company.

## New subsidiaries of Société Générale have been set up in Romania

The year 2007 also brought new opportunities for development of the financial services in Romania and the Société Générale Group decided to open 3 new branches. Beside BRD Fond de Pensii, both SOGEPROM Romania - real estate promotion subsidiary and ECS Romania, whose business is the operational leasing for IT equipments have also been established.

## Awards and acknowledgements

For the 3rd consecutive year, BRD received the award "Best Bank in Romania", granted by Euromoney Magazine. BRD-Groupe Société Générale also received, for the second consecutive year, the title of «Best Bank in Romania» from «The Banker» magazine, while the American magazine «Global Finance» granted it the same title. In October 2007, BRD was ranked 6th in the top of the «Best factoring company Export/Import» of the Factors Chain International organization (225 members).

## Launching of the EuroBRD program

BRD is one of the banks which developed an offer of financing of the projects benefiting from the European funds; The EuroBRD program-European Funds after accession was launched in December.

## Major investments

Large investment projects destined to the reorganisation of the BRD activity were finished in 2007. Among the most important projects, were the following:

1. Building a new IT centre: the IT Production Centre of Berceni hosts over 280 servers, 100 network equipments and serves 80 computer applications of BRD and its subsidiaries. The new centre also plays the role of regional platform for the internet Banking services provided by BRD and the subsidiaries of Société Générale in Bulgaria, Russia and Ghana. The whole investment was of more than 15 milions EUR.



2. Modernisation of the Târgu Mureş Group headquarters: early December, the Târgu Mureş Group moved back to its modernized headquarters, inaugurated in the presence of the local officials and some customers of the bank.

3. Regional customer service centre: since December 2007, this regional centre regroups the entire Back-Office activity of the territorial groups of Bucharest.

# History and profile

## History

On December 1, 1990, the Romanian Bank for Development (Banca Română pentru Dezvoltare) was set up as an independent bank with the legal status of a joint-stock company, taking over the assets and liabilities of Banca de Investitii, with a full banking licence. Banca Română pentru Dezvoltare was registered in February 1991 as a joint-stock company the share capital of which was held by the Romanian State.

In March 1999, Société Générale (SG) bought a stake in Banca Română pentru Dezvoltare from «Fondul Proprietăţii de Stat» (a state ownership fund) and, at the same time, increased the share capital of Banca Română pentru Dezvoltare to reach a 51 per cent holding of its shares.

Since January 2001, the Bank's shares have been admitted to trading and quoted on the First Tier of the Bucharest Stock Exchange.

In 2004, SG bought the residual stake in Banca Română pentru Dezvoltare from the Romanian State, thereby increasing its holding of shares in the Issuer to 58.32 per cent.

On May 27, 2004 the legal name of Banca Română pentru Dezvoltare was changed to BRD-Groupe Société Générale SA.


## Profile of BRD – Groupe Société Générale

BRD - Groupe Société Générale is the second bank in Romania, holding a market share, as at December 31, 2007, of 16% to 21% depending on customer segment and product. At the end of 2007, BRD is the second issuer on the Bucharest Stock Exchange with a market capitalisation of approximately EUR 5.4 billion.

The Bank counts almost 2,400,000 customers, over 8,500 employees and a network of more than 800 units.

### Ratings

| | |
|---|---|
| Fitch | A- (negative perspective) |
| Moody's | Baa3 (positive perspective) |

# Profile of Société Générale

Société Générale was set up in 1864 as a banking company, registered in France. Its head office is located on 29, Boulevard Haussmann, 75009, Paris, France, and its shares are listed on the Paris Stock Exchange.

Société Générale is one of the main financial groups worldwide and the seventh largest French company in terms of market capitalisation (EUR 46.2 billion as at December 31, 2007). SG employs about 151,000 people and is present in more than 82 countries.

Société Générale focuses on the three following complementary lines of business:

- Retail Banking and financial services;
- Asset Management and Private Banking;
- Corporate & Investment Banking.

Société Générale has over 27 million retail banking customers worldwide (including Russia, after purchase of Rosbank).

Société Générale is the one of the largest banks in France, having two distribution networks, Société Générale and Crédit du Nord, (with 9.4 million retail banking customers and almost 3,000 branches).

Société Générale is the fourth asset manager in the Euro zone, with a portfolio of approximately EUR 435 billion under management as at December 31, 2007, and the third largest European bank in terms of assets, which as at December 31, 2007 totalled EUR 2,583 billion.

Société Générale Corporate and Investment Banking is the third largest financing and investment bank in the Euro zone, in terms of net banking income. It is present in over 45 countries, in Europe, Asia and on the American continent.

At present, the credit ratings given to Société Générale by the main rating agencies are:

| | |
|---|---|
| Standard and Poor's : | AA- (negative perspective) |
| Moody's : | Aa2 (stable perspective) |
| Fitch IBCA : | AA- (stable perspective) |

## Position of BRD within Société Générale

Société Générale has been present in Romania since 1980, being the only significant bank in Western Europe that was present in Romania during the communist era.

BRD is part of the international network of Société Générale, managed by the Division of Retail Banking outside Metropolitan France (BHFM) - a structure created in March 1998 to coordinate the international retail banking activities of Société Générale abroad and in the French Overseas Departments and Territories.

# Group strategy and business

## Strategy

BRD is a universal bank that provides services to both individuals and companies.

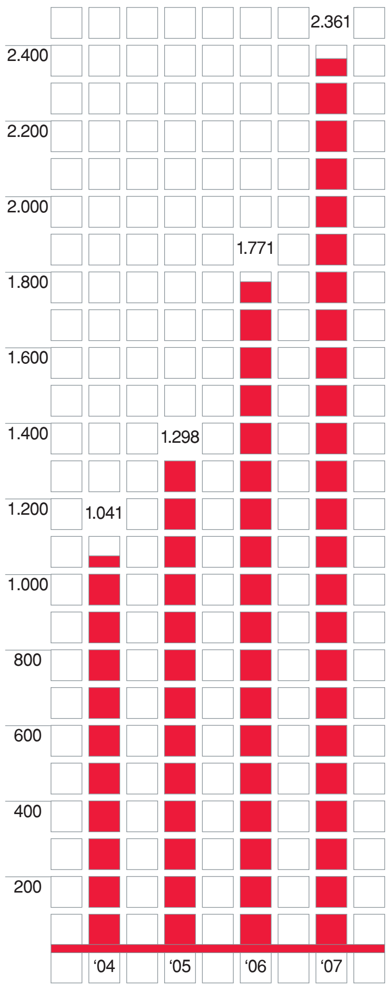
The strategy of BRD consists of developing on all market segments while maintaining a level of durable profitability.

BRD is the second largest credit institution in Romania holding the following market shares (unconsolidated figures):

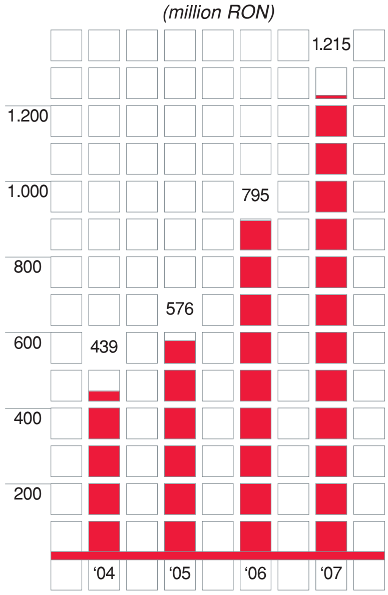
| | End 2005 | End 2006 | End 2007 |
|---|---|---|---|
| | (%) | (%) | (%) |
| Total assets | 15.4 | 16.5 | 15.4 |
| Corporate loans | 14.8 | 16.7 | 15.9 |
| Corporate deposits | 17.5 | 21.5 | 21.5 |
| Loans to individuals | 18.7 | 22.7 | 18.1 |
| Deposits to individuals | 16.2 | 16.8 | 17.6 |

# Key figures, share and dividends

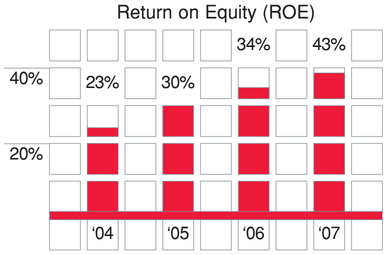
Net Banking Income
*(million RON)*

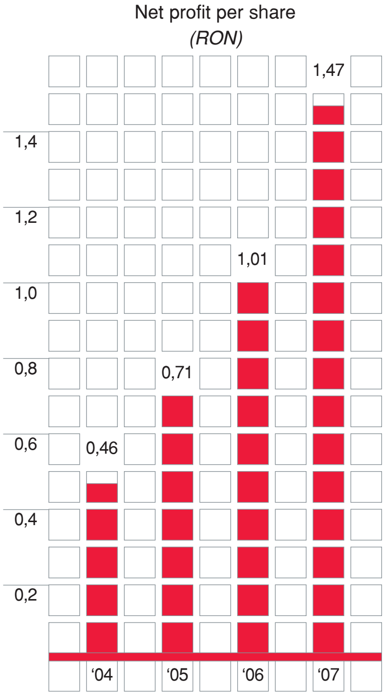


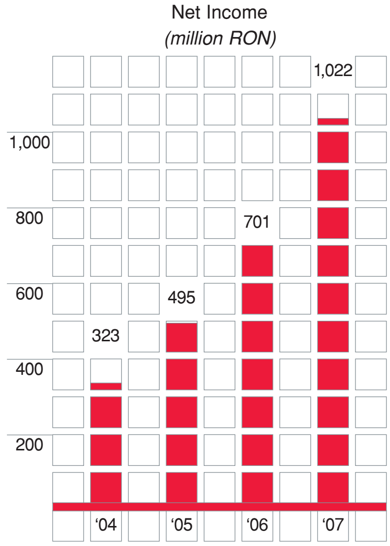

Gross Operating Result
*(million RON)*

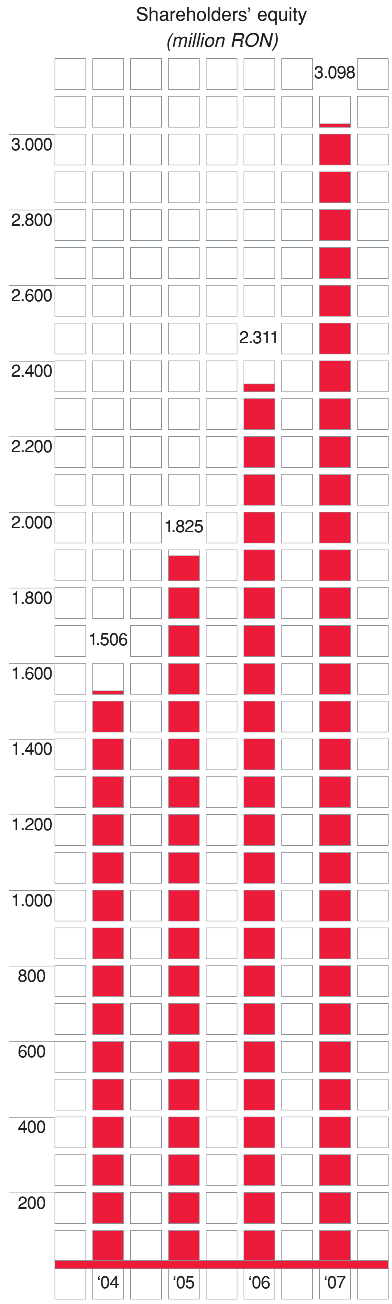


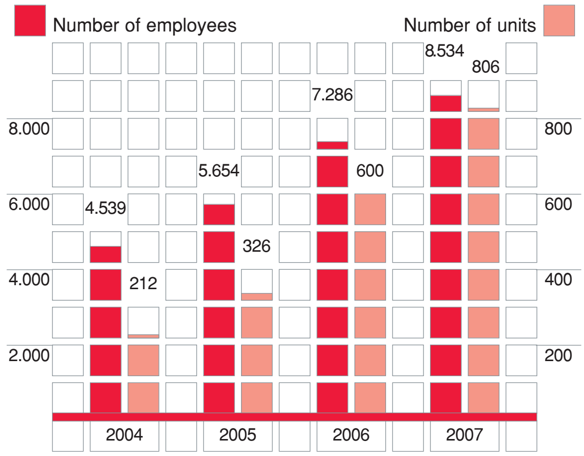

Return on Equity (ROE)






## BRD share

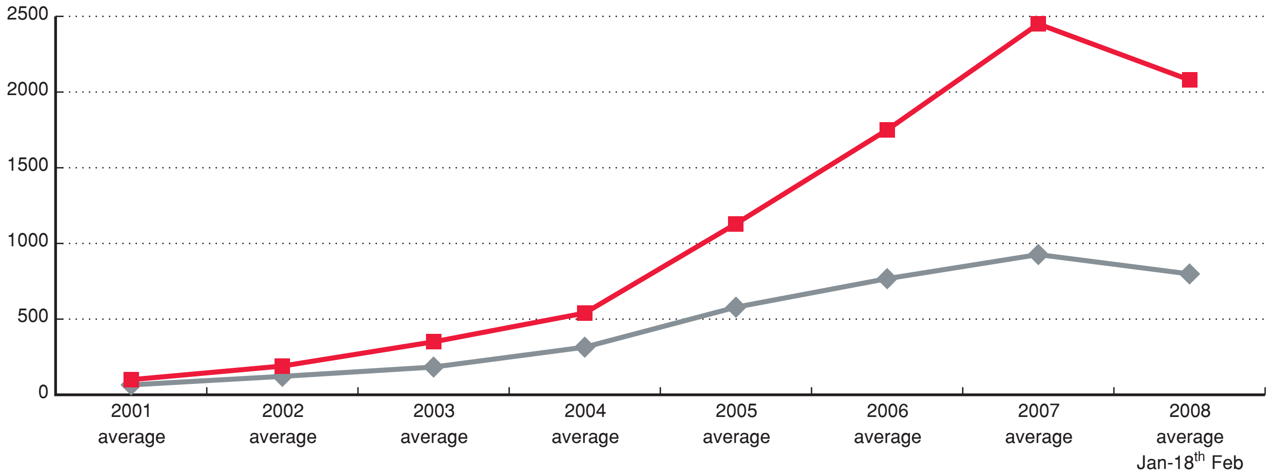
### Stock exchange information

The market capitalisation of the Bank reached RON 19.5 billion (EUR 5.4 billion) at the end of 2007, compared to RON 13 billion (EUR 4 billion) as at December 2006; BRD ranking second among the listed companies. In 2007, the average of daily transactions was of RON 4.3 millions (EUR 1.3 billions).

