BRD – GROUPE SOCIÉTÉ GÉNÉRALE

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS 2009

CONTENT

1. BRD AND SOCIÉTÉ GÉNÉRALE PROFILE. STRATEGY AND BUSINESSES

BRD is the second bank in Romania, in terms of total assets.

As at December 31, 2009, BRD had a net profit of RON 1,146 million and a ROE of 27%.

The bank counts more than 2,500,000 customers, 9,150 employees and holds a territorial network of more than 930 units.

BRD is the second issuer on the Bucharest Stock Exchange.

The bank provides universal banking services structured on the following large business lines: private banking, corporate banking, investment banking and asset management.

In 2009, BRD was designated "The Best Bank in Romania" by the financial magazines *Euromoney*, and *Global Finance*.

2010 Strategy

The main objectives for 2010 relates to:

- a more intensive and selective commercial development by:
    - Improved offers adapted to each client segment
    - Network optimization
    - Increase of number of products by client
- increased efficiency of systems and processes

Ratings

▸ Fitch	Long term rating for foreign currency: BBB
▸ Moody's	Long term rating for deposits in foreign currency: Baa3
	Rating for long-term deposits in the local currency: Baa2

Société Générale Profile

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.

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 30 million retail banking customers worldwide (including Russia, after purchase of Rosbank).

Société Générale is the largest bank in France by size, having two distribution networks, Société Générale and Crédit du Nord.

The Société Générale retail banking network outside France covers three key geographic regions:

- Central and Eastern Europe
- the Mediterranean area and
- Africa and the former French territories.

Société Générale is the fifth asset manager in the Euro zone, with a portfolio of approximately EUR 344 billion under management as at December 31, 2009 (excluding the assets managed by Lyxor Asset Management and by the French network), and the second largest European bank in terms of assets, which as at December 31, 2009 totalled EUR 3,073 billion.

Société Générale is one of the first largest financing and investment banks 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: A+
- Moody's: Aa2
- Fitch IBCA: A+

Position of BRD within Société Générale

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

In 1999, it takes part in the process of privatization of Banca Română pentru Dezvoltare and acquires 51% of the bank's assets.

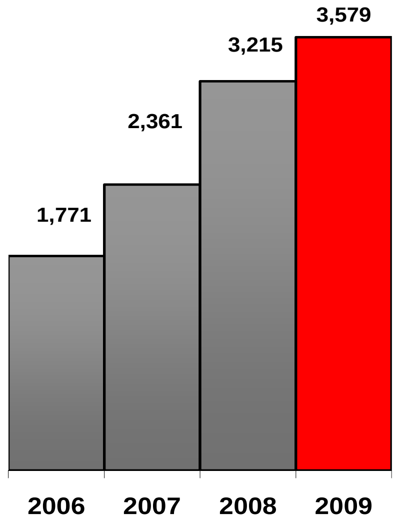
Starting with this period, BRD lined up its operational procedures and business practices to those of the parent company.

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 in three geographical regions.

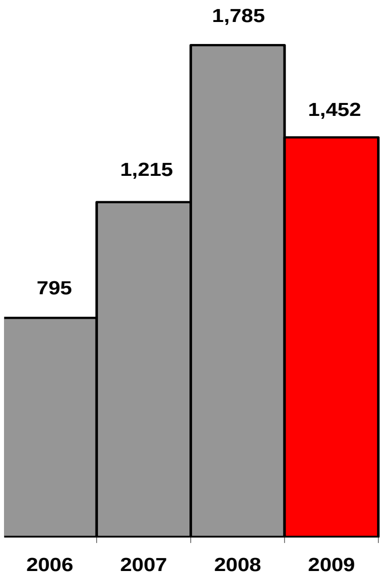
2. KEY FIGURES, SHARE AND DIVIDENDS

According to International Financial Reporting Standards

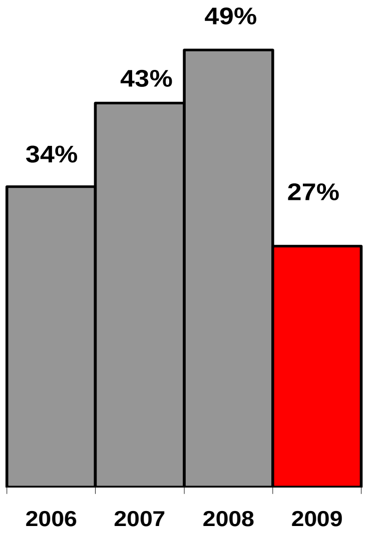
Net Banking Income
(million RON)



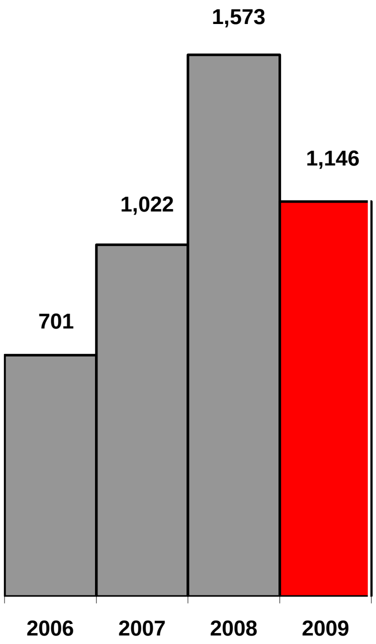
Gross Operating Income
(million RON)



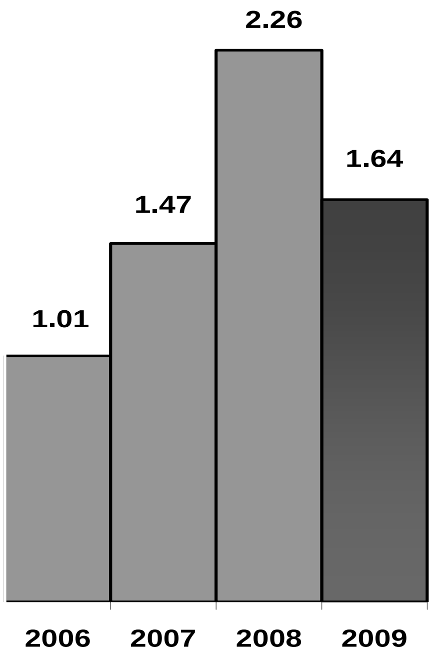
Return on Equity
(ROE)



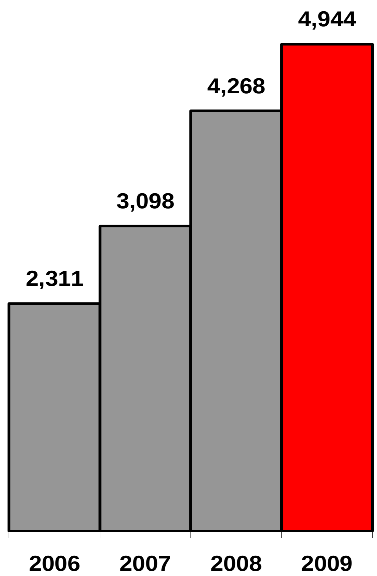
Profit for the year
(million RON)



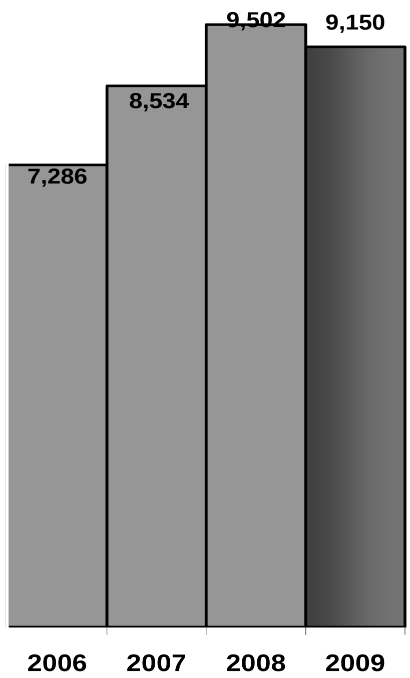
Earnings per share



Shareholders' equity
(*million RON*)



Number of employees



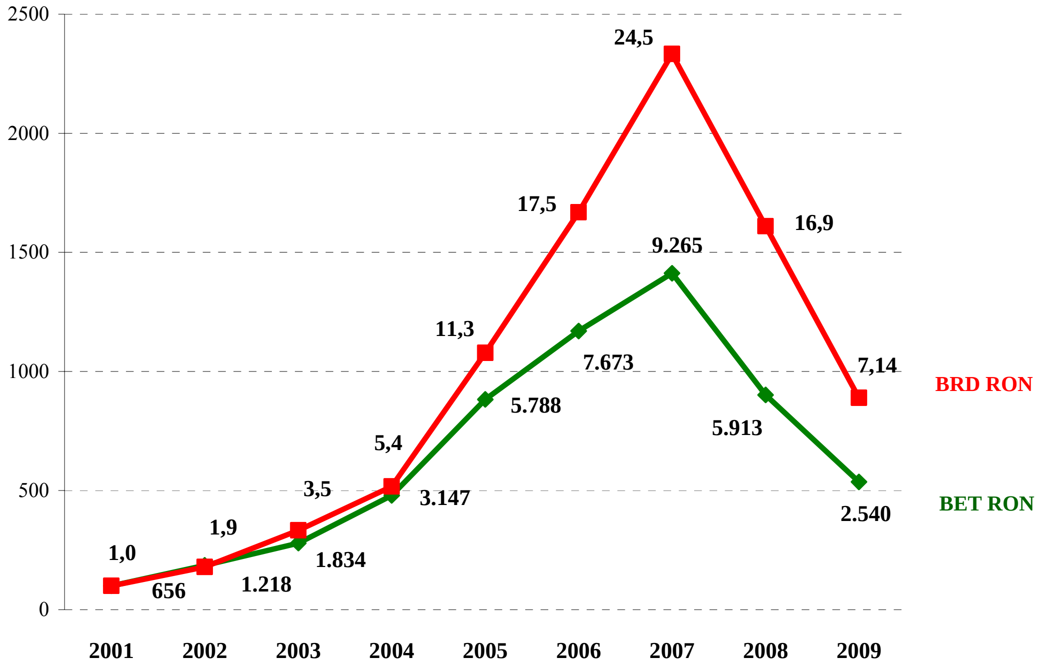
BRD share

Stock exchange information

The market capitalization of the Bank reached RON 9.06 billion (EUR 2.1 billion) at the end of 2009, compared to RON 5.75 billion (EUR 1.4 billion) as at December 2008.

BRD is the second issuing company, in terms of market capitalization, and the first among the companies in the financial sector.

Since January 2001, the date of listing on the stock exchange, the evolution of the BRD share was constantly better than the BET index.



The following table presents the evolution of the main ratios during the past three years.

		2009	2008	2007
Net assets IFRS (milioane RON)		4,944	4,268	3,098
Stock market capitalisation (RON million)		9,060	5,749	19,513
Net profit/share (RON)		1.64	2.26	1.47
Net assets/share (RON)		7.09	6.12	4.44
Quoted price (RON)				
	closing	13.0	8.3	28.0
	maximum	14.2	28.0	29.7
	minimum	3.7	6.6	19.7

Stock exchange indexes

The BRD share is part of the BET index (representing 19.91% of its value, on the last trading day of 2009) 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 the Central and Eastern Europe countries by analyzing the 30 most important companies quoted on the national stock exchanges.

Evolution of dividends

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

	2009	2008	2007
Number of shares (x 1000)	696.902	696.902	696.902
Total dividend (million RON)	195	508	412
Dividend per share (RON), nominal	0.27947	0.72828	0.59205
Distribution rate from distributable profit	25%	37%(*)	45%

(*)Distribution rate from distributable profit before the net gain from the sale of the stake in Asiban is 45%

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 2 months from the approval date 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.

BRD started the payment of the 2008 dividends on June 29, 2009.