Since January 2001, the date of listing on the stock exchange, the BRD stock price multiplied by 18.4 in EUR equivalent.

The following table shows the evolution of the main stock exchange ratios over the last three years.

| | | 2005 | 2006 | 2007 |
|---|---|---|---|---|
| Equity IFRS (million RON) | | 1,825 | 2,311 | 3,098 |
| Stock exchange capitalization (million RON) | | 9,548 | 12,893 | 19,513 |
| Net profit/share (RON) | nominal | 0.71 | 1.01 | 1.47 |
| Net Assets/share (RON) | nominal | 2.62 | 3.32 | 4.44 |
| Price (RON) | last | 13.7 | 18.5 | 28.0 |
| | maximum | 14.7 | 19.8 | 29.7 |
| | minimum | 3.7 | 14.0 | 19.7 |




**Stock exchange indexes**
The BRD share is part of the BET index (representing 19.7% of its value) and of the ROTX index, on the Vienna Stock Exchange, which takes into consideration the most traded stocks on the Bucharest Stock Exchange. BRD shares are also part of the «New Europe Blue Chip Index» index (NTX), on the Vienna Stock Exchange. This regional index summarizes the evolution of the stock exchange markets from Central and Eastern Europe countries by analyzing the 30 most important companies quoted on the national stock exchanges.

**The evolution of dividends**
The following table sets out the evolution of the dividend distributed in the last three years.

| | 2005 | 2006 | 2007 |
|---|---|---|---|
| Number of shares (x 1000) | 696,902 | 696,902 | 696,902 |
| Total dividend (million RON) | 215 | 256 | 412 |
| Dividend per share (RON), nominal | 0.31 | 0.37 | 0.59 |
| Distribution rate * | 45% | 45% | 45% |

(*) After incorporation of the credit risk reserve / general risk reserve for the years it was made.

**Payment of dividends**
The dividends are distributed to the shareholders proportionally to their participation in the share capital. The dividend income is subject to withholdings tax.

According to the Articles of Incorporation of the Bank, dividends are paid within no more than 3 months from the date of approval of the annual financial statements for the year then ended, in cash or by bank transfer, according to the shareholders' choice.

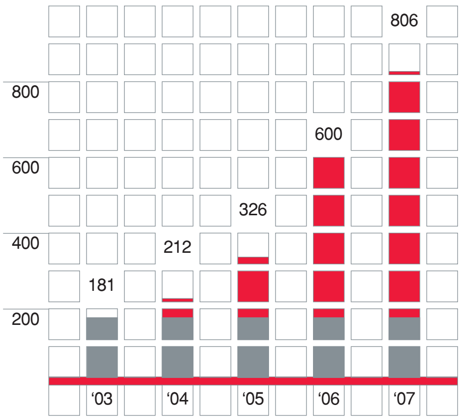
Unclaimed dividends are prescribed within 3 years from the payment start date, according to legal provisions.

# Commercial activity

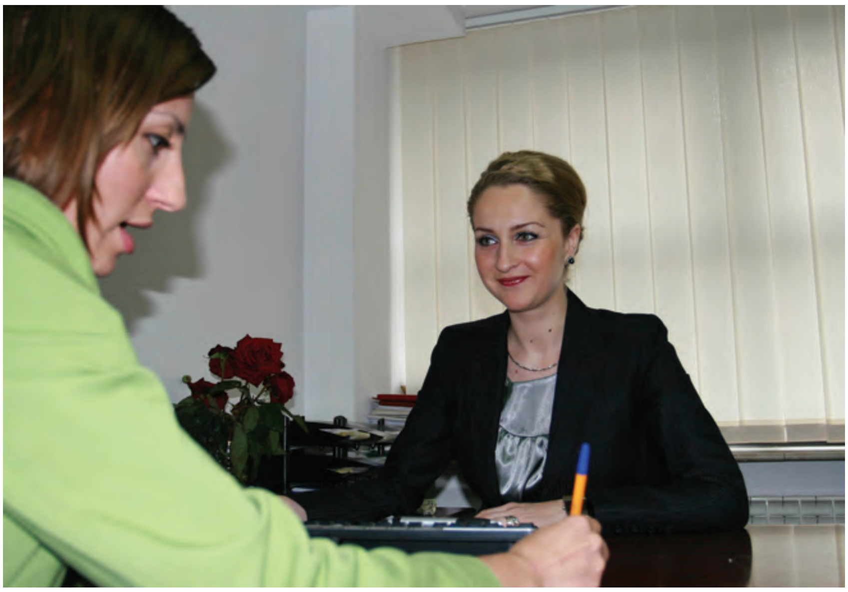
## BRD network – at the customers' service

In 2007, BRD pursued the expansion of its network by opening over 200 agencies, continuing thus to cover the large and medium cities, as well as the rural areas with potential (blitz agencies).

Evolution of the number of BRD agencies




This development was accompanied by an ambitious recruiting and training programme of new employees: over 2,400 employments in 2007.



**BRD, an universal bank:**

**Retail bank: 2,259,000 customers**

- The outstanding loans extended to individual customers represent almost RON 13.6 billion (+46 % compared to December 2006).
- Out of the above figure, BRD Finance, the subsidiary specialised in extending credits at the point of sale, had RON 608 million outstanding loans – (+25%).
- BRD Fond de Pensii, subsidiary of SOGECAP (SG line of business in charge with life insurance) and an associated entity of BRD, started its activity in 2007, at the same time with the launch of pillar II (compulsory pensions).

**Corporate bank: 146,000 customers**

- The outstanding loans to corporate customers represent over RON 15.3 billion (+ 44% compared to December 2006).
- Factoring: Leader on the Romanian market, with a market share of over 40%.
- BRD Sogelease: among the first 5 leasing companies, subsidiaries of banks or financial institutions, with a market share of 11%.
- ALD Automotive: management of a fleet of more than 2,600 vehicles after 18 months in the business.

- New business lines of Société Générale have been set up in Romania, through two entities associated to BRD: ECS Romania, providing leasing services for IT equipments and SOGEPROM Romania – real estate developer.

**Investment banking**

- BRD/SG Corporate Finance: Complete consultancy services for mergers – acquisitions and privatisations.
- BRD-Securities: a brokerage company
- BRD Asset Management: a branch of BRD in the field of asset management.

## Individual customers

We seek to be close to our customers, through different concepts:

- the BRD Express agencies, present in the areas with a high development potential and in small and medium towns;
- our agencies in shopping centres and universities;
- the Blitz agencies – present in the rural areas with potential.


### A proximity bank that also offers alternative communication channels

Apart from the rapid expansion of the agency network, BRD permanently develops and improves the alternative channels of remote banking: Vocalis Call Centre, Internet Banking, E-Commerce and Mobile Banking services.

BRD signed collaboration agreements that facilitate the invoice payments to the providers of electricity, gas and other utilities through various channels, such as ATMs, ROBO BRD, the network of partner traders or the direct debit, internet or mobile banking services.


The adequacy of our products and services and the enlargement of our range of cards have brought us excellent results among the young customers, the employees, the private banking customers, but also among the Romanians working abroad and the expatriates. BRD ended the year 2007 with 2,259,000 active individual customers, meaning an increase of over 270,000 customers, compared to the end of 2006.

In 2007, the consumer loan offer was structured according to the credit periods.
Following the new credit conditions approved by NBR, the new offer of real estate/mortgage loans triggered a production boom and, consequently, the growth of this type of loans in the bank portfolio.

The large range of saving products of BRD allows to adapt to all the categories of customers, irrespective of their age and income.

### Markets and products

In 2007, BRD launched an offer of products and services, differentiated by customer segments. Thus, the «Clasic» and «Select» packages were created in the first half of 2007, enjoying a great commercial success.

BRD also launched the Gadget card, the first proprietor card meant to encourage the utilities payments by card (170,000 such cards being issued in 2007, 80% of which representing new customers).

**Young people**, especially students, have continued to represent a priority segment to BRD. Thus, in 2007, the development of our partnerships with universities, the addition of new products and services to our offer and the commercial animation actions made in collaboration with our partners attracted more than 180,000 new young customers.

**The private banking / the wealth management business** enjoy special attention from the bank, by means of its specialised Private Banking agency, through the international network of the Société Générale Group and its dedicated customer consultants, spread all over the country, as well as through its products and services adapter to their specific needs.

**The Romanians living abroad** represent another customer segment for which BRD developed in 2007 a special offer of products, such as service packages, international money transfers and simplified financing of their real estate projects in Romania, as well as the assistance service Vocalis International – the dedicated remote banking cell.

**Products for the retired persons.** Seizing the opportunity given by the legislation on the domiciliation of the pensions in bank accounts, BRD launched in 2007 the products for the new market segment represented by the pensioners.

## Financing of individual customers

### Financing at the point of sale: BRD Finance IFN

BRD Finance IFN was set up in 2004 by BRD and Franfinance, one of the main European players on the consumer loan market. Concerned with maintaining the quality of its services, BRD Finance has adapted its offer and permanently created new flexible, customized products, adapted to its partners. On a highly competitive market, the granted loans increased by 25% and BRD Finance has focused on offering a range of products adapted to the financial status of each of its customers.

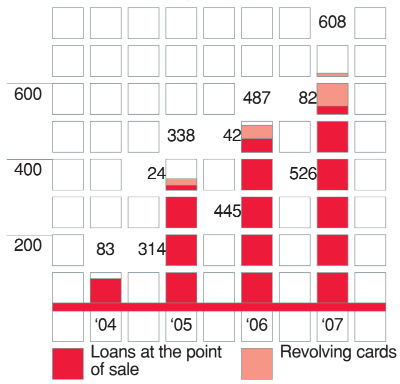
Two new programs of co-branded cards, based on the Mastercard accepting network, were launched in 2007 along with leading partners in the concerned businesses: one with Staer in April, the other with Carrefour in September. These cards allow the holder to benefit from exclusive financing formulas and discounts in the partner stores.

If the loans extended on the point of sale still represent the main activity of BRD Finance, with more than 4,000 partner stores, the sales of the other types of financing doubled and represent more than a quarter of the volumes of 2007. The company multiplied the agreements with the car dealers by increasing the range of products, services and insurances. BRD Finance also developed an own credit card and a personal loan, which are directly proposed to the customers.

### Entry on the private pension market

BRD announced its entry on the compulsory private pension market (II pillar) in September 2007. BRD-Fond de Pensii, an associated BRD entity, is the result of the collaboration between Sogecap, the life insurance subsidiary of the Société Générale Group, holding 51 % of the shares and BRD, with 49% of the company.

Outstanding loans
*(MRON)*




## Main projects of BRD in 2007 on the corporate market:

BRD was the leading lender of several syndicated loans in order to finance the following projects:

- Baneasa real estate project: EUR 186 million;
- Energomontaj: EUR 120 million;
- Masterange real estate project: EUR 80 million;
- Hidroconstructia: EUR 60 million;

BRD also participated, along with Société Générale and for a participation of USD 250 million in a USD 3 billion loan extended to KazMunaiGaz.

**Post-accession European funds:** BRD is actively involved in identifying financing solutions for the beneficiaries of European funds, by adapting its banking products and services to the customers' needs.

### Certified freelancers customers

In the conditions of an increasingly stronger competition, BRD pursued its development on this market due to an organisation and an offer that have been specially conceived for liberal professions, traders and other categories of certified freelancers, associations, but also for the small businesses.

The range of investment loans dedicated to liberal professions was completed in order to satisfy the needs of our customers (financing of the daily activity, of works or investments, real estate properties).

BRD also acquired a new scoring application for liberal professions and SMEs.

### Corporate customers

One of our priorities in 2007 continued to be the support given to the development of small and medium-sized enterprises, which represent a major component of our goodwill.

The operating structure is organised so as to allow us to maintain the geographic proximity to the customers and, at the same time, to bring the expertise of the specialists in the groups and at the Head Office (factoring, leasing, International etc.). Also, we have looked to capitalize on the synergies with the private customers market, whether they are employees or companies' top managements.

BRD launched in 2007 several products meant to complete the offer for small and medium-sized enterprises: InvestissIMO Credit – for the acquisition of real estate properties, Investissimo Plus Credit – for future constructions, purchase of land included in a real estate project, modernisation, expansion, finalisation of building, or BRD Office – internet banking adapted to the small entrepreneurs.

The offer for farmers continued to diversify by the development of the range of products specific to this market, such as short-term loans, seasonal loans, investment loans, financing of agricultural campaigns, consultancy, etc.

### Major corporate customers

For the major corporate customers, the year 2007 was marked by a significant growth of the loan production, as a result of the commercial action achieved during the year in the real estate, local and national public sectors, as well as of the value of direct foreign investments. BRD benefits once again from the synergies with the business lines of Société Générale.

### A market of companies sustained by specialised services

The international activity increased its volume by 48% compared to 2006, to EUR 23.7 billion, reflecting BRD's special interest in the customers operating in foreign trade (SMEs and large companies).

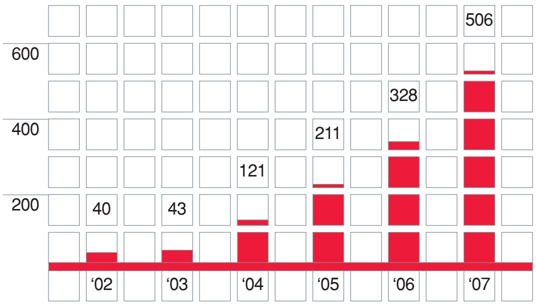
By a complete offer of commercial services (letters of credit, collection, international guarantees, conditioned payment orders, stand-by letters of credit, cheques and avals) and Western Union money transfer services (both inbound and outbound), BRD offers to its customers the professionalism of its specialists' team and relationships with over 900 correspondent banks in 100 countries.

The large worldwide network of correspondents and the support of the Société Générale represent a real competitive advantage, bringing extra quality and promptness to our services dedicated to the international market.

### Factoring

In 2007, the value of factoring claims progressed by 54%, reaching EUR 506 million, thus BRD strengthened its leading position on the Romanian market, with a market share of almost 40%.

Factoring turnover
*(M EUR)*



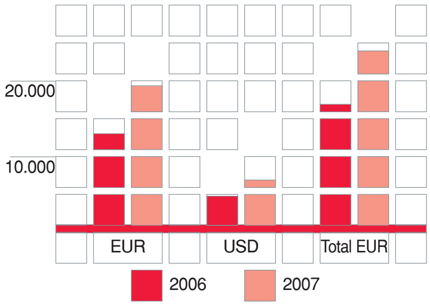

## Financial services

### Financing and services for legal entities

**Leasing: BRD Sogelease**

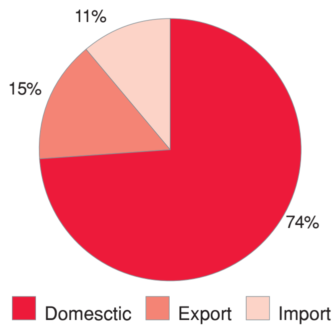
In an increasingly competitive environment, BRD Sogelease IFN, the leasing subsidiary of BRD-Groupe Société Générale, concluded in 2007 over 3,800 leasing contracts, the value of the financed assets amounting to EUR 225 millions, which is 29% more than the previous year.

Evolution of the international activity

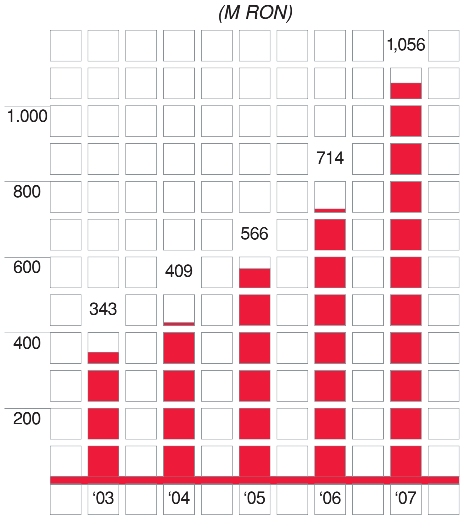



In October 2007, Factors Chain International acknowledged the professionalism and quality of the factoring services provided by BRD, ranking it 6th worldwide, «The Best Export and Import Factor».

**Factoring portofolio**




Balance of lease receivables
*(M RON)*



The structure of the BRD Sogelease IFN portfolio, at end December 2007 was as follows: industrial vehicles – 45%, passenger cars – 19%, constructions equipment – 16%, industrial, medical and agricultural equipment – 16%, IT equipment – 3%.

BRD Sogelease managed to successfully promote its leasing product through the BRD network, which provided an easy access to existing and potential customers of the bank, as well as a higher retention rate and the approach of competitive and efficient financing structures. Due to good customer knowledge, it was possible to develop strong partnerships with the suppliers (vendor finance) on the auto market, the construction equipment market and the medical equipment market.

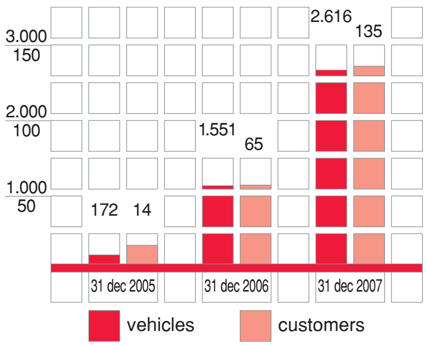
## ALD Automotive – full service operational leasing and car fleet management

Created in July 2005, ALD Automotive is the BRD subsidiary, specialised in car fleet full service operational leasing, service which enables companies to partially or totally outsource the management of their vehicle fleet.

ALD Automotive is owned to 80% by ALD International, second European car fleet operational leasing company and to 20% by BRD.

From 1,550 cars managed in December 2006 for 65 customers, ALD Automotive was managing at the end of 2007 a fleet of over 2,600 vehicles for 135 customers.

Evolution of the number of customers and managed vehicles

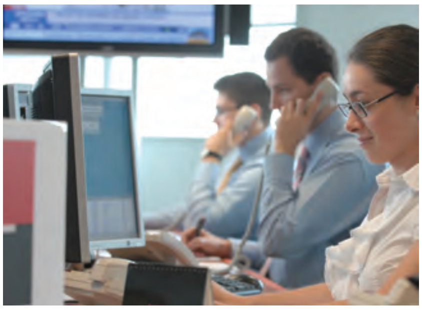



At the end of 2007, ALD Automotive had a 42 person team and a network of over 700 providers on the entire Romanian territory (car dealers, car service points, insurers, road assistance, fuel and tires providers and replacement vehicles). ALD Automotive continued its territorial development in collaboration with the BRD network by a programme of mutual actions, among which the organisation throughout the year of business meetings with the local companies from various regions of the country.

ALD Automotive launched three new services: «Prerunner vehicle», «Minilease» and «Car wash» and started to sell second-hand vehicles.

### Brokerage

BRD Securities a brokerage company, present both on the Bucharest Stock Exchange and on the Sibiu Derivatives Exchange. BRD Securities provides its customers with consultancy in investments and operating capacities, structuring and executing initial public offerings, issues of bonds for the corporate customers and municipalities.



### Market operations

During 2007, BRD strengthened its presence on the financial markets. Thus, its market share in terms of volume of foreign exchange operations augmented from 15% in 2006 to 15.7% in 2007.

The active promotion of derivatives led to significant increases in the volume of forward exchange operations and to the introduction of the interest rate swap transactions.

Exceptional results were obtained by implementing the Internet e-trading platform for market operations – TRADirect - in partnership with Société Générale. The application grants easy and rapid access to the quotations, updated in real time, for the foreign exchange transactions and for the money market.

### Asset Management

This activity is carried on through an associated asset management company, BRD Asset Management. The investment fund Simfonia 1 saw a slight decrease in net assets, of 7.4%, the investors being particularly interested in diversified funds and shares. Simfonia 1 remains, nevertheless, among the most important funds on the Romanian market, with net assets of RON 83 million (EUR 23 million).

The balanced fund Concerto, launched in 2006 to meet the individual investors' needs, recorded an increase of 15.4% up to RON 17.7 million (EUR 4.9 million) in its net assets in 2007.

### Consultancy

With it 10 years experience on the Romanian market of consultancy in privatisation and mergers/acquisition, BRD Corporate Finance completes the range of services made available by the Bank to its customers.

The subsidiary provides them, in the case of the trans-border important transactions, all the expertise of Société Générale Corporate & Investment Banking in its business sector and the support of the international network of mergers-acquisitions of the Group.

### Deposit/Custody

BRD has an over 10-year experience as a depository/custodian bank and benefiting from the experience of the Group Société Générale (the 3rd custodian in Europe and the 10th in the world, with a correspondent network covering 73 countries), BRD provides services of deposit, custody and sub-custody for global custodians.

BRD is the first bank authorized by the Surveillance Commission of the Private Pension System for this type of activity. This, corroborated with the cautious policy regarding the computation and certification of the customers' assets, allowed us to attract a large share of the private pensions market (approximately 80%).

# Corporate governance

## General Information

BRD is a joint-stock company registered with the Trade Register under no. J40/608/19.12.1991 (tax registration no. 361579/10.12.1992).
The Bank is headquartered at BRD Tower, 1-7 Ion Mihalache Bd., Bucharest, code 011171, sector 1, Romania.
The Bank operates under Company Law no. 31/1990 (as subsequently amended) and is also subject to Emergency ordinance no. 99/2006 on credit institutions and capital adequacy (as subsequently amended).
As a company listed on the Bucharest Stock Exchange under Tier 1, the Bank is governed by the capital market legislation: Capital market law no. 297/2004, CNVM Regulation no. 1/2006, as further amended, the Code of the Bucharest Stock Exchange.
Pursuant to its Articles of Incorporation, the company's object of activity is conducting banking activities.

## Governance of the Bank

**Board of Directors**

The Board of Directors of the Bank is made up of 11 administrators elected by the General Assembly of the Shareholders, and is run by Patrick Gelin, elected Chairman on October 16, 2004.
The Board of Directors establishes the direction of the Bank's activities and monitors their accomplishment. In accordance with the Bank's Articles of Incorporation, the Board examines the strategic orientation of the Bank, and the investment plan and deliberates on any modifications brought to the management structure, as well as on the operations likely to significantly affect the results of the institution, the structure of its balance sheet or its risk profile. The Board of Directors meets at least once a month.

The directors of the Bank, their respective position and their number of shares are:

| Name | Principal Activities | Number of shares |
|---|---|---|
| Patrick GELIN | Chairman of the Board of Directors of BRD<br><br>Chief Executive Officer of BRD<br>Member of the Board of Directors of BRD Finance IFN<br><br>Member of the Board of Directors of ALD Automotive<br><br>Member of the Board of Directors of BRD Fond de Pensii<br><br>Chairman of the Foreign Investment Council | 10 000 |
| Petre BUNESCU | Member of the Board of Directors of BRD<br>Deputy Chief Executive Officer of BRD<br>Vice-Chairman of the Romanian Banking Association<br>Member of the Board of Directors of Transfond SA | 340 150 |
| Sorin-Mihai POPA | Member of the Board of Directors of BRD<br><br>Deputy Chief Executive Officer of BRD<br><br>Member of the Board of Directors of BRD Sogelease<br><br>Member of the Board of Directors of BRD Fond de Pensii | 0 |
| Didier ALIX | Member of the Board of Directors of BRD<br>Deputy Chief Executive Officer of Société Générale | 0 |
| Bogdan BALTAZAR | Member of the Board of Directors of BRD | 0 |
| Aurelian DOCHIA | Member of the Board of Directors of BRD<br><br>Member of the Board of Directors of BRD/SG Corporate Finance | 0 |
| Anne FOSSEMALLE | Member of the Board of Directors of BRD<br>Regional Manager for Eastern Europe, EBRD | 0 |
| Jean – Louis MATTEI | Member of the Board of Directors of BRD<br>General Manager of the International Retail Banking Division – Groupe Société Générale | 0 |
| Dumitru D. POPESCU | Member of the Board of Directors of BRD | 0 |
| Sorin Marian COCLITU | Member of the Board of Directors of BRD<br>President CEO of the Romanian Guarantee Fund for the Loans to Private Entrepreneurs | 0 |
| Ioan CUZMAN | Member of the Board of Directors of BRD<br>Chairman of SIF Banat Crisana | 3 500 |

The members of the Board of Directors are bound to declare to the Bucharest Stock Exchange and the National Securities Commission the significant transactions (purchases or sales) performed with the Bank securities.

## Executive Committee

The Executive Committee is responsible for the executive management of the Bank, under the authority of the CEO, Patrick Gelin. The Executive Committee meets once a week. Its members are mandated to manage and coordinate the daily activity of the Bank, except for the operations specifically pertaining to the Board of Directors and to the General Assembly of the Shareholders. Its members have the authority to bind the Bank, in compliance with the law.

**Sorin-Mihai POPA Patrick GELIN Petre BUNESCU Hervé BARBAZANGE**

The Executive Committee has the following members:

| Nom | Fonction |
|---|---|
| Patrick GELIN | Chief Executive Officer of BRD |
| Petre BUNESCU | Deputy Chief Executive Officer of BRD |
| Sorin-Mihai POPA | Deputy Chief Executive Officer of BRD |
| Hervé BARBAZANGE | Deputy Chief Executive Officer of BRD |

Same as the directors, the members of the Executive Committee are bound to declare to the Bucharest Stock Exchange and the National Securities Commission the significant transactions (purchases or sales) performed with the Bank securities.

## Audit Committee

The Audit Committee is formed of three board members that are not members of the Executive Committee. The Audit Committee meets semi-annually or more frequently if circumstances require.

The following directors of the Bank are members of the Audit Committee:

| Name | Title |
|---|---|
| Jean - Louis MATTEI | Chairman |
| Aurelian DOCHIA | Member |
| Sorin Marian COCLITU | Member |

The Audit Committee's main responsibilities are: analyzing, independently from the executive management of the Bank, the relevance of accounting methods and internal procedures for the collection of information; assessing the quality of the audit and internal controls, and if necessary, proposing policies and procedures for the implementation and performing of specific analyses required by the Board of Directors.

## Financial auditor

The bank statements are certified by an independent practice. The certification regards both the individual financial statements prepared in compliance with the individually applicable accounting standards, and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). The external auditor is appointed by the Board of Directors and approved in the General Assembly of the Shareholders.
The auditor in charge with the certification of the statements is Ernst&Young Assurance Services SRL.

## Risk Management Committee

Managed by the CEO, the Risk Management Committee meets on a quarterly basis and more frequently if circumstances require. Its objectives are to manage significant risks to the Bank, such as credit risk, market risk, operational risk and reputation risk.

## Lending Committee

The weekly meetings of this Committee are chaired by the Deputy CEO who coordinates the network activity and relate to loans (both to private and corporate customers) exceeding, in terms of amount, the powers of the executive managers. The proposed loans unapproved in these meetings are subject to the approval of the Executive Committee.

## Assets and Liabilities Management Committee

The Assets and Liabilities Committee meets on a monthly basis or more frequently, if circumstances require. Meetings are chaired by the CEO. The Committee mainly follows the exposure to the interest risk, the liquidity risk and the observance of the most important regulatory indicators.

## Financial communication schedule 2008

In compliance with the rules applicable to the issuers of securities and in line with the financial communication strategy of the Société Générale Group, BRD annually publishes a financial communication calendar.

This document, agreed upon with the Bucharest Stock Exchange and the National Securities Commission, governs all the financial events of the Bank.

Each year, at the time of the presentation of the yearly reports, the bank organizes a press conference where the journalists and the financial analysts may gather information relating to the performances of the bank and its development policy.

The financial calendar, the presentations and the quarterly, half-yearly and yearly financial reports may be consulted on the company site: www.brd.ro.