3. COMMERCIAL ACTIVITY

BRD, A UNIVERSAL BANK:

Retail bank: 2,379,000 private customers

- The outstanding loans extended to private customers represent almost RON 16.7 billion (+1 % compared to December 2008).
- Out of the above figure, BRD Finance IFN SA, the subsidiary specialised in extending loans at the point of sale, accounted RON 647 million outstanding loans as at December 31, 2009

Corporate bank: around 149,000 corporate customers

- The outstanding loans to corporate customers, excluding financial leasing, represent over RON 17.3 billion (+ 6% compared to December 2008).
- Factoring: BRD is the leader of the Romanian market.
- BRD Sogelease: ranks 3rd among the leasing companies, subsidiaries of banks.
- ALD Automotive: management of a fleet of over 5,000 vehicles.

Investment banking

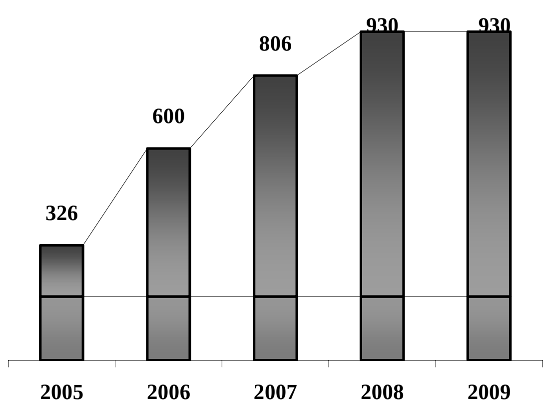
- BRD Corporate Finance: Complete consultancy services for mergers – acquisitions and privatisations.
- BRD Asset Management SAI: operates in the field of asset management.

BRD, a proximity bank

BRD is the private bank with the largest territorial coverage both in large and medium cities and in high potential rural area.

Following a 5 years period of development and modernization of branches network, through new innovative concepts on the Romanian market (BRD Express, BRD 24H, BRD Blitz, BRD Cafe), 2009 marked a pause in the network development.

Evolution BRD network (number of branches)



BRD also develops and permanently improves alternative channels for remote banking: Customer services center Vocalis, Mobile Banking, Internet Banking and E-commerce.

BRD, THE BANK OF PRIVATE CUSTOMERS

By the end of 2009 BRD still had a solid clientele base numbering around 2,379,000 clients.

Even from the beginning of the year BRD offered to its clients financial products meant to help them face the recession through loans restructuring and rescheduling. Moreover, several measures to reduce the associated risks have been taken.

Markets and products

Prima casa
The governmental program meant to stimulate the real estate market represented for BRD the opportunity to launch a special loan “Prima Casa”. By the end of 2009 BRD had, for this product, a market share of 33% and an outstanding balance of EUR 133 million, ranking 1st in the top of the banks participating in this program.

Young customers.
The commercial actions and the partnerships with various universities lead, in 2009, to an increase in young customers’ number from 350,000 to 360,000 and to a consolidation of the bank’s position on this market.

“Private banking”customers..
New dedicated “Private banking” branches have been open in 2009 in Timisoara and Iasi.

Economy products
In 2009, BRD launched “Depozitul Avans”, which differentiates from the rest of deposits by the interest payment right from the moment of opening the deposit.

Commercial campaigns
The end of 2009 was marked by a unique commercial campaign “Paris via BRD” dedicated both to individuals, SME’s and to free lancers. The campaign rewarded both acquiring and use of BRD products and services.

BRD, THE BANK OF CORPORATE CUSTOMERS

Large Corporate Customers

2009 was a difficult year for large corporate clients too, but BRD continued its policy of sustaining the most important actors in the economy from various industries: distribution, energy, constructions and infrastructure, auto, food hotel industry and institutional investors.

Several syndicated loans have also been signed during 2009. Moreover the public sector has been constantly supported.

Corporate clients (including SME's and certified freelancers customers)

In 2009, BRD tried to answer as well as possible to the specific needs of this clientele, particularly affected by the recession.

2009 was marked by:

- financing facilities from EBRD and EIB sources, principally, meant for the development in favorable conditions of the SME's.

- Supporting actions through loans restructuring and rescheduling;

- Financing investment projects which benefits from non refundable European funds, through the program EUROBRD.

SPECIALISED SERVICES

Financing private customers

Consumer loans: BRD Finance IFN SA

Present on the Romanian market since 2004, BRD Finance IFN SA has rapidly become the leader on the market of consumer loans granted at the point of sale.

After a period of accelerated increase, the 2009 results, in a recession year, have been according to management expectations. The strategy adopted referred to maintaining the market share and the leader position, through a prudent risk policy, efforts being directed to an increased efficiency of operational costs.

Long term relationships developed with important retail partners (Carrefour, Real), electronics and home appliances distributors, home design and furniture, IT&C (Praktiker, Aplast, Diverta), auto (Renault, Dacia), and publications (Reader's Digest) represent the guarantee for maintaining a dominant position on the market.

Private pensions: BRD Fond de pensii

In 2009, the subsidiary BRD Fond de Pensii launched the first two optional private pensions funds: Primo and BRD Medio. The two products have given clients' access to a diversified range of saving solutions for insuring the private pension.

Life insurance : BRD Asigurari de Viata

In 2009 the life insurance subsidiary bigun its activity, offering insurance solutions attached to consumer and mortgage loans.

Financing corporate customers

International operations

The total volume of international operations decreased by 13% in 2009 compared to 2008. This evolution was a consequence of the slow down of corporates letters of credit volume due to a reduction in import-export activity of the customers. However, the operations related to international financial guarantees issuance maintained their trend from previous years, accounting a 41% increase in value. The same positive evolution have been also recorded by the Western Union activities which increased by 8%.

Factoring services

Factoring activities registered a decrease by 29% compared to 2008, directly influenced by a significant reduction in companies' sales. The Bank has continued to offer to its clients a large range of domestic and international factoring products with and without recourse. The most requested operations (meaning 62% of total operations) were the ones without recourse, proving the customers interest for covering the nonpayment risk.

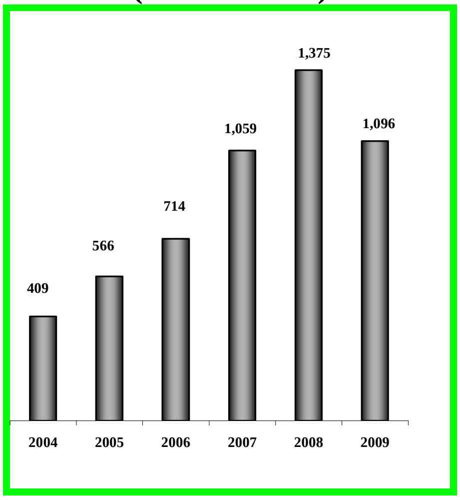
The Bank has been constantly interested in improving its factoring services and has succeeded to maintain its position among the best import and export factors from Factors Chain International.

Leasing: BRD SOGELEASE

In an environment marked by competition BRD Sogelease IFN, the financial leasing subsidiary, finished 2009 with over 1,200 leasing contracts, the finances assets value being of EUR 74 million.

The structure of BRD Sogelease portfolio as at December 31, 2009 was as follows: commercial vehicles – 39 %, cars – 14%, construction equipment – 18%, healthcare equipment, industrial and agriculture equipment – 22%, IT& office equipment – 5%, real estate 2%.

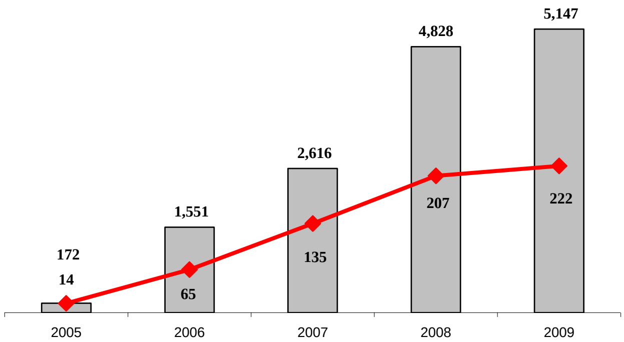
Financial Leasing balance as at December 31, 2009 (RON million)



ALD Automotive – operational leasing and fleet

ALD Automotive is the subsidiary specialized in full operational leasing of vehicles fleets, a product which allows companies to partially or fully externalize their fleet management, resulting in cost saving.
The ALD strategy implies the development of own distribution channels for selling used vehicles; therefore the company launched a website dedicated to this activity.
The subsidiary has a team of 60 employees and a network of 700 suppliers all around the country. ALD Automotive closed 2009 with a fleet of over 5,100 vehicles under management, and more than 200 clients.

Evolution of the number of customers and vehicles under management



BRD, THE INVESTMENT BANK

Brokerage

In January 2009, the activity of the subsidiary BRD Securities was took over by BRD through the Financial Market Department as a consequence of the approval obtained by the Bank in August 2008 from the Securities National Commission to directly perform securities transaction on the capital market.

Asset Management

With assets of more than RON 300 million under management and a market share of 9% as at December 31st, 2009, BRD Asset Management takes the 3rd pace on Romanian UCITS market.

Simfonia fund has known a significant increase of its net assets (by 198.2%) in 2009, remaining one of the most important fund on the Romanian market with net assets reaching RON 238 million (EUR 56 million).

The balanced fund Concerto, launched in 2006 for answering the needs of individual customers, succeeded to increase its net assets in 2009 by 204.9% and a positive performance of 17.76%, despite extremely volatile market conditions.

During 2009 the funds have been re positioned mainly on bonds market and on fix rate instruments.

Also, during 2009, two new funds were launched - Diverso Europa Regional and Actiuni Europa Regional - in order to answer to as many categories of customers as possible.

With exposures to stock market from Central and Eastern Europe the two funds represent investment alternatives to “Bonne Gamme” clients of the Bank, facilitating their access to the product of regional stock markets.
Since their creation on March 13th, 2009 the two funds recorded an increase on net assets of 9.34% Diverso Europa Regional, 9.41% respectively Actiuni Europa Regional.

Deposit/Custody

With an experience of more than 12 years as depository and custodian bank and using Societe Generale know-how (the 3rd depositary bank in Europe and the 7th world wide, having a network of corresponding bank in 73 countries), BRD has reached the 1st place in terms of total deposited assets.

Consultancy

BRD Corporate Finance, the BRD subsidiary involved in such activities has an experience of over 12 years in local merger and acquisition and privatization market, benefiting from Group Societe Generale expertise.

4. 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 1-7 Ion Mihalache Bd., Bucharest, code 011171, 1st district, 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, NSC Regulation no. 1/2006, as further amended, the Code of the Bucharest Stock Exchange.

Pursuant to its Articles of Association, the company 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 Meeting of the Shareholders, and was run by Patrick Gelin, elected Chairman on October 16, 2004. During the General Assembly on December 14th, 2009 Guy Poupet was elected Chairman, starting with January 1st, 2010.

The Board of Directors establishes the general strategy regarding the Bank's activity and monitors its implementation within the bank. 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 every three months.