Telephone: (+40) 21 301 61 60
E-mail: investor@brd.ro

BRD is concerned with providing all its shareholders, as well as the financial analysts, rigorous, homogenous and high-quality information, in compliance with the best practices on the market and with the recommendations of the stock market authorities.

**A dedicated team**

A dedicated team informs the Romanian and foreign institutional investors and financial analysts on the strategy, the significant evolutions and the financial results of the Bank. Thus, a team in charge of the “relationship with the shareholders” is completely at the service of the approximately 18,000 private shareholders of the bank.

**Our fundamental principles**

Our policy in terms of financial information resides on three principles:

- Equal access to information and its immediate availability for all shareholders;
- Respect of legal time limits for the publication of results;
- Transparency.

Any information either financial or of another nature which is considered to influence the stock market price makes the object of an official statement made available to the shareholders through the Bucharest Stock Exchange and the National Securities Commission.

| | |
|---|---|
| February 21, 2008 | Presentation of preliminary results as at December 31, 2007 |
| April 22, 2008 | General Assembly of the Shareholders |
| April 23, 2008 | Communication of annual results 2007 |
| May 14, 2008 | Communication of results on the $1^{st}$ quarter |
| August 11, 2008 | Communication of results on the $2^{nd}$ quarter |
| November 10, 2008 | Communication of results on the $3^{rd}$ quarter |

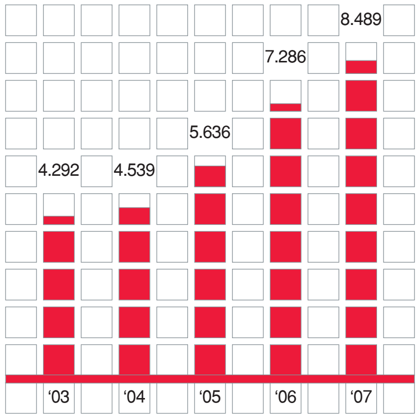
## Recruitment and professional training

We make available to the new employees integration and professional development programs, ensuring for them an understanding of our organizational culture and a practical dimension of their subsequent activity.

More specifically, during 2007, 1,500 de new employees have benefited from this complete initial training program, which represents more than 30.000 training days/person. BRD has 3 School Agencies set up in Bucharest, Iasi and Predeal, and 30 specialized trainers for these courses, which include information on the products and services, procedures and software applications, risk notions, behavioural aspects and practical examples.

The interest of the Bank in developing the skills of its partners does not only refer to the new employees. The evolution and the training needs of the employees are under constant monitoring.
The development track is established together with the employee and it is sustained through personalized forming programs, to comply with a diversified range of needs:
- proximity management programs,
- leadership programs for the strategic management level and
- programs for accompanying individual development of the employees.

Number of employees
Year end (consolidated)




**Key points regarding professional training in 2007:**

- budget amounting RON 15,4 millions
- almost 5,800 trained persons
- more than 380,000 training hours

The e-learning platform implemented in 2007 allowed increasing the efficiency of the training programs to reduce the related costs.

## Career Management

BRD is very committed to the development and tracking of the professional evolution of its employees. In order to attract the valuable personnel and retain it, BRD invested in the main processes which contribute to it:

- External and internal recruiting
- Integration
- Skills development (training)
- Career development (professional tracking)
- Performance evaluation (evaluation meeting)

**The START programs**

Through these programs, BRD wants to attract, develop and retain the talents, train young people with high potential who may become experts or even managers.

The Bank makes available to the participants to this program the necessary instruments for their professional and personal development. The tracking of the participants by their hierarchy and by the HR specialists is an important advantage of these programs.

The specialisations we propose to the young people relate to different domains: audit, commercial, IT, finance or support services.

The evolution of the participants

- Towards commercial-80 %
- Towards the domain of risk, finance or support services - 20%

At the end of 2007, 33 persons were in the START program.

- Start AUDITOR
- Start COMMERCIAL
- Start FINANCIAL
- Start IT
- Start MANAGER
- Start SUPERIOR SCHOOLS

**Integration programs**

The integration program for the new employees represents a plus in the process of cohesion to the Société Générale Group practices, the clarification of the actors' roles, improving the information transmitting process.


## Prizes and awards

In 2007, BRD has proven again that it is The most wanted employer among young people. The Association of Romanian Economist Students (ASER) has designated BRD, the third year in a row «The most wanted employer». BRD is, also, the company with «The highest degree of involvement in the academic environment» – award offered by ASER in 2007.

# Corporate social responsibility

BRD - Groupe Société Générale wishes to actively participate in the development of the entire Romanian society.
Partnerships with the civil society are part of our culture of dialogue with the community and reflect our wish to plan our actions starting from the aspirations of the surrounding world.

In line with the worldwide strategy of Société Générale, and also with the local needs, we have chosen to get involved in five fields: arts and culture, education, sports, humanitarian activities and environmental protection.

## Arts and culture

BRD supports projects in theatre, film, classical music, contemporary art and we get involved in the promotion of the Romanian cultural patrimony. Through the partnership with the French Cultural Institute in Romania, the Bank promotes cultural exchanges between Romania and France. The traditional partnerships with the Romanian Opera, the National Museum of Contemporary Art, the National Art Museum of Romania, UNITER or the National University of Drama and Film «Ion Luca Caragiale» have continued and developed in 2007.

## Education

Young people are the most important capital for the Romanian society of tomorrow. BRD helps them to become real professionals, by getting involved both financially and personally – that is using the experience of its own employees.

BRD is active in the academic environment, through partnerships with students' associations (AIESEC, ASER, BEST) and through other initiatives, as well, such as the Academic Scholarships or the education program for high school students «Learn and win with BRD». BRD is also involved in the extra-school education of the young people, through the Youth Bank programme – by which high school students are taught to conceive and develop community involvement programs.

## Sports

The values which rugby promotes are also values within BRD: commitment, respect of your competitor, team spirit. This is why the bank has been supporting Romanian rugby for over 8 years. Until 2007, we implemented together with the Romanian Rugby federation a program of recovery of this sport.



BRD is also the partner of the Romanian Tennis Federation and since 1998 BRD has been the official sponsor of the Romanian Cycling Tour.

## Humanitarian activities

For many years now, we have been the partner of associations meant to help underprivileged children and aged persons: Samusocial, the «Valentina» Association, «Salvaţi Copiii» (Save the Chidren) Organization, the Association Supporting the Physically Disabled Children in Romania, the Humanitarian Association «Equilibre» supporting elderly persons, etc.

Employees volunteering. By participating in the Eurohabitat Rădăuţi 2007 project, between September 3 and 7, 2007, BRD joined the largest volunteering action in Europe. Over 650 volunteers built 27 houses in just 5 days. BRD was the main partner and also participated with employees who volunteered to build a house.

## Environmental protection

Our involvement in environmental protection means a sustainable investment in the society we carry on our business.
BRD monitors and tries to reduce in its daily activity the consumption of resources with an impact on the environment. Also, the bank supports the initiatives of educating the population on environmental protection.

# Risk Management

## Credit risk

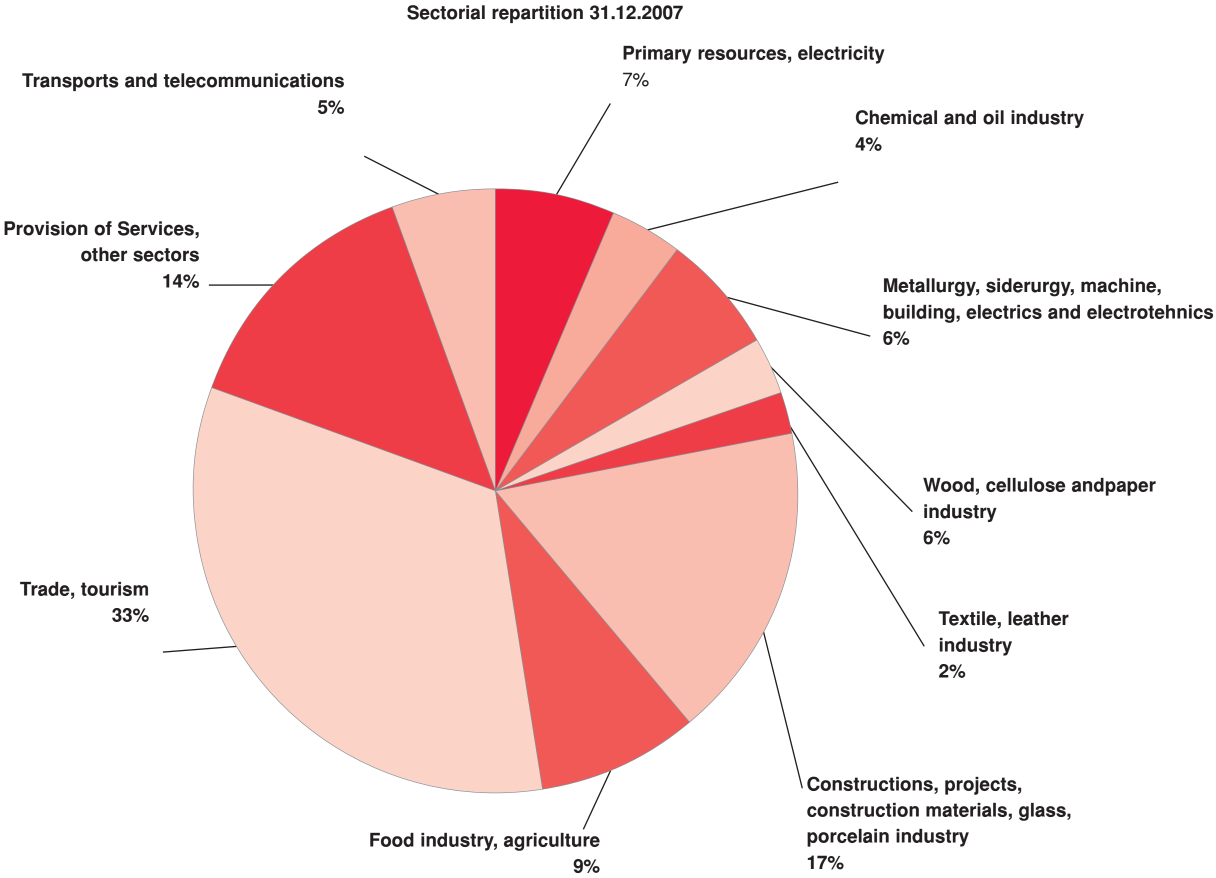
Credit risk management is based on important principles, such as:

- the use of well-defined criteria for extending loans, depending on the type of customer, including thoroughly knowing the debtor, the destination and structure of the loan, as well as the source of repayment, and requesting real or personal securities to reduce the credit risk to acceptable levels;
- well-formalized processes for the approval of loans and a clear system of approval powers;
- the continuous monitoring of exposures, on the individual and, if necessary, group levels;
- periodical monitoring and reporting to the bank management on the quality of the credit portfolios;
- periodical check of the crediting activity by the internal audit;
- the use of a system meant to identify and manage bad loans and the different aspects related to this activity, by means of objective ratios.

The objective of the credit risk is to maintain a balanced portfolio by economic sectors, customer categories and geographical areas. The exposure by sectors as at December 31, 2007, is attached hereto.

### Framework

The Bank approaches risk prudently, in line with its long-term strategy. The risk management policies and activities are designed in line with the practices of Société Générale and focus on identifying and assessing risks as early as possible.
The bank implements this approach by means of the risk management function that is independent from the business.




## Market risks

The control and management of market risks have been reinforced, considering, on one side the influences of the "suprime" crisis and the turbulences on the international market and, on the other side, the development of the trading of market instruments in Romania.

The BRD approach is a prudential one, the bank is oriented towards satisfying the needs of the customers without assuming positions on its own account.

## Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal procedures, human errors, system-related errors and also external events.
The Bank employs the following three methodologies in managing operational risk: Risk and Controls Self-Assessment Methodology (RCSA); Operational Loss Data Collection (OLDC); and Key Risk Indicators Methodology (KRI).

RCSA is a structured preventive approach for identifying and assessing risks and implementing appropriate actions to prevent the risks identified and assessed as unacceptable, given the Bank's tolerance to such risks. OLDC is a methodology that allows for the systematic collection of operational risk losses exceeding a certain threshold, followed by direct reporting to the senior management. KRI is an approach using a set of indicators (by areas assessed as high risk) whose monitoring indicate possible adverse changes in the operational risk profile and triggers appropriate actions.

Besides these risk management methodologies the Bank mitigates certain operational risks through insurance policies.

In order to diminish the operational risks, BRD elaborated, several years ago plans and implemented devices for the continuation of activity which are subject to regular testing.


The emergency solutions were developed with partners specialised in IT and telecommunications.

BRD also has an IT back-up centre and back-up control centres equipped with dedicated and functioning working posts.

The inauguration of a new and modern back-up control centre represents the most notable evolution for the bank in 2007.

In 2007, the organisation and the crisis management plan have been improved and detailed.

# Report on the Financial Statements

To the shareholders of BRD – Groupe Societe Generale S.A.

**Report on the Financial Statements**

1. We have audited the accompanying financial statements of BRD – Groupe Societe Generale S.A. and its subsidiaries ("the Bank"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

| | |
|---|---|
| Net assets/Total equity and reserves: | 3,097,685 lei thousands |
| Profit for the year: | 1,019,375 lei thousands |

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

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the National Bank of Romania Governor's Order No 5 dated 22 December 2005 and related amendments which require that these consolidated financial statements are to be prepared in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards of auditing as adopted by the Romanian Chamber of Financial Auditors. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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.

**Basis for Qualified Opinion**

6. Incomplete disclosures
The Bank has not included in the notes to the financial statements all the disclosures required by International Financial Reporting Standard 7 "Financial Instruments: Disclosures", with the following matters not disclosed (current and prior year):
An analysis of maximum credit exposure by class of financial assets, information about the credit quality of financial assets that are neither past due nor impaired, a maturity analysis of the contractual undiscounted cash flows for financial liabilities, the effect of a decrease in interest rates on income statement and equity in the interest rate sensitivity analysis, accrued interest on impaired loans and assets repossessed during the year.

**Opinion**

7. In our opinion, except for the omission of the disclosures referred to in the preceding paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the National Bank of Romania Governor's Order No 5 dated 22 December 2005 and related amendments and in accordance with International Financial Reporting Standards (which, for consolidated reporting, is a requirement of National Bank of Romania Governor's Order No 5 dated 22 December 2005, article no. 171).

**Other Matters**

8. This report is made solely to the Bank's shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

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

In accordance with the National Bank of Romania Governor's Order No 5 dated 22 December 2005, article no. 176 e) we have read the Consolidated Administrators' Report presented. The Consolidated Administrators' Report is not a part of the consolidated financial statements. In the Consolidated Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2007.

Ernst&Young Assurance Services SRL

Ernst & Young

Registered with the Chamber of Financial Auditors in Romania
Nr. 77/15 August 2001

Bucharest, Romania
12 March 2008

# Consolidated Balance Sheet as of December 31, 2007

*(Amounts in thousands lei)*

| | Note | December 31, 2007 | December 31, 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash in hand | 4 | 938,137 | 792,849 |
| Accounts with Central Bank | 5 | 10,287,975 | 7,656,066 |
| Accounts and deposits with banks | 6 | 801,358 | 524,179 |
| Assets available for sale | 7 | 118,221 | 29,092 |
| Loans, net | 8 | 25,224,949 | 17,576,635 |
| Lease receivables | 9 | 1,055,972 | 713,570 |
| Investments in associates | 10 | 61,392 | 41,616 |
| Tangible assets, net | 11 | 1,166,212 | 1,141,640 |
| Goodwill, net | 12 | 50,151 | 50,151 |
| Intangible assets, net | 13 | 36,884 | 26,296 |
| Deferred tax asset, net | 18 | 16,872 | 37,263 |
| Other assets | 14 | 224,457 | 89,727 |
| **Total assets** | | **39,982,580** | **28,679,084** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Demand deposits and current accounts | 15 | 14,597,857 | 8,252,135 |
| Term deposits | 16 | 14,010,399 | 12,918,346 |
| Borrowings | 17 | 7,810,756 | 5,002,147 |
| Current tax liability | | 90,153 | 11,454 |
| Other liabilities | 19 | 375,730 | 184,049 |
| **Total liabilities** | | **36,884,895** | **26,368,131** |
| Share capital | 20 | 2,515,622 | 2,515,622 |
| Reserves from revaluation of available for sale assets | | 699 | 3,035 |
| Retained earnings/(Accumulated deficit) | | 554,513 | (211,208) |
| Minority interest | | 26,851 | 3,504 |
| **Total shareholders' equity** | | **3,097,685** | **2,310,953** |
| **Total liabilities and shareholders' equity** | | **39,982,580** | **28,679,084** |

The financial statements have been authorized by the Bank's management on March 12, 2008 and are signed on the Bank's behalf by:

Patrick Gelin
Chief Executive Officer
and Board's President

Petre Bunescu
Deputy Chief
Executive Officer

*The accompanying notes are an integral part of these financial statements*

# Consolidated Income Statement for the Year Ended December 31, 2007

*(Amounts in thousands lei)*

| | Note | December 31, 2007 | December 31, 2006 |
|---|---|---|---|
| Interest income | 22 | 2,837,724 | 2,021,349 |
| Interest expense | 23 | (1,338,330) | (836,317) |
| **Net interest income** | | **1,499,394** | **1,185,032** |
| Loans impairment | | (143,678) | (71,793) |
| **Net interest income less loans impairment** | | **1,355,716** | **1,113,239** |
| **Fees and commissions, net** | **24** | **632,313** | **395,859** |
| Foreign exchange income, net | 25 | 324,780 | 214,069 |
| Income from associates | | 5,725 | 696 |
| Other income | 26 | 42,752 | 47,269 |
| **Income before non-interest expense** | | **2,361,286** | **1,771,132** |
| Contribution to the Deposit Guarantee Fund | 27 | (11,682) | (14,406) |
| Salaries and related expenses | 28 | (552,519) | (402,799) |
| Depreciation, amortisation and impairment | 29 | (136,228) | (107,429) |
| Other operating expenses | 30 | (445,604) | (451,440) |
| **Total non-interest expense** | | **(1,146,033)** | **(976,074)** |
| **Profit before income tax** | | **1,215,253** | **795,058** |
| Current income tax expense | 18 | (175,025) | (119,772) |
| Deferred tax income/(expense) | 18 | (20,853) | 28,344 |
| **Total income tax** | | **(195,878)** | **(91,428)** |
| **Net profit for the year** | | **1,019,375** | **703,630** |
| Profit/(loss) attributable to minority interest | | (2,261) | 2,675 |
| Profit attributable to parent company shareholders | | 1,021,636 | 700,955 |
| **Earnings per share (in RON)** | **36** | **1.4660** | **1.0058** |

*The accompanying notes are an integral part of these financial statements*

# Consolidated Cash Flow Statement for the Year Ended December 31, 2007

*(Amounts in thousands lei)*

| | Note | December 31, 2007 | December 31, 2006 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 1,215,253 | 795,058 |
| **Adjustments for non-cash items** | | | |
| Depreciation and amortization expense | | 126,618 | 105,473 |
| Net (gain)/loss from disposals of tangible and intangible assets | | (1,136) | (3,180) |
| Loss from investment revaluation | | (4,432) | 3,648 |
| Net expenses/(income) from impairment of loans and from provisions | | 143,678 | 56,806 |
| **Operating profit before changes in operating assets and liabilities** | | **1,479,981** | **957,805** |
| **Changes in operating assets and liabilities** | | | |
| Current account with NBR | | (2,745,889) | (3,376,180) |
| Collaterals at banks | | (1) | 57 |
| Available for sale securities | | (91,465) | 10,705 |
| Loans | | (7,791,992) | (8,126,625) |
| Lease receivables | | (342,402) | (139,161) |
| Other assets | | (135,192) | (23,601) |
| Demand deposits | | 6,345,722 | 3,089,555 |
| Term deposits | | 1,092,053 | 2,804,971 |
| Other liabilities | | 190,407 | 49,428 |
| **Total changes in operating assets and liabilities** | | **(3,478,759)** | **(5,710,851)** |
| Income tax paid | | (96,326) | (116,261) |
| **Cash flow from operating activities** | | **(2,095,104)** | **(4,869,307)** |
| **Investing activities** | | | |
| Acquisition of equity investments | | (15,344) | (10,955) |
| Proceeds from equity investments | | – | 4,923 |
| Acquisition of tangible and intangible assets | | (171,388) | (211,677) |
| Proceeds from sale of tangible and intangible assets | | 10,745 | 5,136 |
| **Cash flow from investing activities** | | **(175,987)** | **(212,573)** |
| **Cash-flows from financing activities** | | | |
| Increase in borrowings | | 2,808,609 | 2,608,495 |
| Increase in share capital of subsidiary | | 25,608 | – |
| Dividends paid | | (254,640) | (213,606) |
| **Net cash from financing activities** | | **2,579,577** | **2,394,889** |
| **Net movements in cash and cash equivalents** | | **308,486** | **(2,686,991)** |
| **Cash and cash equivalents at beginning of the period** | 31 | **1,430,651** | **4,117,642** |
| **Cash and cash equivalents at the end of the period** | 31 | **1,739,137** | **1,430,651** |

*The accompanying notes are an integral part of these financial statements*

# Statement of Changes in Shareholders'Equity for the Year Ended December 31, 2007

*(Amounts in thousands lei)*

| | Note | Share capital | Reserves from revaluation of available for sale assets | Minority interest | Retained earnings (Accumulated deficit) | Total |
|---|---|---|---|---|---|---|
| **December 31, 2005** | | **2,515,622** | **4,987** | **829** | **(696,887)** | **1,824,551** |
| Net (loss)/profit in 2006 | | – | – | 2,675 | 700,955 | 703,630 |
| Distribution of dividends for 2005 | | – | – | | (215,277) | (215,277) |
| Changes in fair value of available for sale assets | | – | (1,952) | – | – | (1,952) |
| **December 31, 2006** | | **2,515,622** | **3,035** | **3,504** | **(211,208)** | **2,310,953** |
| Increase in share capital | | | | 25,608 | | 25,608 |
| Net profit in 2007 | | | | (2,261) | 1,021,636 | 1,019,375 |
| Distribution of dividends for 2006 | | | | | (255,916) | (255,916) |
| Changes in fair value of available for sale assets | | | (2,336) | | | (2,336) |
| **December 31, 2007** | **20** | **2,515,622** | **699** | **26,851** | **554,513** | **3,097,685** |

*The accompanying notes are an integral part of these financial statements*

# Notes to the financial consolidated statements

*(Amounts in thousands lei)*

## 1. Corporate information

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

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

The Bank has 806 units throughout the country (December 31, 2006: 600). The average number of employees during 2007 was 8,013 (2006: 6,605), and the number of employees as of the year-end was 8,534 (December 31, 2006: 7,286).

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

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

The shareholding structure of the Bank is as follows:

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Societe Generale France | 58.32% | 58.32% |
| SIF Oltenia | 5.41% | 5.34% |
| SIF Muntenia | 5.27% | 5.27% |
| SIF Moldova | 5.03% | 5.05% |
| SIF Banat Crisana | 4.60% | 4.60% |
| SIF Transilvania | 5.00% | 5.00% |
| European Bank for Reconstruction and Development ("EBRD") | 5.00% | 5.00% |
| Other shareholders | 11.37% | 11.42% |
| **Total** | **100.00%** | **100.00%** |

## 2. Basis of preparation

### a) Basis of accounting

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

The consolidated financial statements are presented in Romanian lei ("RON"), which is the Bank's and its subsidiaries' functional and presentation currency, rounded to the nearest thousand and are prepared

*The accompanying notes are an integral part of these financial statements*

under the historical cost convention, modified to include the fair value of certain types of financial instruments.

**b) Basis for consolidation**

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2007. 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 Societe Generale SA and the following subsidiaries: BRD Sogelease IFN S.A (99.96% ownership, 2006: 99.96%), BRD Finance IFN S.A (49% ownership, 2006: 49%), BRD Securities – Groupe Société Générale S.A. (99.82% ownership, 2006: 99.82%), BRD Corporate Finance SRL (100 % ownership, 2006: 51.25%), and ALD Automotive SRL (20 % ownership, 2006: 20%). All the subsidiaries have their headquarters on 1–7 Ion Mihalache Blvd, Bucharest. All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are cancelled.

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

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

Acquisition of minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is recognized directly in the income statement in the year of acquisition.

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

The Bank adopted the following interpretation and amendments to IFRSs as of January 1, 2007 and during the year 2007.

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

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

***– IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies** (effective for financial years beginning on or after 1 March 2006)*

IFRIC 7 requires entities to apply IAS 29 Financial Reporting in Hyper-inflationary Economies in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary.
IFRIC 7 is not relevant to the Bank's operations.

***– IFRIC 8, Scope of IFRS 2** (effective for financial years beginning on or after 1 May 2006).*

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

***– IFRIC 9, Reassessment of Embedded Derivatives** (effective for financial years beginning on or after 1 June 2006)*

IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows.
The Bank assessed the impact of this new interpretation and concluded that does not have a significant impact on the financial statements.

***– IFRIC 10, Interim Financial Reporting and Impairment** (effective for financial years beginning on or after 1 November 2006).*

This Interpretation may impact the financial statements should any impairment losses be recognized in the interim financial statements in relation to available for sale equity investments, unquoted equity instruments carried at cost and goodwill as these may not be reversed in later interim periods or when preparing the annual financial statements.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2008 or later periods but which the Bank has not early adopted, as follows:

***– IFRS 8, Operating Segments** (effective for financial years beginning on or after 1 January 2009)*

IFRS 8 replaces IAS 14 Segment Reporting and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences.
The Group is in the process of assessing the impact of this standard on its financial statements.

***– IAS 23 (revised), Borrowing Costs*** *(effective for financial years beginning on or after 1 January 2009)*

The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

***– IFRIC 11, IFRS 2 – Group and Treasury Share Transactions*** *(effective for financial years beginning on or after 1 March 2007)*

This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent.

This Interpretation applies to the way the Group's subsidiaries account, in their individual financial statements, for options granted to their employees to buy equity shares of the Company.
IFRIC 11 is not relevant to the Bank's operations.

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

IFRIC 12 outlines an approach to account for contractual (service concession) arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and/or an intangible asset. IFRIC 12 is not relevant to the Group.

***– IFRIC 13, Customer Loyalty Programmes*** *(effective for financial years beginning on or after 1 July 2008)*

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this Interpretation will have no impact on its financial statements as no such schemes currently exist.

***– IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*** *(effective for financial years beginning on or after 1 January 2008)*

IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. It also explains how this limit, also referred to as the "asset ceiling test", may be influenced by a minimum funding requirement and aims to standardize current practice.

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*(Amounts in thousands lei)*

The Group expects that this Interpretation will have no impact on its financial position or performance as all defined benefit schemes are currently in deficit.

***– IAS 1 'Presentation of Financial Statements'*** *(effective for annual periods beginning on or after 1 January 2009)*

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. Of the main revisions are the requirement that the statement of changes in equity includes only transactions with shareholders; the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income"; and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet. The Group will make the necessary changes to the presentation of its financial statements in 2009.

***– IFRS 2 'Share Based Payment' – Vesting Conditions and Cancellations*** *(effective for annual periods beginning on or after 1 January 2009)*

The amendment clarifies two issues: The definition of 'vesting condition', introducing the term 'non-vesting condition' for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty.
The Group expects that this Interpretation will have no impact on its financial statements.

***– IFRS 3 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements'*** *(effective for annual periods beginning on or after 1 July 2009)*

A revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements were issued by IASB on January 10, 2008. IFRS 3R introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). IAS 27R requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss.

Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.
The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

***– IAS 32 and IAS 1 Puttable Financial Instruments*** *(effective for annual periods beginning on or after 1 January 2009)*

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.
The Group does not expect these amendments to impact the financial statements of the Group.

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*(Amounts in thousands lei)*

## 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:

Impairment losses on loans and receivables
The Bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.
In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Impairment of goodwill
The Bank determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Bank to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2007 was 50,151 (2006: 50,151).

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 28.