The directors of the Bank, their respective position and their number of shares as at December 31, 2009 wee as follows:

Name	Principal Activities	No of shares 31.12.2009
Patrick GELIN	Chairman of the Board of Directors of BRD Chief Executive Officer of BRD Chairman of the Board of Directors of BRD Finance IFN S.A. Member of the Board of Directors of ALD Automotive S.R.L. Member of the Board of Directors of BRD Societate de Administrate a Fondurilor de Pensii Private S.A. Chairman of the Board of Mobiasbanca Groupe Société Générale S.A. Chairman of the Foreign Investment Council	17,000
Petre BUNESCU	Member of the Board of Directors Deputy Chief Executive Officer of BRD Vice-Chairman of the Romanian Banking Association Member of the Board of Directors of Transfond SA	340,150
Sorin-Mihai POPA	Member of the Board of Directors of BRD Deputy Chief Executive Officer of BRD Member of the Board of Directors of BRD Sogelease IFN S.A. Member of the Board of Directors of BRD Societate de Administrate a Fondurilor de Pensii Private S.A Member of the Board of Directors of BRD Asigurări de Viață S.A.	0
Didier ALIX	Member of the Board of Directors of BRD 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 Member of the Board of Directors of BRD Corporate Finance	0
Anne FOSSEMALLE	Member of the Board of Directors of BRD Regional Manager for Eastern Europe, EBRD	0
Jean – Louis MATTEI	Member of the Board of Directors of BRD General Manager of the International Retail Banking Division – Groupe Société Générale	0
Dumitru D. POPESCU	Member of the Board of Directors of BRD	5,000
Sorin Marian COCLITU	Member of the Board of Directors of BRD President CEO of the Romanian Guarantee Fund for the Loans to Private Entrepreneurs	0
Ioan CUZMAN	Member of the Board of Directors of BRD Chairman of SIF Banat Crisana	3,500

Executive Committee

The Executive Committee is responsible for the executive management of the Bank, under the authority of the CEO. The Executive Committee meets at least once every two weeks. 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 Meeting of the Shareholders. The members of the Executive Committee have the authority to bind the Bank, in compliance with the law.

In 2009, the Executive Committee had the following members:

Name	Title
Patrick GELIN	Chief Executive Officer of BRD
Petre BUNESCU	Deputy Chief Executive Officer of BRD
Sorin-Mihai POPA	Deputy Chief Executive Officer of BRD
Herve BARBAZANGE	Deputy Chief Executive Officer of BRD
Alexandru Claudiu CERCEL DUCA	Deputy Chief Executive Officer of BRD

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

Audit Committee

The Audit Committee is formed of three non executive board members. The Audit Committee meets at least once a semester.

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 analyzes, independently from the executive management of the Bank, the relevance of accounting methods and internal procedures for the collection of information; assesses the quality of the internal control especially regarding the risk measuring, surveillance and control, and, if necessary, proposes the measures to be taken.

Financial auditor

The financial statements of the bank are certified by an independent audit 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) as adopted by the European union. The external auditor is appointed by the Board of Directors and approved in the General Meeting of the Shareholders.

The auditor in charge with the certification of the financial statements for the period ended December 31st, 2009, 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, chaired by the Deputy CEO who coordinates the network activity, have as objective the analysis of the credit files (both for private and corporate customers) exceeding the powers of the executive managers. The credit files not approved in these meetings or exceeding the powers of this committee are transmitted to the Executive Committee.

Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee meets on a monthly basis or whenever necessary. Meetings are chaired by the CEO. The Committee mainly follows the exposure to the interest rate risk, the liquidity risk and the observance of the most important regulatory indicators.

Investor & Shareholders relations

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 19,000 private shareholders of the bank.
Moreover, for a more efficient management of our relationship with the investors, the bank maintains permanent contact with them, through specific meetings and the distribution of periodical reports and analyses.

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 deemed likely 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.

Financial communication schedule 2010
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.
The financial calendar, the presentations and the quarterly, half-yearly and yearly financial reports may be consulted on the institutional site: www.brd.ro.

For 2010, the financial calendar is as follows:

Presentation of preliminary results as at December 31, 2009 within the meeting with the analysts	February 16, 2010
General Meeting of the Shareholders	April 27, 2010
Communication of annual results 2009	April 27, 2010
Communication of results on the 1st quarter	May 3, 2010
Communication of results on the 2nd quarter	August 2, 2010
Communication of results on the 3rd quarter	November 1, 2010

For further information, a telephone number and two e-mail addresses are at the investors' service:
Tel: (+40) 21 301 61 60
E-mail: investor@brd.ro; actionar@brd.ro

5. HUMAN RESOURCES

Key figures:

- 9,150 employees
- 500 new employees
- 75% of the employees followed at least one professional training

The human resources activity focused on two major axes:

- Policy adapting to the new economic context and integration on new competences within Groupe Société Générale;
- Increased efficiency through the re-organization of human resources line, optimization and increased control over processes;

Regarding the human resources policy the main objectives on medium term are related to training, motivation and offering attractive career opportunities to all employees.

The training programs and career maps have been enriched with new courses meant to answer the development needs of employee's competences.

In the mean time, the personnel involved in human resources activities has followed specific training programs.

The implementation of new IT systems for human resources management as well as the integration of human resources services for Group Societe Generale Romanian subsidiaries represent important steps in an increasing efficiency of internal activities, especially regarding career management for the 9,150 group BRD employees.

The 2009 results of these measures were an increase in employees' retention degree and a decrease in voluntary turnover to only 3%.

Internal employee mobility was kept to significant level (20%) reflecting an adapting capacity to the current macroeconomic context.

Moreover, the promotions represent 7% from the total number employees, equally men and women.

6. SOCIAL RESPONSIBILITY

BRD social and environment responsibility is exercises internally by the employees through a responsible management, and outside the Bank through a reduction of the Bank's activities impact on environment and through involving in community projects.

Environment

Paying attention to the impact on environment BRD is engaged next to Groupe Société Générale in a plan for own activity's carbon emissions neutralization.
For several years BRD has tried to minimize as much as possible the impact over the environment, by limiting its energy consumption (building energetic efficiency, consumption control, Green IT etc). For the second year in a row Bank has used FSC[1] paper for internal use.

Community involvement

In its relationship plan with the community, BRD supports for over 10 years projects which change for better people and communities. The priorities are: education, fight against school abandon and professional insertion of people excluded from work force market.

Few of 2009 projects:

- "Change a destiny. Value a life." – BRD employees' salary donations program. Through this program, 450 under privileged children and teenagers had the opportunity to have access to a better future.
- "Solidarity week" – a project through which BRD convinced 4,000 of its clients to become UNICEF donors
- www.cautamoamenimari.ro, a program launched at the 10 years from privatisation anniversary, through which 6 talented young men have been helped to fulfill their dreams.

Cultural sponsorship

BRD is involved in supporting modern and contemporary art as well as the Romanian cultural patrimony and classical music.

Sport partnership

For 10 years BRD has been the official partner of the Romanian Cycling and Triathlon Federation, sponsoring Romania Cycling Tour.

Moreover, BRD supported in 2009 the national women handball team at the World Championship in China.

[1] FSC (Forest Stewardship Council) is an non-governmental organization which guarantees a reasonable exploitation and a sustainable forest management.

7. RISK MANAGEMENT

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. The implementation combines centralizing the risk management policies and decentralizing risk control and follow-up.

Risk governance

The Bank's Board of Directors (BoD) sets the strategic risk view, which is then translated into policies by the Executive Committee (EC). A part of the EC's responsibilities are delegated to two main committees, namely the Risk Management Committee (RMC) and the Asset and Liabilities Committee (ALCO).

The Central Risk Control Unit (CRCU) is responsible for monitoring and managing the credit risk, the operational risk and a part of the market risks, while the Financial Department monitors and manages the liquidity risk and the „banking book" interest risk.

Risk Management Function

The Risk Management Committee (RMC) is the most senior structure with attributions, delegated by the MC, in credit, market and operational risk management. The committee is made up of the Chairman CEO, the Deputy CEOs, the head of CRCU and other departments and divisions heads of the bank. RMC follows up periodically the main aspects related to risk management, including:

- Risks generated by the launch of new activities and products;
- Credit risk concentration on industries and counter parties;
- Level of default by customer and portfolio;
- Watch list customers;
- Cost of risk and its future evolution;
- Use of derivatives;
- Exposure to sovereign risk;
- Losses from operational risks;
- Business continuity planning.

The risk management function is accomplished on two-levels:

- Transversal risk management extended to the territorial and departmental levels;
- Risk control made by the Central Risk Control Department (CRCU).

CRCU is directly subordinated to the Chairman - CEO. The credit risk management function is extended to the local level by the network through the risk controllers, who have dual reporting lines to the network line structures and to the head of CRCU.

Assets and Liabilities Management

The Assets and Liabilities Committee (ALCO) manages the Bank's balance sheet. The ALCO members come from the finance, treasury, risk function, as well as from the business areas. Its main objective is the managing of the exposure to foreign exchange, interest banking book liquidity risks and, consequently, the protection of the bank's capital and profitability against such risks.

Credit risk

Credit risk is mainly the risk that a counter party may fail to fulfill its payment obligations towards the Bank and also that a counterparty's or an issuer's credit quality may deteriorate.

The Bank's management of credit risk is well integrated with SG's risk management processes. Some of the main principles employed in managing credit risk are as follows:

- Review and approval by senior management of new products and activities involving risks;
- Use of well-defined credit-granting criteria by type of customer, including thorough knowledge of the borrower as well as the purpose and structure of the credit, and of the source of repayment; the request of collateral or personal guarantees to mitigate credit risk;
- Well formalized processes for credit approval, including a clear system of delegated approval limits;
- Ongoing follow-up of exposures, at single or group level, if such may be the case;
- Regularly monitoring and reporting to senior management the quality of the credit portfolios;
- Regular internal independent review of lending activity by the Internal Audit position; and
- Identification and management of non-performing loans and various other workout situations, using objective indicators.

The Bank's primary exposure to credit risk arises through the loan and guarantees it issues.

Corporate credit risk

The main features of lending to commercial customers are as follows:

- Consolidation of the exposures to a single obligor: consolidation of all direct and indirect exposures to a given relationship first at the Romanian level and then worldwide (SG);
- Use of the internal rating system: the Bank's internal rating system is a version of SG's rating system, customized and calibrated to the local business environment.
- Transfer of non-performing customers to a division independent from the business.

Retail credit risk

Lending to individuals and to certain small and medium-sized enterprises is approached in a standardized manner, by designing products in line with identified market needs. Thus, the credit products are aimed at an identified target customer segment and have standard risk acceptance criteria attached, implemented by means of credit scores. BRD constantly monitors the risk of this portfolio, using objective and verifiable criteria, such as the debt service. Once a customer has reached a certain number of days of delay, the exposure is transferred to the responsibility of a well equipped recovery unit that is independent from the originating business function.

Interest rate risk and foreign exchange risk in the banking book (structural risks)

The interest rate and foreign exchange risks incurred both by the commercial activities and proprietary activities (transactions regarding the shareholders' equity, investments and issues of bonds) are hedged, to the extent possible, on an individual basis or by means of macro-hedging techniques, the remaining part is maintained within pre-established limits at prudent levels.

The main tool used in managing the interest rate risk is the gap analysis, along with a measure of the balance sheet sensitivity to the movements in the market interest rates. A set of limits is applied to such sensitivity and the compliance within those limits is monitored by ALMC on a monthly basis.

For the foreign exchange position (banking and trading book), the Bank has a set of limits set at prudent levels, monitored daily by CRCU.

Liquidity risk

The liquidity risk is associated with the incapacity to meet one's payment obligations on the due date, with reasonable costs.

The bank's liquidity management has two major components:

- monitoring the liquidity position and estimating the financing needs of the bank on the short, medium and long term, based on forecasts, and identifying the adequate financing solutions;
- contingency planning including ongoing assessment of potential trends, events and uncertainties that could impact on the Bank's liquidity position.

For foreign currencies funding, the Bank's liquidity management is well integrated with Société Générale.

ALCO validates the basic principles for the organisation and management of liquidity risk, validates the Bank's financing programs, examines the reports on the future liquidity position, reviews the contingency scenarios and proposes appropriate actions to the Executive Committee.

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.

Chairman of the Board of Directors
Guy Poupet

BRD – Groupe Société Générale S.A.

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in Accordance with
International Financial Reporting Standards as adopted by the European Union

DECEMBER 31, 2009

BRD – Groupe Société Générale S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of December 31, 2009
(Amounts in thousands RON)

	Note	December 31, 2009	December 31, 2008
ASSETS			
Cash in hand	4	631,571	913,750
Due from Central Bank	5	9,219,118	13,312,740
Due from banks	6	584,867	583,786
Derivative financial instruments	7	90,166	175,159
Loans and advances to customers	8	32,680,245	31,934,749
Financial lease receivables	9	1,082,128	1,365,857
Financial assets available for sale	10	2,275,135	865,616
Investments in associates	11	79,271	82,787
Property, plant and equipment	12	1,205,783	1,211,052
Goodwill	13	50,151	50,151
Intangible assets	14	79,781	55,414
Deferred tax asset	19	-	65,060
Other assets	15	312,292	303,482
Total assets		**48,290,508**	**50,919,603**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Demand deposits and current accounts	16	14,618,902	17,260,919
Term deposits	17	21,100,342	19,686,109
Borrowed funds and debt issued	18	7,136,577	9,071,189
Derivative financial instruments	7	63,418	209,768
Current tax liability		13	123,189
Deferred tax liability	19	90,018	-
Other liabilities	20	337,093	300,805
Total liabilities		**43,346,363**	**46,651,979**
Share capital	21	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		34,808	(9,900)
Retained earnings	22	2,353,250	1,714,545
Minority interest		40,465	47,357
Total shareholders' equity		**4,944,145**	**4,267,624**
Total liabilities and shareholders' equity		**48,290,508**	**50,919,603**

The financial statements have been authorized by the Group's management on March 24, 2010 and are signed on the Group's behalf by:

Guy Poupet
President and Chief Executive Officer

Petre Bunescu
Deputy Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

for the year ended December 31, 2009

(Amounts in thousands RON)

	Note	2009	2008
Interest income	24	4,754,218	4,135,938
Interest expense	25	(2,514,831)	(2,240,171)
Net interest income		**2,239,387**	**1,895,767**
Fees and commissions, net	26	**810,351**	**774,481**
Foreign exchange gain	27	461,506	465,065
Gain on derivative financial instruments		70,379	15,605
(Loss)/Income from associates	28	(2,276)	273,351
Other income	29	113,869	87,542
Operating income		**3,693,216**	**3,511,811**
Contribution to the Deposit Guarantee Fund	30	(36,462)	(18,376)
Salaries and related expenses	31	(738,799)	(672,380)
Depreciation, amortisation and impairment on tangible assets	32	(170,948)	(119,215)
Other operating expenses	33	(691,127)	(619,463)
Operating expenses		**(1,637,336)**	**(1,429,434)**
Credit loss expense	34	(605,490)	(297,215)
Profit before income tax		**1,450,390**	**1,785,162**
Current income tax expense	19	(162,657)	(265,826)
Deferred tax (expense)/income	19	(148,376)	48,311
Total income tax		**(311,033)**	**(217,515)**
Profit for the year		**1,139,357**	**1,567,647**
Loss attributable to minority interest		6,892	4,993
Profit attributable to parent company shareholders		1,146,249	1,572,640
Earnings per share (in RON)	40	**1.6448**	**2.2566**

(Amounts in thousands RON)

	2009	2008
Profit for the year	**1,139,357**	**1,567,647**
Other comprehensive income		
Net gain/(loss) on available-for-sale financial assets	51,410	(10,476)
Income tax relating to components of other comprehensive income	(6,702)	(123)
Other comprehensive income for the year, net of tax	**44,708**	**(10,599)**
Total comprehensive income for the year, net of tax	**1,184,065**	**1,557,048**
Attributable to:		
Equity holders of the parent	1,190,957	1,562,041
Minority interest	(6,892)	(4,993)

BRD – Groupe Société Générale S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2009
(Amounts in thousands RON)

	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Minority interest	Total
December 31, 2007		**2,515,622**	**699**	**554,512**	**26,851**	**3,097,684**
Total comprehensive income			(10,599)	1,572,640	(4,993)	**1,557,048**
Increase in share capital					25,499	**25,499**
Equity dividends for 2007				(412,607)		**(412,607)**
December 31, 2008		**2,515,622**	**(9,900)**	**1,714,545**	**47,357**	**4,267,624**
Total comprehensive income			44,708	1,146,249	(6,892)	**1,184,065**
Equity dividends for 2008				(507,544)		**(507,544)**
December 31, 2009	21	**2,515,622**	**34,808**	**2,353,250**	**40,465**	**4,944,145**

BRD – Groupe Société Générale S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 2009
(Amounts in thousands RON)

	Note	2009	2008
Cash flows from operating activities			
Profit before tax		**1,450,390**	**1,785,162**
Adjustments for non-cash items			
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets		170,948	119,215
Loss/(gain) from investment revaluation		3,803	(279,607)
Net expenses from impairment of loans and from provisions	35	625,210	409,121
Income tax paid		(123,176)	(232,790)
Operating profit before changes in operating assets and liabilities		**2,127,175**	**1,801,101**
Changes in operating assets and liabilities			
Current account with NBR		4,093,622	(3,024,765)
Accounts and deposits with banks		7,247	(34,631)
Available for sale securities		(1,364,811)	(757,994)
Loans		(1,369,093)	(7,115,855)
Lease receivables		283,729	(309,885)
Other assets		(7,421)	(268,047)
Demand deposits		(2,642,017)	2,663,062
Term deposits		1,414,233	5,675,710
Other liabilities		(22,459)	130,232
Total changes in operating assets and liabilities		**393,030**	**(3,042,173)**
Cash flow from operating activities		**2,520,205**	**(1,241,072)**
Investing activities			
Acquisition of equity investments		-	(48,240)
Proceeds from equity investments		-	306,452
Acquisition of tangible and intangible assets		(190,046)	(196,592)
Proceeds from sale of tangible and intangible assets		-	27,993
Cash flow from investing activities		**(190,046)**	**89,613**
Financing activities			
Increase in borrowings		(1,934,612)	1,260,433
Increase in share capital of subsidiary		-	25,499
Dividends paid		(506,742)	(411,063)
Net cash from financing activities		**(2,441,354)**	**874,869**
Net movements in cash and cash equivalents		**(111,195)**	**(276,590)**
Cash and cash equivalents at beginning of the period	35	**1,149,943**	**1,426,533**
Cash and cash equivalents at the end of the period	35	**876,092**	**1,149,943**

Operational cash flows from interest and dividends

	2009	2008
Interest paid	2,504,361	2,244,775
Interest received	4,500,676	4,152,005
Dividends received	2,121	13,046

(Amounts in thousands RON)

1. Corporate information

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

The ultimate parent is Société Générale S.A. (the "Parent").

The Bank has 930 units throughout the country (December 31, 2008: 930). The average number of employees during 2009 was 9,228 (2008: 9,110), and the number of employees as of the year-end was 9,150 (December 31, 2008: 9,502).

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

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

The shareholding structure of the Bank is as follows:

	December 31, 2009	**December 31, 2008**
Societe Generale France	59.37%	58.54%
SIF Oltenia	4.65%	5.51%
SIF Muntenia	4.75%	5.27%
SIF Moldova	5.00%	5.00%
SIF Banat Crisana	5.27%	4.65%
SIF Transilvania	5.50%	5.02%
European Bank for Reconstruction and Development ("EBRD")	5.00%	5.00%
Other shareholders	10.46%	11.01%
Total	**100.00%**	**100.00%**

2. Basis of preparation

a) Basis of preparation

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, BRD prepared consolidated financial statements for the year ended December 31, 2009 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU") and in force at that date (these standards are available on European Commission Website http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)

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

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

b) Basis for consolidation

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2009. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. Control is presumed to exist when direct or indirect ownership exceeds 50% of the voting power of the enterprise. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2008: 99.98%), BRD Finance IFN S.A (49% ownership, 2008: 49%, control through the power to govern the financial and operating policies of the entity under various agreements), BRD Securities - Groupe Société Générale S.A. (99.9996% ownership, 2008: 99.9996%), BRD Corporate Finance SRL (100% ownership, 2008: 100 %), ALD Automotive SRL (20% ownership, 2008: 20 %, control through the power to govern the financial and operating policies of the entity under various agreements) and BRD Asset Management SAI SA (99.95% ownership, 2008: 94.83%). The address of the Bank's registered office is 1-7 Ion Mihalache Blvd, Bucharest. All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

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

Equity and net income attributable to minority interests are shown separately in the statement of financial position and 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.

2. Basis of preparation (continued)

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

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 15 Agreements for the Construction of Real Estate effective 1 January 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- IFRIC 9 Remeasurement of Embedded Derivatives (Amended) and IAS 39 Financial Instruments: Recognition and Measurement (Amended) effective for periods ending on or after 30 June 2009
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amended) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 January 2009
- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations (Amended) effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IFRS 7 Financial Instruments: Disclosures (Amended) effective 1 January 2009
- IAS 1 Presentation of Financial Statements (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation (Amended) and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (Amended) effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- Improvements to IFRSs (May 2008)
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

- **IFRIC 13 Customer Loyalty Programmes**
  This Interpretation 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. This Interpretation has no impact on Group's financial statements

- **IFRIC 15 Agreements for the Construction of Real Estate**
  This Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue' and, accordingly, when revenue from such construction should be recognised. IFRIC 15 is not relevant to the Group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

2. Basis of preparation (continued)

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

- **IFRIC 16 Hedges of a Net Investment in a foreign operation**
  This interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risk that qualifies for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how the entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. IFRIC 16 had no impact on the financial statements because the Group has no investments in foreign operations.

- **IFRIC 18 Transfers of Assets from Customers**
  This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. It is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. This interpretation is not applicable to the Group.

- **IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of embedded derivatives (Amended)**
  The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from the host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be based on circumstances that existed on the later of the date the entity first came party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured the entire hybrid instrument can remain classified at fair value through profit and loss. This amendment had no impact on the Group’s financial statements.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (Amended)**
  The amendments to IFRS 1 allows an entity to determine the ‘cost’ of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. The amendment to IAS 27 will have to be applied prospectively. The new requirements affect only the parent’s separate financial statement and do not have an impact on the consolidated financial statements. This interpretation is not applicable as the Group is not a first time adopter of IFRS.

- **IFRS 2 Share-based Payments (Amended)**
  The amendment clarifies two issues. The definition of ‘vesting condition’, introduces 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. This Interpretation does not have any impact on Group’s financial statements.

- **IFRS 8 Operating Segments**
  This Standard replaces IAS 14 ‘Segment reporting’. IFRS 8 adopts a management approach to segment reporting. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

2. Basis of preparation (continued)

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

- **IFRS 7 Financial Instruments: Disclosures (Amended)**
  The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by the source of inputs, using a three-level hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between the levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 42.

- **IAS 1 Presentation of Financial Statements (Revised)**
  The revised standard requires that the statement of changes in equity includes only transactions with shareholders; introduces a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with “other comprehensive income” (either in one single statement or in two linked statements); and requires the inclusion of a third column on the statement of financial position to present the effect of restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period. The Group made the necessary changes to the presentation of its financial statements in 2009 and has elected to present two linked statements for the statement of comprehensive income.

- **IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and obligations arising on liquidation (Amended)**
  The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if certain criteria are met. This amendment did not have any impact on the financial statements

- **IAS 23 Borrowing Costs (Revised)**
  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. This revision did not have any impact on Group’s financial statements.

2. Basis of preparation (continued)

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

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 January 2009.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**
  The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale, under IFRS 5, even when the entity will retain a non-controlling interest in the subsidiary after the sale.

- **IFRS 7 Financial Instruments: Disclosures**
  This amendment removes the reference to 'total interest income' as a component of finance costs.

- **IAS 1 Presentation of Financial Statements**
  This amendment clarifies that assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position.

- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**
  This amendment clarifies that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

- **IAS 10 Events after the Reporting Period**
  This amendment clarifies that dividends declared after the end of the reporting period are not obligations.

- **IAS 16 Property, Plant and Equipment**
  This amendment clarifies that items of property, plant & equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds on sale are subsequently shown as revenue. IAS 7 Statement of cash flows is also revised, to require cash payments to manufacture or acquire such items to be classified as cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also shown as cash flows from operating activities.