## f) Impact of inflation

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

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years is approaching, or exceeds, 100%. The annual increase in the general price index as issued by the "National Institute for Statistics and Economic Studies" ("INSSE") over the years 2005 to 2007 was as follows:

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*(Amounts in thousands lei)*

| | Movement in consumer price index | Increase / (decrease) in the exchange rate of the EUR vs. RON |
|---|---|---|
| Year ended December 31, 2005 | 8.6% | (7.29%) |
| Year ended December 31, 2006 | 4.9% | (8.03%) |
| Year ended December 31, 2007 | 6.6% | 6.76% |

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

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

**g) Segment information**

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

## 3. Summary of significant accounting policies

**a) Foreign currency translation**

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

The exchange rates of the currencies with the most significant impact on the Bank's financial statements as of December 31, 2007 and 2006 were as follows:

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| RON/ USD | 2.4564 | 2.5676 |
| RON/ EUR | 3.6102 | 3.3817 |

**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.

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*(Amounts in thousands lei)*

**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 Bank by providing money directly to the borrower are recognized when the cash is advanced to those parties. They are measured initially at fair value including arrangement costs. Loans and advances to customers are subsequently measured at amortized cost.

If there is objective evidence that the Bank will not be able to collect all amounts due (principal and interest) according to the original contractual terms of the loan / finance lease, such loans / finance leases are considered impaired. The amount of the impairment is the difference between the carrying amount and the recoverable amount of each loan / finance lease receivable, being the present value of expected cash flows discounted at the loan's original effective interest rate including the amounts expected to be recovered from collateral, if the loan / finance lease receivable is collateralized and foreclosure is probable.

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

**e) Leases**

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

Bank as a lessor

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

**f) Investment in associates**

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

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*(Amounts in thousands lei)*

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

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

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

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

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

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

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

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

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

**h) Tangible assets**

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

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

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

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

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

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

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

**i) Borrowing costs**

Borrowing costs are recognized as an expense when incurred.

**j) Investment properties**

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

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

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

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

## k) Held for sale assets

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

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

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

## l) Goodwill

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

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

## m) Intangible assets

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

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

All intangible assets of the Bank carried as of December 31, 2007 and 2006 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 3 years. The amortization period and the amortization method are reviewed at least at each financial year end.

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

## n) Derivative financial instruments

The Bank uses derivative financial instruments such as forward currency contracts currency swaps and currency options as well as interest rate forward and swaps as hedging products offered to its clients and to hedge its balance-sheet risks associated with interest rate and foreign currency fluctuations.

Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently 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 Bank does not currently apply hedge accounting.

**o) Borrowings**

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

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

**p) Offsetting of financial assets and liabilities**

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

**q) Sale and repurchase agreements**

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

**r) Customers' deposits and current accounts**

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

**s) De-recognition of financial assets and liabilities**

Financial assets
A financial asset is derecognized where:

- the rights to receive cash flows from the assets have expired;
- the Bank retains the right to receive cash flows from the asset , but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

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

- the Bank has transferred its rights to receive cash flows from the asset and either a) has transferred substantially all the risks and rewards of the asset, or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

**t) Recognition of income and expenses**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank 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 financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any 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 Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

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

Fees earned for the provision of services over a period of time are accrued over that period. These fees include 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 Bank's right to receive the payment is established.

Net trading income

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

**u) Employee benefits**

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

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

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

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

**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.

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*(Amounts in thousands lei)*

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

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

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

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

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

**w) Provisions**

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

**x) Contingencies**

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

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

**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, 2007 and 2006 there were no dilutive equity instruments issued by the Bank.

**z) Related parties**

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

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*(Amounts in thousands lei)*

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

**aa) Subsequent events**

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

**bb) Financial guarantees**

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances.
Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received / receivables. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.
Any increase in the liability relating to financial guarantees is taken to the income statement in 'Loans impairment'. 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.

## 4. Cash in hand

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Cash in vaults | 622,572 | 569,900 |
| Cash in ATM | 315,565 | 222,949 |
| **Total** | **938,137** | **792,849** |

## 5. Accounts with the Central Bank

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Current accounts | 10,287,975 | 7,542,086 |
| Deposits | – | 113,980 |
| **Total** | **10,287,975** | **7,656,066** |

The National Bank of Romania (NBR or Central Bank) requires commercial banks to maintain a minimum amount on current account with NBR ("minimum compulsory reserve"), calculated as a percentage of the average funds borrowed by the Bank during the previous month including all customer deposits. As of December 31, 2007 the rate for RON and foreign currency denominated compulsory reserves was 20% respectively 40% (2006: 20% and 40%).

The required level of the minimum compulsory reserve for the last calculation period of the year was 9, 402,689 (2006: 6,804,051).

The interest paid by the NBR for the compulsory reserves during 2007 was 1.9% to 2.50% p.a. for RON deposits (2006: 1.5% – 1.90% p.a.), and 0.80% to 1.35% p.a. for EUR deposits (2006: 0.70% – 0.80%).

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

## 6. Current accounts and deposits with banks

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Deposits at Romanian banks | 241,878 | 240,409 |
| Deposits at foreign banks | 373,570 | 213,065 |
| Current accounts at Romanian banks | 39 | 7,974 |
| Current accounts at foreign banks | 185,871 | 62,731 |
| **Total** | **801,358** | **524,179** |

As of December 31, 2007 the above balances include pledged accounts of 358 (2006: 357).

The interest rates earned on current accounts in foreign currency ranged between 0.1% and 6% p.a. (2006: 0.1% – 4.65% p.a.). The interest rates earned on bank deposit in RON ranged between 1.25% and 30% p.a. (2006: 1.20% – 21% p.a.). For foreign currency deposits the rates ranged between 1.95% and 8.70% p.a. (2006: 1.30% – 7.80% p.a.).

## 7. Assets available for sale

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Treasury bonds | 96,100 | 4,890 |
| Equity investments | 4,534 | 7,766 |
| Other securities | 17,587 | 16,436 |
| **Total** | **118,221** | **29,092** |

**Treasury bonds**

Treasury bonds consist of RON interest bearing notes issued by the Romanian Ministry of Public Finance with maturities between 2 and 5 years (2006: between 2 and 15 years).

**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), Thyssen Krupp Bilstein Compa S.A., Depozitarul Central S.A. (Shareholders' Register for the National Securities Commission), Mobiasbanca SA, ECS International Romania SA, Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA and TransFond.

**Other securities**

The Bank holds units in a monetary fund ("Simfonia 1") and a balanced fund ("Concerto") amounting to 6,995 (6,577 as of December 31, 2006) respectively 10,592 (9,859 as of December 31, 2006).

Simfonia 1 invests on the monetary market and in liquid debt instruments (treasury bills and bonds, corporate bonds, municipal bonds). The Bank held as of the year-end a total number of 309,497 units (2006: 309,497) with a unit value of RON 22.60 (2006: 21.25)

Concerto invests in monetary market instruments, debt instruments as well as equities traded on Bucharest Stock Exchange. As of the year-end the Bank held a number of 90,353 units (2006: 90,353) with a unit value of RON 117.23 (2006: 109.12).

*(Amounts in thousands lei)*

# 8. Loans, net

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Loans, gross | 25,988,188 | 18,143,770 |
| Loans impairment | (763,239) | (567,135) |
| **Total** | **25,224,949** | **17,576,635** |

The structure of loans as at 31 December 2007, 2006 is the following:

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Working capital loans | 7,331,317 | 5,369,790 |
| Loans for equipment | 5,438,940 | 3,468,645 |
| Trade activities financing | 315,619 | 242,793 |
| Acquisition of real estate, including mortgage for individuals | 1,757,424 | 899,175 |
| Government loans | – | 968 |
| Consumer loans | 9,429,144 | 7,213,996 |
| Other | 1,715,744 | 948,403 |
| **Total** | **25,988,188** | **18,143,770** |

As of December 31, 2007, balances relating to factoring amount to 261,915 (189,332 as of December 31, 2006) and those relating to forfeiting 53,471 (53,307 as of December 31, 2006).

The annual interest rates for the loans in RON ranged between 5% and 30% p.a. (2006: 5% – 30% p.a.) and for foreign currency between 5.75% and 18% p.a. (2006: 6.5% – 13% p.a.)

Working capital loans include an amount of 159,120 (2006: 65,656) representing customers' liabilities under accepted letters of credit.

**The analysis of portfolio by type of ownership:**

| Type of ownership | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Private companies | 12,030,559 | 8,345,459 |
| State owned companies | 391,031 | 499,204 |
| Individuals | 13,566,598 | 9,299,107 |
| **Total** | **25,988,188** | **18,143,770** |

**Sector analysis**

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Manufacturing | 9.8% | 12.0% |
| Food industry | 3.7% | 3.8% |
| Transportation and other services | 2.9% | 7.6% |
| Trade | 18.1% | 16.3% |
| Agriculture | 1.9% | 1.5% |
| Constructions | 4.3% | 3.2% |
| Individuals | 51.0% | 49.2% |
| Other | 8.3% | 6.4% |
| **Total** | **100.0%** | **100.0%** |

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*(Amounts in thousands lei)*

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

As of December 31, 2007 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 887,837 (1,095,515 as of December 31, 2006), while the value of letters of guarantee and letters of credit issued in favor of these clients amounts to 1,888,403 (510,048 as of December 31, 2006).

**Impairment allowance for loans**

| | |
|---|---|
| **Balance as of December 31, 2005** | **554,119** |
| Write offs, net of recoveries | (58,777) |
| Provision expense, net of provision income | 71,793 |
| **Balance as of December 31, 2006** | **567,135** |
| Write offs, net of recoveries | 52,426 |
| Provision expense, net of provision income | 143,678 |
| **Balance as of December 31, 2007** | **763,239** |

The impairment allowance includes the provisions for the loans specifically identified as impaired as well as the provision for the collective impairment. The value of loans for which a specific provision is made is 1,097,302 (December 31, 2006: 733,238).

**Ageing analysis of past due but not impaired loans per class of financial assets**

**December 31, 2007**

| | less than 30 days | 31 to 60 days | 61 – 90 days | more than 90 days | Total |
|---|---|---|---|---|---|
| Corporate lending | 397,166 | 19,750 | 1,584 | 5,514 | 424,014 |
| Small business lending (retail) | 161,228 | 26,470 | 17,603 | 1,159 | 206,460 |
| Consumer lending | 745,395 | 155,940 | 63,904 | – | 965,239 |
| Residential mortgages | 69,854 | 11,648 | 3,617 | – | 85,119 |
| **Total** | **1,373,643** | **213,808** | **86,708** | **6,673** | **1,680,832** |

**December 31, 2006**

| | less than 30 days | 31 to 60 days | 61 – 90 days | more than 90 days | Total |
|---|---|---|---|---|---|
| Corporate lending | 379,769 | 20,692 | 2,047 | 1,317 | 403,825 |
| Small business lending (retail) | 66,653 | 11,759 | 3,401 | 214 | 82,027 |
| Consumer lending | 577,305 | 104,303 | 40,506 | – | 722,114 |
| Residential mortgages | 65,491 | 7,539 | 2,884 | – | 75,914 |
| **Total** | **1,089,218** | **144,293** | **48,838** | **1,531** | **1,283,880** |

**Carrying amount of loans whose terms have been renegotiated**

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Corporate lending | 946 | 2,860 |
| Small business lending (retail) | 133 | 0 |
| **Total** | **1,079** | **2,860** |

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

**Analysis of past due but not impaired loans by collateral coverage**

**December 31, 2007**

| | Loans | Covered by collaterals | Covered by personal guarantees |
|---|---|---|---|
| Corporate lending | 424,014 | 18,843 | 536,018 |
| Retail lending | 1,256,818 | 167,966 | 61,643 |
| **Total** | **1,680,832** | **186,809** | **597,661** |

**December 31, 2006**

| | Loans | Covered by collaterals | Covered by personal guarantees |
|---|---|---|---|
| Corporate lending | 403,825 | 7,221 | 365,697 |
| Retail lending | 880,055 | 74,063 | 20,198 |
| **Total** | **1,283,880** | **81,284** | **385,895** |

## 9. Lease receivables

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| **Gross investment in finance lease:** | | |
| Maturity under 1 year | 490,593 | 278,343 |
| Maturity between 1 and 5 years | 713,775 | 527,713 |
| Maturity higher than 5 years | 1,186 | 18,120 |
| | **1,205,554** | **824,176** |
| **Unearned finance income** | (149,582) | (110,606) |
| **Net investment in finance lease** | **1,055,972** | **713,570** |
| Net investment in finance lease: | | |
| Maturity under 1 year | 415,043 | 229,460 |
| Maturity between 1 and 5 years | 639,774 | 467,131 |
| Maturity higher than 5 years | 1,155 | 16,979 |
| | **1,055,972** | **713,570** |

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*(Amounts in thousands lei)*

# 10. Investments in associates

| | Field of activity | December 31, 2007 (%) | December 31, 2006 | Additions in 2007 | Disposals in 2007 | Profit/ (loss) in associates | December 31, 2007 |
|---|---|---|---|---|---|---|---|
| Fondul Român de Garantare a Creditului Rural „FGCR” | Loans guarantee | 30.78% | 12,702 | 587 | – | (302) | 12,987 |
| Asiban S.A | Insurance | 25.00% | 27,027 | 5,000 | – | 4,228 | 36,255 |
| Romcard S.A. | Card transaction processing | 20.00% | 301 | – | – | 124 | 425 |
| Biroul de Credit SA | Credit bureau | 18.80% | 1,586 | – | – | 584 | 2,170 |
| BRD Fond de Pensii S.A. | Pension fund management | 49.00% | – | 9,379 | – | – | 9,379 |
| BRD Sogelease Asset Rental SRL | Operational leasing | 20.00% | – | 136 | | | 136 |
| SOGEPROM Romania SRL | Real estate development | 20.00% | – | 242 | | (202) | 40 |
| | | | **41,616** | **15,344** | **–** | **4,432** | **61,392** |

The associates’ headquarters’ addresses are as follows::

| Associate | Address |
|---|---|
| Fondul de Garantare a Creditului Rural "FGCR" | 5 Occidentului Street, Bucharest |
| Asiban S.A | 45 Mihai Eminescu Street, sector 1, Bucharest |
| Romcard S.A. | 38 Stefan Mihaileanu Street, Bucharest |
| Biroul de Credit S.A. | 15 Calea Victoriei, Bucharest |
| BRD Fond de Pensii S.A. | 64 Unirii Blvd, Bucharest |
| BRD Sogelease Asset Rental SRL | 1–7, Ion Mihalache Street, Bucharest |
| SOGEPROM Romania SRL | 1–7, Ion Mihalache Street, Bucharest |