- **IAS 18 Revenue**
  This amendment replaces the term 'direct costs' with 'transaction costs' as defined in IAS 39.

- **IAS 19 Employee Benefits**
  This amendment revises the definitions of 'past service costs', 'return on plan assets' and 'short-term' and 'other long term' employee benefits to focus on the point in time at which the liability is due to be settled.

- **IAS 20 Accounting for Government Grants and Disclosure of Government Assistance**
  Loans granted with no or low interest rates are not exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates, thereby being consistent with IAS 39. The difference between the amount received and the discounted amount is accounted for as a government grant. To be applied prospectively – to government loans received on or after 1 January 2009.

2. Basis of preparation (continued)

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

- **IAS 23 Borrowing Costs**
  The amendment revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method as described in IAS 39.

- **IAS 27 Consolidated and Separate Financial Statements**
  When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- **IAS 28 Investment in Associates**
  This interpretation clarifies that (i) if an associate is accounted for at fair value in accordance with IAS 39 only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies and (ii) an investment in an associate is a single asset for the purpose of conducting the impairment test – including any reversal of impairment. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance and any impairment is reversed if the recoverable amount of the associate increases.

- **IAS 29 Financial Reporting in Hyperinflationary Economies**
  This amendment revises the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

- **IAS 31 Interest in Joint ventures**
  This amendment clarifies that if a joint venture is accounted for at fair value, in accordance with IAS 39 only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses will apply.

- **IAS 34 Interim Financial Reporting**
  This amendment clarifies that earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

- **IAS 36 Impairment of assets**
  This amendment clarifies that when discounted cash flows are used to estimate 'fair value less costs to sell', the same disclosure is required as when discounted cash flows are used to estimate 'value in use'.

2. Basis of preparation (continued)

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

- **IAS 38 Intangible Assets**

    - Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the services.
    - Deletes references to there being rarely, if ever, persuasive evidence to support an amortisation method for finite life intangible assets that results in a lower amount of accumulated amortisation than under the straight-line method, thereby effectively allowing the use of the unit of production method.
    - A prepayment may only be recognised in the event that payment has been made in advance to obtaining right of access to goods or receipt of services.

- **IAS 39 Financial instruments recognition and measurement**

    - Clarifies that changes in circumstances relating to derivatives – specifically derivatives designated or de-designated as hedging instruments after initial recognition – are not reclassifications. Thus, a derivative may be either removed from, or included in, the ‘fair value through profit or loss’ classification after initial recognition. Similarly, when financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of IFRS 4 Insurance Contracts, this is a change in circumstance, not a reclassification.

    - Requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting.

- **IAS 40 Investment property**

    - Revises the scope (and the scope of IAS 16) such that property that is being constructed or developed for future use as an investment property is classified as investment property. If an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

- **IAS 41 Agriculture**

    - Replaces the term ‘point-of-sale costs’ with ‘costs to sell’.

    - Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.

    - Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Rather, cash flows that are expected to be generated in the ‘most relevant market’ are taken into account.

2. Basis of preparation (continued)

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

- **IFRIC 17 Distributions of Non-cash Assets to Owners**
  This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Group does not expect IFRIC 17 to have an impact on the financial statements as the Group has not made any non-cash distributions to shareholders in the past.

- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
  The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation has not yet been endorsed by the EU. The Group is still assessing the impact of this interpretation on its financial statements.

- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively. This amendment has not yet been endorsed by the EU. The Group is still assessing the impact of this interpretation on its financial statements.

- **IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)**
  The revision and amendment is effective for annual periods beginning on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 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 3 (Revised) and IAS 27 (Amendment) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- **IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items**
  The amendment is effective for annual periods beginning on or after 1 July 2009.The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group does not expect that the amendment will have any impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

2. Basis of preparation (continued)

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

- **IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

- **IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2010. This amendment clarifies the accounting for group cash-settled share-based payment transactions and how such transactions should be arranged in the individual financial statements of the subsidiary. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

- **IAS 32 Classification on Rights Issues (Amended)**
  The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

- **IAS 24 Related Party Disclosures (Revised)**
  The revision is effective for annual periods beginning on or after 1 January 2011.This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

- **IFRS 1 Additional Exemptions for First-time Adopters (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2010. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

- **"IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for first time adopters" (Amended)**
  The amendment is effective for annual periods beginning on or after 1 July 2010. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

  In April 2009 the IASB issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2009. This annual improvements project has not yet been endorsed by the EU.

  - **IFRS 2 Share-based Payment,** effective for annual periods beginning on or after 1 July 2009. Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2 even though they are out of scope of IFRS 3 (revised). If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

2. Basis of preparation (continued)

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

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations,** effective for annual periods beginning on or after 1 January 2010. Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

- **IFRS 8 Operating Segment Information,** effective for annual periods beginning on or after 1 January 2010. Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- **IAS 1 Presentation of Financial Statements,** effective for annual periods beginning on or after 1 January 2010. The terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- **IAS 7 Statement of Cash Flows,** effective for annual periods beginning on or after 1 January 2010. Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement.

- **IAS 17 Leases,** effective for annual periods beginning on or after 1 January 2010. The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains.

- **IAS 18 Revenue,** The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - Has primary responsibility for providing the goods or service
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

- **IAS 36 Impairment of Assets,** effective for annual periods beginning on or after 1 January 2010. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

2. Basis of preparation (continued)

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

- **IAS 38 Intangible Assets,** effective for annual periods beginning on or after 1 July 2009. Clarifies that if an intangible asset acquired in business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also, clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

- **IAS 39 Financial Instruments: Recognition and Measurement,** effective for annual periods beginning on or after 1 January 2010. The amendment clarifies that:

  - A prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  - The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)
  - Gains and losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)

- **IFRIC 9 Reassessment of Embedded Derivatives,** effective for annual periods beginning on or after 1 July 2009. The Board amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or business under common control or the formation of a joint venture. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

- **IFRIC 16 Hedges of a Net Investment in a Foreign Operation,** effective for annual periods beginning on or after 1 July 2009. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

2. Basis of preparation (continued)

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

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

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

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

Impairment of goodwill
The Group determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2009 was 50,151 (December 31, 2008: 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 20.

f) Segment information

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

(Amounts in thousands RON)

3. Summary of significant accounting policies

a) Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.
The exchange rates of the currencies with the most significant impact on the Group's financial statements as of December 31, 2009 and 2008 were as follows:

	December 31, 2009	December 31, 2008
RON/ USD	2.9361	2.8342
RON/ EUR	4.2282	3.9852

b) Cash and cash equivalents

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

c) Current accounts and deposits with banks

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

d) Loans and advances to customers and finance lease receivables

Loans and advances to customers and finance lease receivables originated by the Group by providing money directly to the borrower are recognized when the cash is advanced to those parties. They are measured initially at fair value including arrangement costs. Loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

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

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

3. Summary of significant accounting policies (continued)

e) Renegotiated loans

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

f) Leases

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

Group as a lessor

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

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

g) Investment in associates

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

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

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

h) 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 other comprehensive income.

3. Summary of significant accounting policies (continued)

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

Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace.

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

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

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

If the fair value cannot be reliably determined (for investment where there is no active market), the fair value is determined by using valuation techniques with reference to observable market inputs.

i) Tangible assets

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

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

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

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

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.

3. Summary of significant accounting policies (continued)

j) Borrowing costs

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

k) Investment properties

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

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

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

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

l) Held for sale assets

The Group 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 Group 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 IFRS.

m) Goodwill

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

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

3. Summary of significant accounting policies (continued)

n) Intangible assets

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

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

All intangible assets of the Group carried as of December 31, 2009 and 2008 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 statement of financial position date, intangibles are reviewed for indication of impairment or changes in estimated future benefits. Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount.

o) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts, currency swaps, currency options, forward and swaps on interest rate as products offered to its clients but also to hedge its risks associated with interest rate, liquidity and foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

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

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

The Group did not apply hedge accounting.

p) 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.

q) Offsetting of financial assets and liabilities

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

3. Summary of significant accounting policies (continued)

r) Sale and repurchase agreements

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

s) Customers' deposits and current accounts

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

t) De-recognition of financial assets and liabilities

Financial assets
A financial asset is derecognized where:

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

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

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.

u) Recognition of income and expenses

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

Interest and similar income

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale or held for trading, 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.

3. Summary of significant accounting policies (continued)

u) Recognition of income and expenses (continued)

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Fee and commission income

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

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

Fees earned for the provision of services over a period of time are accrued over that period. These fees include asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services

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

Dividend income
Revenue is recognized when the Group’s right to receive the payment is established.

Net trading income

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

v) Employee benefits

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

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

Post-employment benefits:
The Group has a contractual obligation to pay to retiring employees a benefit calculated taking into account the salary at the date of retirement and the number of years served by the individual. The cost of providing benefits under defined benefit plans is estimated annually using the projected unit credit actuarial valuation method and is recognized to the income statement on an accruals basis.

3. Summary of significant accounting policies (continued)

v) Employee benefits (continued)

The surplus or deficit, arising from changes in the discount rate and from other actuarial assumptions is recognized as income or expense over the expected average remaining working lives of the employees participating in the plan.

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

w) Taxation

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

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

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

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

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

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

x) Provisions

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

3. Summary of significant accounting policies (continued)

y) 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.

z) 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, 2009 and 2008 there were no dilutive equity instruments issued by the Group.

aa) Dividends on ordinary shares

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

ab) Related parties

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

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

ac) Subsequent events

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

ad) Financial guarantees

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

3. Summary of significant accounting policies (continued)

ae) Comparatives

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year. Therefore, the net expenses from impairment of loans and from provisions presented in the consolidated cash flow statement have been restated with the cash amount relating to recoveries from derecognized receivables.

(Amounts in thousands RON)

4. Cash in hand

	December 31, 2009	December 31, 2008
Cash in vaults	368,404	612,849
Cash in ATM	263,167	300,901
Total	**631,571**	**913,750**

5. Due from Central Bank

	December 31, 2009	December 31, 2008
Current accounts	9,219,118	13,312,740
Total	**9,219,118**	**13,312,740**

The National Bank of Romania (NBR or Central Bank) requires commercial banks to maintain an amount on current account with NBR ("minimum compulsory reserve"), calculated as a percentage of the average funds borrowed by the Bank during the previous month including customer deposits. As of December 31, 2009 the rate for RON and foreign currency denominated compulsory reserves was 15% and 25%, respectively (2008: 18% and 40%).

The required level of the minimum compulsory reserve for the last calculation period of the year was 7,549,169 (2008: 12,141,101).

The interest paid by the NBR for the compulsory reserves during 2009 was 3.36% - 5.90% p.a. for RON deposits (2008: 2.50% - 5.15% p.a.), and 1.26% - 2.80 % p.a. for EUR deposits (2008: 1.25% - 2.75%).

6. Due from banks

	December 31, 2009	December 31, 2008
Deposits at Romanian banks	105,055	81,440
Deposits at foreign banks	349,135	345,936
Current accounts at Romanian banks	1	6
Current accounts at foreign banks	130,676	156,404
Total	**584,867**	**583,786**

(Amounts in thousands RON)

7. Derivative financial instruments

	December 31, 2009		
	Assets	Liabilities	Notional amount
Interest rate swaps	-	12,419	750,881
Currency swaps	40,160	27,446	2,801,632
Forward foreign exchange contracts	32,994	6,541	761,874
Currency options	17,012	17,012	1,682,317
Total	**90,166**	**63,418**	**5,996,704**

	December 31, 2008		
	Assets	Liabilities	Notional amount
Interest rate swaps	-	11,323	564,129
Currency swaps	27,756	118,189	6,539,186
Forward foreign exchange contracts	90,920	23,771	877,452
Currency options	56,483	56,485	1,066,811
Total	**175,159**	**209,768**	**9,047,578**

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

Swaps
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.
Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.
In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.
The Group purchases and sells options in the over-the-counter markets.
Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option.
The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.
Options written by the Group provide the purchaser the opportunity to purchase from or sell to the Group the underlying asset at an agreed-upon value either on or before the expiration of the option.

(Amounts in thousands RON)

8. Loans and advances to customers

	December 31, 2009	December 31, 2008
Loans, gross	33,937,371	32,887,940
Loans impairment	(1,257,126)	(953,191)
Total	**32,680,245**	**31,934,749**

The structure of loans is the following:

	December 31, 2009	December 31, 2008
Working capital loans	8,749,356	8,697,908
Loans for equipment	7,272,426	7,079,791
Trade activities financing	195,649	337,890
Acquisition of real estate, including mortgage for individua	3,296,825	2,503,719
Consumer loans	12,022,400	12,826,735
Other	1,320,028	1,441,897
Total	**33,937,371**	**32,887,940**

As of December 31, 2009, balances relating to factoring amount to 186,803 (December 31, 2008: 301,744) and those relating to discounting 8,809 (December 31, 2008: 35,708).

The analysis of portfolio by type of ownership

Type of ownership	December 31, 2009	December 31, 2008
Private companies	14,890,480	15,873,758
State owned companies	2,377,409	464,994
Individuals	16,669,482	16,549,188
Total	**33,937,371**	**32,887,940**

Sector analysis

	December 31, 2009	December 31, 2008
Manufacturing	8.8%	9.3%
Food industry	3.3%	3.2%
Transportation and other services	2.6%	2.4%
Trade	17.8%	19.6%
Agriculture	1.7%	1.7%
Constructions	6.3%	6.6%
Individuals	48.3%	49.0%
Other	11.2%	8.2%
Total	**100.0%**	**100.0%**

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

(Amounts in thousands RON)

8. Loans and advances to customers (continued)

As of December 31, 2009 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 1,648,275 (December 31, 2008: 1,231,162), while the value of letters of guarantee and letters of credit issued in favor of these clients amounts to 2,871,796 (December 31, 2008: 3,000,713).

Impairment allowance for loans

	Collective impairment	Specific impairment	Total
Balance as of December 31, 2007	**92,225**	**671,014**	**763,239**
Net provision expenses	135,368	29,465	164,833
Foreign exchange losses	4,943	20,176	25,119
Balance as of December 31, 2008	**232,536**	**720,655**	**953,191**
Net provision (income)/expenses	(46,374)	333,104	286,730
Foreign exchange losses	4,018	13,187	17,205
Balance as of December 31, 2009	**190,180**	**1,066,946**	**1,257,126**

The value of loans individually determined to be impaired is 2,465,921 (December 31, 2008: 964,763).

Ageing analysis of past due but not impaired loans

December 31, 2009

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate and public sector lending	1,031,609	404,012	274,734	154,331	1,864,686
Small business lending (retail)	240,065	113,081	95,836	-	448,982
Consumer lending	910,512	311,512	243,111	-	1,465,135
Residential mortgages	195,708	59,872	62,870	-	318,450
Total	**2,377,894**	**888,477**	**676,551**	**154,331**	**4,097,253**

December 31, 2008

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate and public sector lending	653,603	121,430	87,600	-	862,633
Small business lending (retail)	295,275	69,100	26,685	-	391,060
Consumer lending	1,006,629	216,326	92,333	-	1,315,288
Residential mortgages	124,463	24,749	7,314	994	157,520
Total	**2,079,970**	**431,605**	**213,932**	**994**	**2,726,501**

(Amounts in thousands RON)

8. Loans and advances to customers (continued)

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

	December 31, 2009	December 31, 2008
Corporate and public sector lending	614,536	1,243
Small business lending (retail)	113,222	675
Consumer lending	112,401	-
Residential mortgages	8,376	-
Total	**848,535**	**1,918**

Analysis of collateral coverage

December 31, 2009

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate and public sector lending	1,864,686	1,553,824	12,094,667	7,624,508
Retail lending	2,232,567	1,499,694	15,279,529	6,935,498
Total	**4,097,253**	**3,053,518**	**27,374,196**	**14,560,006**

December 31, 2008

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate and public sector lending	862,633	859,304	12,434,448	11,813,713
Retail lending	1,863,868	1,753,675	16,762,225	15,230,497
Total	**2,726,501**	**2,612,979**	**29,196,673**	**27,044,210**

As of December 31, 2009 the carrying value of repossessed assets is 39 (December 31, 2008: 39), representing a residential building. During 2009 the Group did not repossess any assets.

The fair value of properties, letters of guarantee and cash that the Group holds as collateral relating to loans individually determined to be impaired as at December 31, 2009 amounts to 1,319,710 (December 31, 2008: 452,795). The amounts are capped to the gross exposure level.

Analysis of neither impaired nor past due loans by credit rating

December 31, 2009	Total	Credit rating 1	2	3	4	5	6
Corporate and public sector lending	12,094,667	1,143,670	444,648	473,997	8,787,272	1,028,021	217,059
Retail lending	15,279,529	-	-	-	15,225,410	44,235	9,884
Total	**27,374,196**	**1,143,670**	**444,648**	**473,997**	**24,012,682**	**1,072,256**	**226,943**

(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Analysis of neither impaired nor past due loans by credit rating (continued)

December 31, 2008	Total	Credit rating					
		1	2	3	4	5	6
Corporate and public sector lending	12,434,448	360,891	524,585	908,615	9,597,080	931,516	111,761
Retail lending	16,762,225	-	-	-	16,664,758	86,749	10,718
Total	**29,196,673**	**360,891**	**524,585**	**908,615**	**26,261,838**	**1,018,265**	**122,479**

The credit quality of loans and advances to customers is managed by the Group using internal credit rating system. The description of the credit rating grid is presented in the table below:

Rating	Credit quality	Criteria
1	very good	A leading company on its market. A buoyant sector. Steady growth. Excellent profitability. Financial soundness. Very high quality ownership structure and management. Compliance with central bank ratios.
2	good	Sound financial structure and correct profitability but no rating 1 for one of the following reasons: balance sheet to be improved in a given area, business sector in doubt, managers' experience.
3	rather good	Healthy financial structure but smaller size. Good reimbursement capacity but some of the weaknesses noted under 2.
4	acceptable	Good financial structure but strain liquidity. Special attention required even if there is no reason to break the relationship. Modest size.
5	performing but sensitive	Several scenarios: a risky business because of a relatively week financial structure or small size, startup, declining sector, significant decline in credit movement, investment badly settled.
6	sensitive - credit risk not acceptable	Credit risk not acceptable. Customer in difficult situation. Financial structure unbalanced. Significant decline in credit movement. Doubt about probity of management. Loan termination remains a possibility.
7	doubtful	Almost certain partial loss but preservation of business relations, with the assistance of the recovery department.
8A	doubtful but compromised	Debts to recover by legal action or amicable settlement. Management by the recovery department with the assistance of the commercial sector.
8B	compromised	Debts definitely compromised.

(Amounts in thousands RON)

9. Lease receivables

	December 31, 2009	December 31, 2008
Gross investment in finance lease:		
Maturity under 1 year	503,687	615,766
Maturity between 1 and 5 years	656,172	915,759
Maturity higher than 5 years	52,796	50,059
	1,212,655	**1,581,584**
Unearned finance income	(116,301)	(206,843)
Net investment in finance lease	**1,096,354**	**1,374,741**
Net investment in finance lease:		
Maturity under 1 year	449,366	522,558
Maturity between 1 and 5 years	599,738	812,481
Maturity higher than 5 years	47,250	39,702
	1,096,354	**1,374,741**

	December 31, 2009	December 31, 2008
Net investment in the lease	1,096,354	1,374,741
Accumulated allowance for uncollectible minimum lease payments receivable	(14,226)	(8,884)
Total	**1,082,128**	**1,365,857**

Ageing analysis of past due but not impaired lease receivables

December 31, 2009

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate and public sector	198,949	105,528	72,497	25,100	402,074
Retail	53,594	36,442	25,861	6,765	122,662
Total	**252,543**	**141,970**	**98,358**	**31,865**	**524,736**

December 31, 2008

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate and public sector	174,838	47,562	50,077	34,322	306,799
Retail	66,497	24,271	8,418	8,438	107,624
Total	**241,335**	**71,833**	**58,495**	**42,760**	**414,423**

(Amounts in thousands RON)

9. Lease receivables (continued)

Analysis of collateral coverage

December 31, 2009

	Overdue but not impaired	Covered by collaterals & guarantees	Neither impaired nor past due	Covered by collaterals & guarantees
Corporate and public sector	402,074	385,738	380,379	383,063
Retail	122,662	114,918	150,206	144,166
Total	**524,736**	**500,656**	**530,585**	**527,229**

December 31, 2008

	Overdue but not impaired	Covered by collaterals & guarantees	Neither impaired nor past due	Covered by collaterals & guarantees
Corporate and public sector	306,799	303,787	633,647	630,050
Retail	107,624	105,806	317,773	295,746
Total	**414,423**	**409,593**	**951,420**	**925,796**

The fair value of leased objects relating to lease receivables individually determined to be impaired as at December 31, 2009 amounts to 35,045 (December 31, 2008: 5,920). The amounts are capped to the gross exposure level.

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

December 31, 2009	Total	Credit rating					
		1	2	3	4	5	6
Corporate and public sector	380,379	50	4,470	46,546	294,664	30,656	3,993
Retail	150,206	-	-	3,079	142,971	221	3,935
Total	**530,585**	**50**	**4,470**	**49,625**	**437,635**	**30,877**	**7,928**

December 31, 2008	Total	Credit rating					
		1	2	3	4	5	6
Corporate and public sector	633,647	82	8,920	135,082	443,505	40,536	5,522
Retail	317,773	-	-	16,264	295,749	4,234	1,526
Total	**951,420**	**82**	**8,920**	**151,346**	**739,254**	**44,770**	**7,048**

(Amounts in thousands RON)

10. Financial assets available for sale

	December 31, 2009	December 31, 2008
Treasury notes	2,131,310	756,913
Equity investments	10,345	9,391
Other securities	133,480	99,312
Total	**2,275,135**	**865,616**

Treasury notes

Treasury notes consist of:

- RON interest bearing bonds with initial maturities between 1 and 5 years (2008: between 2 and 5 years) amounting to 154,692 (2008: 53,427) and treasury bills with maturities between 3 months and 1 year amounting to 947,881 (2008: 703,486);
- EUR interest bearing bonds with initial maturities between 1 and 5 years (2008: 0) amounting to 375,370 and treasury bills with maturities between 3 months and 1 year amounting to 653,367 (2008: 0)

issued by the Romanian Ministry of Public Finance. As of December 31, 2009 treasury notes amounting to 434,557 have been pledged to NBR for a 4 days period (2008: 756,913 for a 5 days period).

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), Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA, Romanian Clearing House (SC Casa Romana de Compensatie SA), Investor Compensating Fund (Fondul de Compensare a Investitorilor), TransFond and Visa International Service Association.

Other securities

The Group holds units in:

- A monetary fund ("Simfonia 1") amounting to 74,421 (December 31, 2008: 86,559);
- A balanced fund ("Concerto") amounting to 21,226 (December 31, 2008: 9,149);
- A balanced fund ("Diverso Europa Regional") amounting to 21,334 (December 31, 2008: -);
- A balanced fund ("Actiuni Europa Regional") amounting to 12,718 (December 31, 2008: -).

"Simfonia 1" invests on the monetary market and in liquid debt instruments (treasury bills and bonds, corporate bonds, municipal bonds). The Group held as of the year-end a total number of 2,657,887 units (2008: 3,491,676) with a unit value of RON 28.00 (2008: 24.79)

"Concerto" invests in monetary market instruments, debt instruments as well as equities traded on Bucharest Stock Exchange. As of the year-end the Group held a number of 178,012 units (2008: 90,353) with a unit value of RON 119.24 (2008: 101.26).