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*(Amounts in thousands lei)*

## 11. Tangible fixed assets, net

| | Land | Buildings and special constructions | Computers and equipments | Materials and other assets | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Net carrying value as of December 31, 2005** | **26,091** | **878,702** | **37,097** | **76,961** | **30,067** | **1,048,918** |
| Transfers and additions | 3 | 67,884 | 42,804 | 40,239 | 41,463 | 192,393 |
| Net book value of disposals | (94) | (906) | (148) | (784) | (28) | (1,960) |
| Transfers to held for sale assets | – | – | – | – | – | – |
| Depreciation | – | (49,149) | (25,424) | (22,241) | – | (96,814) |
| Impairment loss | – | (897) | – | – | – | (897) |
| **Net carrying value as of December 31, 2006** | **26,000** | **895,634** | **54,329** | **94,175** | **71,502** | **1,141,640** |
| Transfers and additions | 127 | 85,717 | 30,462 | 28,784 | 25,405 | 170,495 |
| Net book value of disposals | (288) | (8,854) | (13) | (676) | (0) | (9,831) |
| Transfers to held for sale assets | (9,320) | (9,252) | – | – | – | (18,572) |
| Depreciation | – | (56,531) | (37,348) | (23,641) | – | (117,520) |
| Impairment loss | | | | | | |
| **Net carrying value as of December 31, 2007** | **16,519** | **906,714** | **47,430** | **98,642** | **96,907** | **1,166,212** |

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

| | |
|---|---|
| **Net carrying value as of December 31, 2005** | **50,569** |
| Transfers and additions | 6,140 |
| Net book value of disposals | (273) |
| Depreciation | (3,782) |
| Impairment loss | (897) |
| **Net carrying value as of December 31, 2006** | **51,757** |
| Transfers and additions | (14,359) |
| Net book value of disposals | (7,289) |
| Depreciation | (4,039) |
| Impairment loss | – |
| **Net carrying value as of December 31, 2007** | **26,070** |

## 12. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Societe Generale Bucharest to the Bank in 1999. The goodwill is no longer amortized starting with January 1, 2004 (see accounting policies). During 2007 there was no impairment of the goodwill.

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*(Amounts in thousands lei)*

## 13. Intangible assets, net

The balance of the intangible assets as of December 31, 2007 and 2006 represents mainly software.

| | |
|---|---|
| **Net book value as of December 31, 2005** | **14,770** |
| Additions in 2006 | 19,283 |
| Impairment | – |
| Amortization expense | (7,757) |
| **Net book value as of December 31, 2006** | **26,296** |
| Additions in 2007 | 19,465 |
| Impairment | – |
| Amortization expense | (8,877) |
| **Net book value as of December 31, 2007** | **36,884** |

## 14. Other assets

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Advances to suppliers | 78,863 | 36,914 |
| Sundry debtors | 60,889 | 21,564 |
| Fair value of derivatives | 24,703 | 5,052 |
| Held for sale assets | 18,572 | – |
| Materials and consumables | 5,680 | 5,833 |
| Miscellaneous assets | 35,750 | 20,364 |
| **Total** | **224,457** | **89,727** |

The sundry debtors balances are presented net of an impairment allowance of 9,792 (December 31, 2006: 7,927).

Held for sale assets represent buildings and related land that are intended to be sold in less than 1 year.

| | |
|---|---|
| **Carrying value as of December 31, 2005** | **4,734** |
| Additions | – |
| Disposals | (4,734) |
| **Carrying value as of December 31, 2006** | **–** |
| Additions | 18,572 |
| Disposals | – |
| **Carrying value as of December 31, 2007** | **18,572** |

## 15. Demand deposits and current accounts

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Individuals and legal entities | 14,526,356 | 8,114,562 |
| Ministry of Public Finance | – | 30,556 |
| Romanian Banks | 2,966 | 35,737 |
| Foreign banks | 68,535 | 71,280 |
| **Total** | **14,597,857** | **8,252,135** |

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*(Amounts in thousands lei)*

The annual interest rates offered by the Bank for current accounts and demand deposits of individuals and companies ranged between 0.25 % p.a. and 7.25% p.a. (between 0.25% p.a. and 7.00% p.a. during 2006) for RON and between 0.25 % p.a. and 3.75% p.a for foreign currencies (between 0.25% p.a. and 3.25% p.a. during 2006).

The maximum interest rate offered by the Bank for Loro accounts was 0.25% p.a. for foreign currency (0.25% p.a. in 2006). The average interest rates for demand deposits paid by the Bank during 2007 were 7.81% p.a for RON, 5.29% p.a. for USD and 4.31% p.a. for EUR (6.15% p.a. for RON, 5.54% p.a. for USD and 2.94% p.a. for EUR in 2006).

## 16. Term deposits

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Individuals and legal entities | 13,344,451 | 11,972,154 |
| Foreign banks | 271,004 | 588,562 |
| Romanian banks | 394,944 | 357,630 |
| **Total** | **14,010,399** | **12,918,346** |

The annual interest rates paid by the Bank for the RON deposits ranged between 0.25% and 8.25% p.a. (2006: 0.25% – 7.25% p.a.) and for foreign currency deposits between 2.20% and 4.50% p.a. (2006: 2.00% – 4.25% p.a.)

## 17. Borrowings

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Borrowings from related parties | 5,681,295 | 3,747,762 |
| Borrowings from international financial institutions | 578,427 | 259,463 |
| Borrowings from other credit istitutions | 761,398 | 169,713 |
| Bonds issued | 734,791 | 785,801 |
| Other borrowings | 54,845 | 39,408 |
| **Total** | **7,810,756** | **5,002,147** |

The interest rates for the borrowings in EUR ranged between 3.75% p.a. and 7.70% p.a. The interest rates for the borrowings in USD ranged between 6.02% p.a. and 7.38% p.a. Refer to notes 40 and 41 for the maturity structure, respectively the re-pricing gap of the borrowings.

The bonds represent RON denominated notes issued in December 2006 on the Luxembourg market in an amount of 735,000 for five years at a fixed rate of 7.75%.

Borrowings from related parties include an amount of EUR 200,000,000 (2006: EUR 200,000,000) 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.

*(Amounts in thousands lei)*

# 18. Taxation

Current income tax is calculated on the taxable income per the tax statement derived from stand alone accounts.

The deferred tax liability/asset is reconciled as follows:

| | December 31, 2007 | | |
|---|---|---|---|
| | **Temporary differences** | **Consolidated Balance Sheet** | **Consolidated Income statement** |
| *Deferred tax liability* | | | |
| Tangible and intangible assets | (142,504) | (22,801) | (3,974) |
| Investments and other securities | (25,589) | (4,094) | (329) |
| Others | – | – | – |
| **Total** | **(168,093)** | **(26,895)** | **(4,303)** |
| *Deferred tax asset* | | | |
| Loans | 179,858 | 28,777 | (16,424) |
| Other | 93,685 | 14,990 | (126) |
| **Total** | **273,543** | **43,767** | **(16,550)** |
| **Taxable items according IAS 12** | **105,450** | **16,872** | |
| **Deferred tax income** | | | **(20,853)** |

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

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

Movement in deferred tax is as follows:

| | |
|---|---|
| **Deferred tax liability, net as of December 31, 2005** | **8,548** |
| Deferred tax recognized in equity | 371 |
| Net deferred tax income | 28,344 |
| **Deferred tax asset, net as of December 31, 2006** | **37,263** |
| Deferred tax recognized in equity | 462 |
| Net deferred tax expense | (20,853) |
| **Deferred tax asset, net as of December 31, 2007** | **16,872** |

## 19. Other liabilities

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Fair value of derivatives | 121,313 | 114,758 |
| Sundry creditors | 96,756 | 1,681 |
| Other payables to State budget | 56,706 | 32,341 |
| Deferred income | 52,435 | 10,306 |
| Payables to employees | 46,977 | 24,696 |
| Dividends payable | 1,276 | – |
| Provisions | 267 | 267 |
| **Total** | **375,730** | **184,049** |

Included in deferred income is an amount of 12,627 (2006: 4,983) representing the initial fair value of financial guarantees less subsequent amortization.

The movement in provisions is as follows:

| | |
|---|---|
| **Carrying value as of December 31,2006** | **267** |
| Additional expenses | – |
| Reversals of provisions | – |
| **Carrying value as of December 31, 2007** | **267** |

Payables to employees include, among other, bonuses relating to 2007 profit, amounting to 31,988 (2006: 20,001) and post-employment benefits amounting to 12,073 (2006: 10,323). The social security contributions relating to bonuses 9,370 (2006: 6,119) are included in Other payables to State Budget.

**Post-employment benefit plan**

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

*(Amounts in thousands lei)*

### Expenses recognised in profit and loss

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Current service cost | 998 | 911 |
| Interest cost on benefit obligation | 792 | 639 |
| Actuarial losses recognized during the year | 181 | 272 |
| Past service cost | 20 | 20 |
| **Net benefit expense** | **1,991** | **1,842** |

### Movement in defined benefits obligations

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Opening defined benefit obligation | 10,323 | 8,563 |
| Total service cost | 1,018 | 931 |
| Benefits paid | (241) | (82) |
| Interest cost on benefit obligation | 792 | 639 |
| Actuarial losses recognized during the year | 181 | 272 |
| **Closing defined benefit obligation** | **12,073** | **10,323** |

### Main actuarial assumptions

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Discount rate | 5.35% | 3.95% |
| Inflation rate | 2.00% | 2.11% |
| | 2007 | 2006 |
| Defined benefit obligation | 12,073 | 10,323 |
| Experience adjustment on plan liabilities | 2,068 | (1,109) |

## 20. Equity

### Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2006: 696,901). Included in the share capital there is an amount of 1,818,721 (2006: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of December 31, 2007 represents 696,901,518 (2006: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2006: RON 1).

During 2007 and 2006, the Bank did not buy back any of its own shares.

### Retained earnings / (Accumulated deficit)

Included in the Retained earnings there is an amount of 426,637 (2006: 426,637) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

*(Amounts in thousands lei)*

## 21. Capital adequacy

For 2007, the adequacy of the Bank's capital is monitored using the local regulations that are in line with the European Directive 2000/12/EC. These requirements apply to the stand alone figures obtained based on the local accounting and financial reporting regulations (derived from European Directives on the accounting standards of credit institutions). During 2007 the Bank has complied in full with these requirements.

As of December 31, 2007 the regulatory capital and the capital adequacy ratio determined in accordance with the above-mentioned regulations is 3,599,462 respectively 12.0% (2006: 2,726,613 respectively 13.3%).

## 22. Interest income

| | 2007 | 2006 |
|---|---|---|
| Interest on loans | 2,654,721 | 1,796,197 |
| Interest on deposit with banks | 168,871 | 179,525 |
| Interest on treasury notes | 14,132 | 45,627 |
| **Total** | **2,837,724** | **2,021,349** |

## 23. Interest expense

| | 2007 | 2006 |
|---|---|---|
| Interest for term deposits | 798,807 | 604,683 |
| Interest for demand deposits | 296,849 | 130,940 |
| Interest for borrowings | 242,674 | 100,694 |
| **Total** | **1,338,330** | **836,317** |

## 24. Fees and commissions, net

| | 2007 | 2006 |
|---|---|---|
| Commission revenue from processing of transactions | 641,049 | 483,130 |
| Other commission revenue | 59,283 | 37,265 |
| Commission expense | (68,019) | (124,536) |
| **Net commission revenue** | **632,313** | **395,859** |

## 25. Foreign exchange income, net

| | 2007 | 2006 |
|---|---|---|
| Foreign exchange income | 5,397,160 | 2,463,636 |
| Foreign exchange expenses | (5,072,380) | (2,249,567) |
| **Total** | **324,780** | **214,069** |

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

## 26. Other income

Includes income from banking activities such as those relating to derivatives (except for FX derivatives) offered to the clients and income from non-banking activities, such as income from rentals and sale of fixed assets. The net income in respect of derivatives is 598 (2006: 1,058).

## 27. Contribution to the Deposit Guarantee Fund

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

## 28. Salaries and related expenses

| | 2007 | 2006 |
|---|---|---|
| Salaries | 314,960 | 235,600 |
| Social security | 111,421 | 90,810 |
| Bonuses | 41,358 | 26,120 |
| Other | 84,780 | 50,269 |
| **Total** | **552,519** | **402,799** |

## 29. Depreciation and amortization expense

| | 2007 | 2006 |
|---|---|---|
| Depreciation and impairment (see Note 11) | 117,520 | 97,711 |
| Amortisation (see Note 13) | 8,877 | 7,757 |
| Loss on disposal of tangible and intangible assets | 9,831 | 1,961 |
| **Total** | **136,228** | **107,429** |

## 30. Other operating expense

| | 2007 | 2006 |
|---|---|---|
| Administrative expenses | 364,036 | 384,247 |
| Publicity and sponsorships | 34,443 | 31,019 |
| Other expenses | 47,125 | 36,174 |
| **Total** | **445,604** | **451,440** |

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

## 31. Cash and cash equivalents analysis for cash flow purposes

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

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Cash in hand | 938,137 | 792,849 |
| Current accounts and deposits with banks | 801,000 | 523,822 |
| Deposits and deposit certificates at NBR | – | 113,980 |
| **Total** | **1,739,137** | **1,430,651** |

## 32. Guarantees and other financial commitments

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Letters of guarantee granted | 2,666,605 | 1,701,366 |
| Financing commitments granted | 3,401,125 | 2,916,105 |
| **Total commitments granted** | **6,067,730** | **4,617,471** |

**Guarantees and letters of credit**

The Bank issues guarantees and letters of credit for its customers. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry a similar credit risk as loans.
The market and credit risk on these financial instruments, as well as the operational risk is similar to that arising from granting of loans. In the event of a claim on the Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Bank.

**Credit related commitments**

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

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments does not necessarily represent future cash requirements, since many of these commitments will expire or be terminated without being funded.