"Diverso Europa Regional" invests in monetary market instruments, debt instruments as well as equities traded on a regulated market. As of the year-end the Group held a number of 195,116 units (2008: 0) with a unit value of RON 109.34 (2008: 0)

"Actiuni Europa Regional" invests mostly in equities traded on a regulated market, in monetary market instruments as well as in debt instruments. As of the year-end the Group held a number of 116,238 units (2008: 0) with a unit value of RON 109.41 (2008: 0)
Other securities also include corporate bonds issued by Estima Finance amounting to 3,781 (2008: 3,604).

(Amounts in thousands RON)

11. Investments in associates

	Field of activity		December 31, 2008	Additions/ Reclassifications	Profit /(loss) recognised under the equity method	December 31, 2009
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	20.00%	32,988	-	(2,877)	30,111
BRD Asigurari de Viata SA	Insurance	49.00%	13,532	-	(1,076)	12,456
Fondul de Garantare a Creditului Rural	Loans guarantee	33.33%	18,246	-	3,581	21,827
ECS International Romania SA	Operational leasing	15.00%	-	288	(143)	145
Romcard S.A.	Card transaction processing	20.00%	612	-	12	624
Biroul de Credit S.A.	Credit bureau	18.85%	2,542	-	118	2,660
BRD Fond de Pensii S.A.	Pension fund management	49.00%	14,691	-	(3,303)	11,388
BRD Sogelease Asset Rental SRL	Operational leasing	20.00%	136	-	(76)	60
SOGEPROM Romania SRL	Real estate development	20.00%	40	-	(40)	-
			82,787	**288**	**(3,804)**	**79,271**

The associates’ headquarters’ addresses are as follows:

Associate	Address
Mobiasbanca Groupe Societe Generale S.A.	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova
BRD Asigurari de Viata SA	64 Blvd. Unirii Bl. K4, sector 3, Bucharest
Fondul de Garantare a Creditului Rural	5 Occidentului Street, Bucharest
ECS International Romania SA	1-7, Ion Mihalache Street, 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

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

(Amounts in thousands RON)

12. Property, plant and equipment

	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Total
Cost:						
as of December 31, 2007	**1,192,306**	**45,057**	**235,326**	**226,510**	**96,907**	**1,796,106**
Transfers and additions	120,720	1,860	18,326	34,306	(8,032)	167,180
Disposals	(5,720)	-	(39,049)	(11,016)	-	(55,785)
as of December 31, 2008	**1,307,306**	**46,917**	**214,603**	**249,800**	**88,875**	**1,907,501**
Transfers and additions	80,650	(6,135)	31,920	69,885	(20,906)	155,414
Disposals	(9,513)	(119)	(39,493)	(22,289)	(426)	(71,840)
as of December 31, 2009	**1,378,443**	**40,663**	**207,030**	**297,396**	**67,543**	**1,991,075**
Depreciation and impairment:						
as of December 31, 2007	**(300,801)**	**(13,329)**	**(187,896)**	**(127,868)**	**-**	**(629,894)**
Depreciation and impairment	(58,117)	(1,331)	(36,405)	(22,789)	-	(118,642)
Disposals	2,691	-	39,049	10,283	-	52,023
Transfers	468	(373)	(22)	(9)	-	64
as of December 31, 2008	**(355,759)**	**(15,033)**	**(185,274)**	**(140,383)**	**-**	**(696,449)**
Depreciation and impairment	(85,007)	(1,165)	(32,088)	(29,569)	-	(147,829)
Disposals	5,600	56	39,485	13,845	-	58,986
Transfers	(8,952)	2,132	310	6,510	-	-
as of December 31, 2009	**(444,118)**	**(14,010)**	**(177,567)**	**(149,597)**	**-**	**(785,292)**
Net book value:						
as of December 31, 2007	**891,505**	**31,728**	**47,430**	**98,642**	**96,907**	**1,166,212**
as of December 31, 2008	**951,547**	**31,884**	**29,329**	**109,417**	**88,875**	**1,211,052**
as of December 31, 2009	**934,325**	**26,653**	**29,463**	**147,799**	**67,543**	**1,205,783**

The land and buildings have a fair value of 986,868 as at December 31, 2009 (December 31, 2008: 1,235,429). The investment properties have a fair value of 26,242 as at December 31, 2009 (December 31, 2008: 29,711)

(Amounts in thousands RON)

13. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999. The goodwill is no longer amortized starting with January 1, 2004 (see accounting policies). During 2009 there was no impairment of the goodwill.

14. Intangible assets

The balance of the intangible assets as of December 31, 2009 and 2008 represents mainly software.

Cost:	
as of December 31, 2007	**133,992**
Additions	29,346
Disposals	(453)
as of December 31, 2008	**162,885**
Additions	44,763
Disposals	(78)
as of December 31, 2009	**207,570**
Amortization:	
as of December 31, 2007	**(97,108)**
Amortization expense	(10,816)
Disposals	453
as of December 31, 2008	**(107,471)**
Amortization expense	(20,396)
Disposals	78
as of December 31, 2009	**(127,789)**

15. Other assets

	December 31, 2009	**December 31, 2008**
Advances to suppliers	119,615	104,080
Sundry debtors	114,693	57,459
Held for sale assets	3,548	3,548
Materials and consumables	1,663	29,548
Miscellaneous assets	72,773	108,847
Total	**312,292**	**303,482**

The sundry debtors balances are presented net of an impairment allowance of 33,023 (December 31, 2008: 16,610) related to amounts under litigation.

(Amounts in thousands RON)

15. Other assets (continued)

Held for sale assets represent buildings and related land that are intended to be sold in less than 1 year. Their movement can be analyzed as follows:

Carrying value as of December 31, 2007	**18,572**
Additions	-
Disposals	(15,024)
Carrying value as of December 31, 2008	**3,548**
Additions	-
Disposals	-
Carrying value as of December 31, 2009	**3,548**

16. Demand deposits and current accounts

	December 31, 2009	December 31, 2008
Individuals and legal entities	13,798,068	15,340,699
Foreign banks	807,804	1,534,153
Romanian Banks	13,030	386,067
Total	**14,618,902**	**17,260,919**

17. Term deposits

	December 31, 2009	December 31, 2008
Individuals and legal entities	15,762,507	13,614,204
Foreign banks	4,695,063	5,725,254
Romanian banks	642,772	346,651
Total	**21,100,342**	**19,686,109**

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

18. Borrowed funds and debt issued

	December 31, 2009	December 31, 2008
Borrowings from related parties	4,715,876	5,500,102
Borrowings from international financial institutions	967,064	1,069,237
Borrowings from other institutions	680,012	1,715,532
Bonds issued	736,468	735,618
Other borrowings	37,157	50,700
Total	**7,136,577**	**9,071,189**

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

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

Borrowings from related parties include an amount of EUR 200,000,000 (2008: 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 RON)

19. Taxation

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

The deferred tax liability/asset is reconciled as follows:

	December 31, 2009		
	Temporary differences	**Consolidated Statement of Financial Position**	**Consolidated Income Statement**
Deferred tax liability			
Loans and advances to customers	(464,651)	(74,344)	(69,145)
Investments and other securities	(67,588)	(10,814)	1,355
Tangible and intangible assets	(153,441)	(24,551)	(78,482)
Total	**(685,680)**	**(109,709)**	**(146,272)**
Deferred tax asset			
Provisions and other liabilities	123,069	19,691	(2,104)
Total	**123,069**	**19,691**	**(2,104)**
Taxable items	**(562,611)**	**(90,018)**	
Deferred tax expense			**(148,376)**

	December 31, 2008		
	Temporary differences	**Consolidated Statement of Financial Position**	**Consolidated Income Statement**
Deferred tax liability			
Loans and advances to customers	(32,494)	(5,199)	(33,976)
Investments and other securities	(34,170)	(5,467)	(1,250)
Total	**(66,664)**	**(10,666)**	**(35,226)**
Deferred tax asset			
Tangible and intangible assets	337,072	53,931	76,732
Provisions and other liabilities	136,221	21,795	6,805
Total	**473,293**	**75,726**	**83,537**
Taxable items	**406,629**	**65,060**	
Deferred tax income			**48,311**

(Amounts in thousands RON)

19. Taxation (continued)

Movement in deferred tax is as follows:

Deferred tax asset, net as of December 31, 2007	**16,872**
Deferred tax recognized in other comprehensive income	(123)
Net deferred tax income	48,311
Deferred tax asset, net as of December 31, 2008	**65,060**
Deferred tax recognized in other comprehensive income	(6,702)
Net deferred tax expense	(148,376)
Deferred tax liability, net as of December 31, 2009	**(90,018)**

Reconciliation of total tax charge

	2009	**2008**
Gross profit (before income tax)	**1,450,390**	**1,785,162**
Income tax (16%)	232,062	285,626
Non-deductible elements	209,336	48,740
Non-taxable elements	(130,365)	(116,851)
Income tax at effective tax rate	**311,033**	**217,515**
Effective tax rate	21.4%	12.2%

(Amounts in thousands RON)

20. Other liabilities

	December 31, 2009	December 31, 2008
Sundry creditors	178,956	164,007
Other payables to State budget	39,639	44,301
Deferred income	23,995	30,116
Payables to employees	79,975	57,504
Dividends payable	2,343	1,544
Financial guarantee contracts	7,239	-
Provisions	4,946	3,333
Total	**337,093**	**300,805**

Payables to employees include, among other, bonuses relating to 2009 profit, amounting to 44,997 (2008: 42,095) and post-employment benefits amounting to 31,728 (2008: 13,904). The social security contributions relating to bonuses 12,603 (2008: 11,690) are included in Other payables to State Budget. Provisions are related legal claims and penalties.

The movement in provisions is as follows:

Carrying value as of December 31,2007	**267**
Additional expenses	3,333
Reversals of provisions	(267)
Carrying value as of December 31,2008	**3,333**
Additional expenses	3,408
Reversals of provisions	(1,795)
Carrying value as of December 31, 2009	**4,946**

(Amounts in thousands RON)

20. Other liabilities (continued)

Post-employment benefit plan

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

Expenses recognised in profit and loss

	Note	December 31, 2009	December 31, 2008
Current service cost		1,422	1,109
Interest cost on benefit obligation		1,383	1,076
Actuarial losses recognized during the year		15,974	247
Past service cost		20	20
Net benefit expense		18,799	2,452

Movement in defined benefits obligations

	Note	December 31, 2009	December 31, 2008
Opening defined benefit obligation		**13,904**	**12,073**
Total service cost		1,442	1,129
Benefits paid		(975)	(621)
Interest cost on benefit obligation		1,383	1,076
Actuarial losses recognized during the year		15,974	247
Total movement	**32**	**17,824**	**1,831**
Closing defined benefit obligation		**31,728**	**13,904**

Main actuarial assumptions

	December 31, 2009	December 31, 2008
Discount rate	5.49%	6.32%
Inflation rate	2.18%	2.42%
Average remaining working period (years)	17.91	20.80

	2009	2008
Defined benefit obligation	31,728	13,904
Experience adjustment on plan liabilities	1,160	1,371

The average salary increase rate for the period 0-4 years is 3%, 2% respectively for over 5 years.

(Amounts in thousands RON)

21. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2008: 696,901). Included in the share capital there is an amount of 1,818,721 (2008: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of December 31, 2009 represents 696,901,518 (2008: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2008: RON 1).

During 2009 and 2008, the Bank did not buy back any of its own shares.

22. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2008: 513,515) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

23. Capital adequacy

For the periods ending December 31, 2009 and December 31, 2008, the adequacy of the Bank's capital has been monitored using the local regulations that are based on the European Directive 2006/48/49/EC (Basel II). These requirements apply to the figures obtained based on the local accounting and financial reporting regulations (derived from European Directives on the accounting standards of credit institutions). During 2009 and 2008 the Bank has complied in full with these requirements.