## 33. Capital commitments

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Tangible non-current assets | 17,794 | 12,124 |
| Intangible non-current assets | 3,006 | 14,182 |
| **Total** | **20,800** | **26,307** |

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

## 34. Related parties

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

| | 2007 | 2006 |
|---|---|---|
| **Assets** | | |
| Nostro accounts | 117,577 | 25,579 |
| Loans | 183,610 | 183,100 |
| | | |
| **Liabilities** | | |
| Loro accounts | 30,557 | 66,116 |
| Term deposits | 271,004 | 385,217 |
| Borrowings | 4,942,309 | 3,058,902 |
| Subordinated borrowings | 738,985 | 688,860 |
| | | |
| **Commitments** | | |
| Letters of guarantee received | 133,038 | 26,506 |
| Notional amount of foreign exchange transactions | 4,094,484 | 520,564 |
| Notional amount of interest rate derivatives | 490,839 | 600,705 |
| | | |
| Interest and commision revenues | 14,749 | 13,049 |
| Interest and commission expense | 156,619 | 95,967 |
| Net gain/(loss) on interest rate derivatives | 3,359 | 1,058 |
| Net gain/(loss) on foreign exchange derivatives | (127,772) | (13,101) |

The interest expenses include an amount of 32,503 (2006: 18,860) relating to subordinated loans.

As of December 31, 2007, the Board of Directors and Managing Committee members own 353,650 shares (2006: 571,010).

The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 4,621 (2006: 2,378).

## 35. Contingencies

As of December 31, 2007 BRD is defendant in a number of lawsuits arising in the course of business, amounting to approximately 2,214 (2006: 1,167). The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Bank's overall financial position and performance.

*(Amounts in thousands lei)*

## 36. Earnings per share

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Ordinary shares on the market | 696,901,518 | 696,901,518 |
| Result for the year | 1,021,636 | 700,955 |
| Earnings per share (in RON) | 1.4660 | 1.0058 |

## 37. Dividends on ordinary shares

| | 2007 | 2006 |
|---|---|---|
| Declared and paid during the year | | |
| Dividends for 2006: 0.3672 RON (2005: 0.3089) | 254,640 | 213,606 |
| Proposed for approval at AGM | | |
| Dividends for 2007: 0.5921 RON (2006: 0.3672) | 412,607 | 255,916 |

The dividends payable amounting to 1,276 (2006: 1,681) are included in other liabilities.

## 38. Risk management

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

Credit risk

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

The Bank restricts its credit exposure to both individual counterparties and counterparty groups by using credit limits attributed when the Bank rates the client. The size of limit depends on the assessment of quantitative factors such as the clients' financial strength, industry position, and qualitative factors such as quality of management and shareholders structure, as well as the soundness of the securities provided by the client. The securities could take the form of collateral or personal guarantees. In the case of individuals the collaterals are mainly mortgages and vehicles and 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.

Market risk

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

*(Amounts in thousands lei)*

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

*Interest rate risk*
Interest rate risk 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 bank is non-trading and it is monitored by the means of an interest rate gap. The Bank has established limits on the interest rate risk position quantified under the form of the sensitivity of the balance sheet computed as being the change in the net present value of assets and liabilities to an increase of 1% in market interest rates (parallel shift in yield curves assumed). The balance sheet sensitivity measure as of December 31st, 2007 is a negative 72,378 (2006: 49,580) signifying that an increase by 1% in market interest would determine a reduction of the net present value of the balance sheet. The margin sensitivity as of December 31st, 2007 is negative 30,995.

Liquidity risk

The liquidity risk is associated either with the difficulty of an enterprise to raise necessary funds in order to meet commitments or with its inability to realize a financial asset quickly and for an amount close to its fair value. The Bank's approach to the management of liquidity begins with the liquidity strategy, approved by the Bank's management. The Bank permanently monitors the liquidity gaps focus on the development of the balance sheet and uses stress scenarios as part of liquidity risk management.

## 39. Balance sheet structure by currency

| | December 31, 2007 | | | |
|---|---|---|---|---|
| | **Total** | **RON** | **EUR** | **Other** |
| **ASSETS** | | | | |
| Cash and cash equivalents | 938,137 | 740,872 | 168,541 | 28,724 |
| Accounts with Central Bank | 10,287,975 | 4,330,374 | 5,957,601 | – |
| Current accounts and deposits at banks | 801,358 | 521,902 | 227,335 | 52,121 |
| Assets available for sale | 118,221 | 118,221 | – | – |
| Loans, net | 25,224,950 | 13,016,662 | 11,753,015 | 455,272 |
| Lease receivables | 1,055,972 | – | 1,039,175 | 16,797 |
| Goodwill | 50,151 | 50,151 | – | – |
| Deferred tax asset, net | 16,872 | 16,872 | – | – |
| Non current assets and other assets | 1,488,945 | 1,488,945 | – | – |
| **Total assets** | **39,982,581** | **20,283,999** | **19,145,667** | **552,914** |
| **LIABILITIES** | | | | |
| Demand deposits and current accounts | 14,597,857 | 9,907,758 | 4,232,667 | 457,432 |
| Term deposits | 14,010,399 | 8,975,888 | 4,246,536 | 787,975 |
| Borrowings | 7,810,756 | 1,483,857 | 6,326,899 | – |
| Current income tax payable, net | 90,153 | 90,153 | – | – |
| Other payables | 375,730 | 338,882 | – | 36,848 |
| SHAREHOLDERS' EQUITY | 3,097,685 | 3,097,685 | – | – |
| **Total liabilities and shareholders' equity** | **39,982,580** | **23,894,223** | **14,806,102** | **1,282,255** |

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

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

## 40. Maturity structure

The maturity structure of the Bank's assets and liabilities, based on the remaining maturity as of December 31, 2007 and 2006 is as follows:

| December 31, 2007 | Total | 0–1 months | 1–3 months | 3–12 months | 1–5 years | Over 5 years | Without defined maturity |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash and cash equivalents | 938,137 | 938,137 | – | – | – | – | – |
| Accounts with the Central Bank | 10,287,975 | 10,287,975 | – | – | – | – | – |
| Current accounts and deposits at banks | 801,358 | 561,418 | 57,000 | 22,156 | 88,624 | 72,160 | – |
| Assets available for sale | 118,221 | – | | | 96,100 | 22,121 | – |
| Loans, net | 25,224,949 | 1,471,942 | 1,781,730 | 6,306,356 | 8,630,960 | 7,033,961 | – |
| Lease receivables | 1,055,972 | 141,766 | 393,761 | 249,502 | 270,429 | 514 | – |
| Goodwill | 50,151 | – | – | – | – | – | 50,151 |
| Deferred tax asset, net | 16,872 | 1,531 | 2,011 | 13,842 | 9,909 | 12,378 | (22,800) |
| Non current assets and other assets | 1,488,945 | – | 224,457 | – | – | – | 1,264,488 |
| **Total assets** | **39,982,580** | **13,402,769** | **2,458,959** | **6,591,856** | **9,096,022** | **7,141,134** | **1,291,839** |

*(Amounts in thousands lei)*

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | |
| Demand deposits | 14,597,857 | 14,597,857 | – | – | – | – | – |
| Term deposits | 14,010,399 | 4,666,700 | 1,289,685 | 2,255,740 | 5,720,480 | 77,794 | – |
| Borrowings | 7,810,756 | 778,450 | 201,748 | 2,410,648 | 3,647,505 | 772,405 | – |
| Current income tax liability | 90,153 | – | – | 90,153 | – | – | – |
| Other liabilities | 375,730 | 253,141 | 122,589 | – | – | – | – |
| **Total liabilities** | **36,884,895** | **20,296,148** | **1,614,022** | **4,756,541** | **9,367,985** | **850,199** | **–** |
| **Total shareholders equity** | **3,097,685** | **–** | **–** | **–** | **–** | **–** | **3,097,685** |
| **Gap** | | **(6,893,379)** | **844,937** | **1,835,314** | **(271,963)** | **6,290,935** | **(1,805,846)** |
| **Cumulated gap** | | **(6,893,379)** | **(6,048,443)** | **(4,213,129)** | **(4,485,090)** | **1,805,846** | **–** |

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

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

# 41. Interest rate risk exposure

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

| December 31, 2007 | 0–1 months | 1–3 months | 3–12 months | 1–5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 938,137 | – | – | – | – | 938,137 |
| Accounts with the Central Bank | 10,287,975 | – | – | – | – | 10,287,975 |
| Current accounts and deposits at banks | 561,418 | 57,000 | 22,156 | 88,624 | 72,160 | 801,358 |
| Assets available for sale | – | – | – | 96,100 | 22,121 | 118,221 |
| Loans, net | 13,852,208 | 3,360,046 | 3,071,678 | 3,466,343 | 1,474,674 | 25,224,949 |
| Lease receivables | 141,766 | 393,761 | 249,502 | 270,429 | 514 | 1,055,972 |
| Goodwill | – | – | – | – | 50,151 | 50,151 |
| Deferred tax asset, net | 1,531 | 2,011 | 13,842 | 9,909 | (10,421) | 16,873 |
| Non current assets and other assets | – | – | – | – | 1,488,945 | 1,488,945 |
| **Total assets** | **25,783,035** | **3,812,818** | **3,357,178** | **3,931,405** | **3,098,144** | **39,982,581** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Demand deposits | 14,597,857 | – | – | – | – | 14,597,857 |
| Term deposits | 10,499,810 | 1,573,429 | 1,510,248 | 425,194 | 1,718 | 14,010,399 |
| Borrowings | 2,029,610 | 3,989,265 | 764,277 | 1,011,700 | 15,904 | 7,810,756 |
| Current tax liability | – | – | 90,153 | – | – | 90,153 |
| Other liabilities | 253,141 | 122,589 | – | – | – | 375,730 |
| **Total liabilities** | **27,380,418** | **5,685,283** | **2,364,678** | **1,436,894** | **17,622** | **36,884,895** |
| **Total shareholders' equity** | **–** | **–** | **–** | **–** | **3,097,685** | |
| | | | | | | |
| **Net position** | **(1,597,383)** | **(1,872,466)** | **992,500** | **2,494,511** | **(17,163)** | |

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

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

## 42. Fair value

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

### Financial assets

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

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

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

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

| | Carrying value 31.12.2007 | Fair value 31.12.2007 |
|---|---|---|
| Loans and leases to customers | 26,280,921 | 26,400,105 |

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

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

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

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

**Financial liabilities**

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

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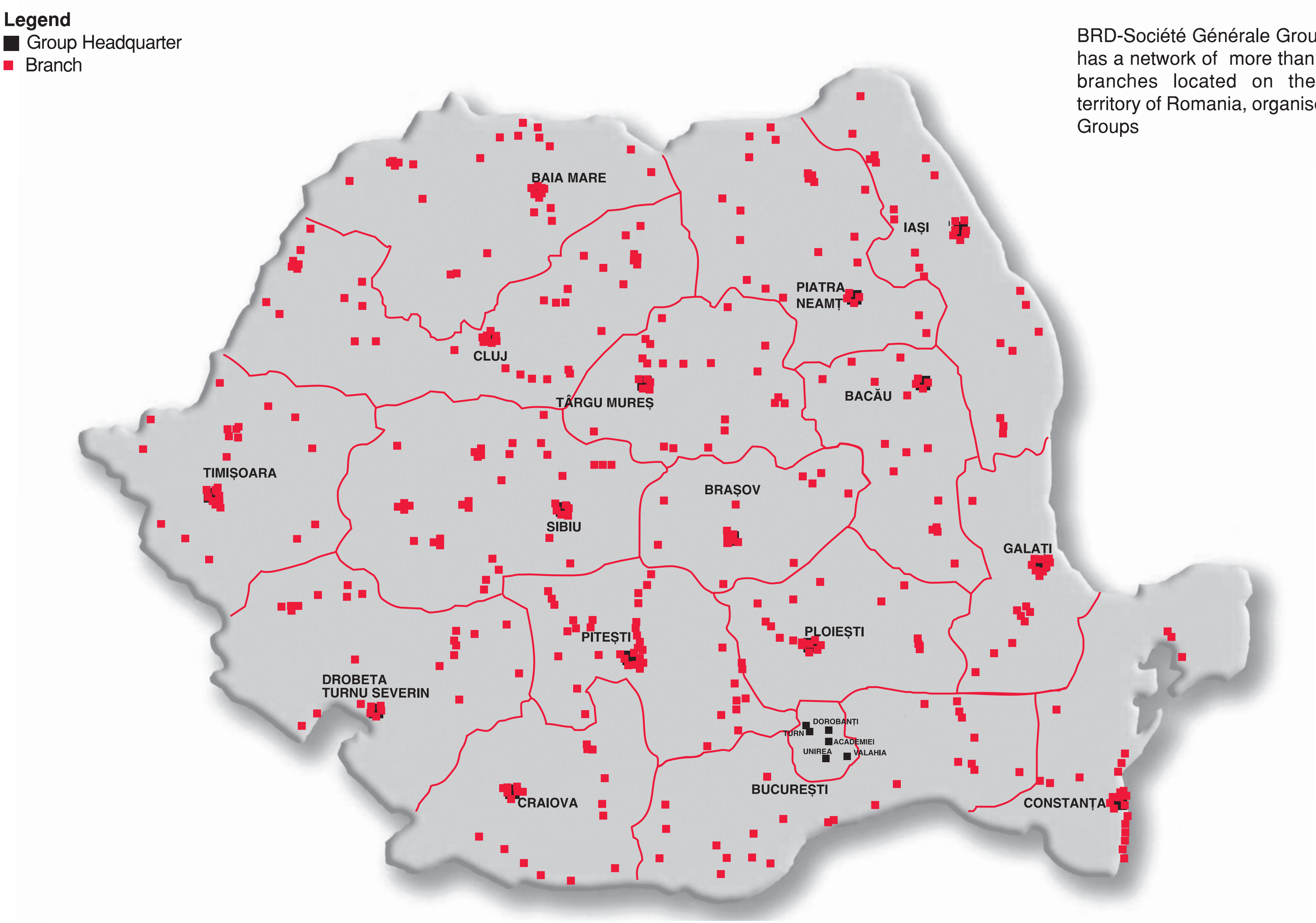

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