As of December 31, 2009 the stand alone regulatory capital and the capital adequacy ratio determined in accordance with the above-mentioned regulations is 2,817,324 respectively 12.73% (2008: 3,478,867, respectively 9.38%).

The regulatory capital as of December 31, 2008 does not include any profits for 2008, while the regulatory capital as of December 31, 2009 includes only the profit from the 1st half of 2009. Consequently the figures for both regulatory capital and capital adequacy ratio are not comparable.

24. Interest income

	2009	2008
Interest on loans	4,149,767	3,759,301
Interest on deposit with banks	388,815	356,971
Interest on treasury notes	215,636	19,666
Total	**4,754,218**	**4,135,938**

The interest income on loans includes the accrued interest on net (after provision) impaired loans in amount of 63,527 (2008: 47,969).

(Amounts in thousands RON)

25. Interest expense

	2009	2008
Interest on term deposits	1,531,231	1,075,940
Interest on demand deposits	749,857	750,524
Interest on borrowings	233,743	413,707
Total	**2,514,831**	**2,240,171**

26. Fees and commissions, net

	2009	2008
Commission revenue from processing of transactions	845,043	810,935
Other commission revenue	83,267	57,642
Commission expense	(117,959)	(94,096)
Net commission revenue	**810,351**	**774,481**

27. Foreign exchange gain

	2009	2008
Foreign exchange income	5,756,191	5,759,571
Foreign exchange expenses	(5,294,685)	(5,294,506)
Total	**461,506**	**465,065**

28. Income from associates

	2009	2008
Share of profit from associates	(3,804)	9,411
Dividends from associates	1,527	1,253
Net gain from sale of interest in associates	-	262,687
Total	**(2,277)**	**273,351**

29. Other income

Other income includes income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties is 2,930 (2008: 2,043).

30. 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 on the contributions made by the banks, calculated as a percentage of qualifying deposits.

(Amounts in thousands RON)

31. Salaries and related expenses

	2009	2008
Salaries	463,542	420,277
Social security	129,459	114,157
Bonuses	57,600	53,785
Post-employment benefits (see note 20)	17,824	1,831
Other	70,374	82,330
Total	**738,799**	**672,380**

32. Depreciation and amortization expense

	2009	2008
Depreciation and impairment (see Note 12)	147,829	118,642
Amortisation (see Note 14)	20,396	10,816
Losses/(Gains) on disposal of tangible and intangible assets	2,723	(10,243)
Total	**170,948**	**119,215**

33. Other operating expense

	2009	2008
Administrative expenses	567,612	508,023
Publicity and sponsorships	43,708	47,168
Other expenses	79,807	64,272
Total	**691,127**	**619,463**

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

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

34. Credit loss expense

	2009	2008
Net loans impairment allowance	286,730	164,833
Net impairment allowance for sundry debtors	9,384	9,580
Net impairment allowance for financial leases	11,569	7,738
(Income) from recoveries of derecognized receivables	(18,107)	(108,840)
Write-offs of bad debts	308,675	223,904
Financial guarantee contracts	7,239	-
Total	**605,490**	**297,215**

(Amounts in thousands RON)

35. Cash and cash equivalents for cash flow purposes

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

	December 31, 2009	December 31, 2008
Cash in hand (see note 4)	631,571	913,750
Current accounts and deposits with banks	244,521	236,193
Total	**876,092**	**1,149,943**

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

	December 31, 2009	December 31, 2008
Net loans impairment allowance	286,730	164,833
Net impairment allowance for sundry debtors	9,384	9,580
Net impairment allowance for financial leases	11,569	7,738
Write-offs expenses	308,675	223,904
Financial guarantee contracts	7,239	-
Net expenses for other provisions	1,613	3,066
Total	**625,210**	**409,121**

36. Guarantees and other financial commitments

Guarantees and letters of credit

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

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities. While there is some credit risk associated with the commitment, the risk is viewed as modest, since it results from the possibility of unused portions of loan authorizations being drawn by the client and, these amounts not being repaid subsequently when due.
The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments does not necessarily represent future cash requirements, since many of these commitments will expire or be terminated without being funded.

	December 31, 2009	December 31, 2008
Letters of guarantee granted	8,224,088	9,059,057
Financing commitments granted	3,742,697	3,477,619
Total commitments granted	**11,966,785**	**12,536,676**

(Amounts in thousands RON)

37. Capital commitments

	December 31, 2009	December 31, 2008
Tangible non-current assets	19,135	14,175
Intangible non-current assets	3,148	1,117
Total	**22,283**	**15,292**

38. Related parties

The Group enters into related party transactions with its parent, 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:

	2009	2008
Assets		
Nostro accounts	41,916	52,939
Deposits	21,141	24,653
Loans	182,940	182,940
Liabilities		
Loro accounts	5,233	2,022
Deposits	5,338,415	7,218,106
Borrowings	3,862,594	4,681,430
Subordinated borrowings	853,281	818,672
Commitments		
Letters of guarantee received	354,861	180,515
Notional amount of foreign exchange transactions	2,983,121	4,238,960
Notional amount of interest rate derivatives	560,838	489,780
Interest and commision revenues	15,465	21,380
Interest and commission expense	196,568	308,395
Net (loss) on interest rate derivatives	(11,008)	(8,337)
Net gain/(loss) on foreign exchange derivatives	115,737	(152,834)

The interest expenses include an amount of 24,257 (2008: 41,614) relating to subordinated loans.

As of December 31, 2009, the Board of Directors and Managing Committee members own 367,080 shares (2008: 361,850).

The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 5,148 (2008: 4,939).

(Amounts in thousands RON)

39. Contingencies

As of December 31, 2009 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 2,595 (2008: 4,834). The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance.

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

40. Earnings per share

	December 31, 2009	December 31, 2008
Ordinary shares on the market	696,901,518	696,901,518
Profit attributable to parent company shareholders	1,146,249	1,572,640
Earnings per share (in RON)	1.6448	2.2566

41. Dividends on ordinary shares

	2009	2008
Declared and paid during the year		
Dividends for 2008: 0.72828 RON (2007: 0.5921)	505,198	411,064
Proposed for approval at AGM		
Dividends for 2009: 0.27947 RON (2008:0.72828)	194,767	507,544

(Amounts in thousands RON)

42. Risk management

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

42.1 Credit risk

Credit risk represents the loss, which the Group would suffer if a client or counterparty fails to meet its contractual obligations. The credit risk is inherent in traditional banking products – loans, commitments to lend and other contingent liabilities, such as letters of credit and fair value derivative contracts (refer to the notes 8, 9 and 36).

The Group restricts its credit exposure to both individual counterparties and counterparty groups by using credit limits attributed when the Group rates the client. The size of limit depends on the assessment of quantitative factors such as the clients' financial strength, industry position, 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.

Maximum exposure to credit risk before considering any collaterals or guarantees

	December 31, 2009	December 31, 2008
ASSETS		
Due from Central Bank	9,219,118	13,312,740
Due from banks	584,867	583,786
Derivative financial instruments	90,166	175,159
Loans and advances to customers	32,680,245	31,934,749
Financial lease receivables	1,082,128	1,365,857
Financial assets available for sale	2,275,135	865,616
Investments in associates	79,271	82,787
Other assets	307,081	270,386
Total in balance sheet	**46,318,011**	**48,591,080**
Letters of guarantee granted	8,224,088	9,059,057
Financing commitments granted	3,742,697	3,477,619
Total commitments granted	**11,966,785**	**12,536,676**
Total credit risk exposure	**58,284,796**	**61,127,756**

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk

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

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

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

2009

Currency	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	(37,578)	49,613
Other	+5	306	1,591

2008

Currency	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	(3,133)	-
Other	+5	(417)	-

(Amounts in thousands RON)

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

	December 31, 2009			
ASSETS	**Total**	**RON**	**EUR**	**Other**
Cash in hand	631,571	514,679	95,409	21,483
Due from Central Bank	9,219,118	3,150,870	6,068,248	-
Due from banks	584,867	475,495	74,248	35,124
Derivative financial instruments	90,166	90,166	-	-
Loans and advances to customers	32,680,245	13,804,828	18,424,957	450,460
Financial lease receivables	1,082,128	5,109	1,046,836	30,183
Financial assets available for sale	2,275,135	1,251,057	992,267	31,811
Investments in associates	79,271	79,271	-	-
Goodwill	50,151	50,151	-	-
Deferred tax asset	-	-	-	-
Non current assets and other assets	1,597,856	1,505,961	84,438	7,457
Total assets	**48,290,508**	**20,927,587**	**26,786,403**	**576,518**
LIABILITIES				
Demand deposits and current accounts	14,618,902	7,697,398	6,609,769	311,735
Term deposits	21,100,342	8,574,626	11,922,643	603,073
Borrowed funds and debt issued	7,136,577	1,245,283	5,860,042	31,252
Derivative financial instruments	63,418	62,823	595	-
Current tax liability	13	13	-	-
Deferred tax liability	90,018	90,018		
Other liabilities	337,093	317,234	13,726	6,133
Shareholders' equity	4,944,145	4,944,145	-	-
Total liabilities and shareholders' equity	**48,290,508**	**22,931,540**	**24,406,775**	**952,193**

	December 31, 2008			
ASSETS	**Total**	**RON**	**EUR**	**Other**
Cash in hand	913,750	680,705	206,715	26,330
Due from Central Bank	13,312,740	4,321,175	8,991,565	-
Due from banks	583,786	427,288	110,091	46,407
Derivative financial instruments	175,159	175,159	-	-
Loans and advances to customers	31,934,749	15,650,702	15,734,509	549,538
Financial lease receivables	1,365,857	1,601	1,326,412	37,844
Financial assets available for sale	865,616	863,829	-	1,787
Investments in associates	82,787	82,787	-	-
Goodwill	50,151	50,151	-	-
Deferred tax asset	65,060	65,060	-	-
Non current assets and other assets	1,569,948	1,546,079	21,893	1,976
Total assets	**50,919,603**	**23,864,536**	**26,391,185**	**663,882**
LIABILITIES				
Demand deposits and current accounts	17,260,919	10,527,987	6,326,369	406,563
Term deposits	19,686,109	8,046,279	10,812,902	826,928
Borrowed funds and debt issued	9,071,189	2,278,709	6,744,602	47,879
Derivative financial instruments	209,768	209,150	267	351
Current tax liability	123,189	123,189	-	-
Other liabilities	300,805	283,749	10,293	6,762
Shareholders' equity	4,267,624	4,267,624	-	-
Total liabilities and shareholders' equity	**50,919,603**	**25,736,687**	**23,894,433**	**1,288,483**

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Interest rate risk

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

December 31, 2009

Interest rate shift (b.p)	Profit and loss impact	Equity impact
100	4,078	7,103
(100)	(4,078)	(7,103)

December 31, 2008

Interest rate shift (b.p)	Profit and loss impact	Equity impact
100	4,511	4,511
(100)	(4,511)	(4,511)

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

December 31, 2009	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	631,571	-	-	-	-	631,571
Due from Central Bank	9,219,118	-	-	-	-	9,219,118
Due from banks	343,051	-	204,157	25,106	12,553	584,867
Derivative financial instruments	90,166	-	-	-	-	90,166
Loans and advances to customers	17,349,553	8,270,435	1,516,164	4,239,775	1,304,319	32,680,246
Financial lease receivables	109,091	439,609	248,660	245,846	38,921	1,082,127
Financial assets available for sale	10,690	232,427	1,349,134	506,371	176,513	2,275,135
Investments in associates	-	-	-	-	79,271	79,271
Goodwill	-	-	-	-	50,151	50,151
Deferred tax asset	-	-	-	-	-	-
Non current assets and other assets	-	312,292	-	-	1,285,564	1,597,856
Total assets	**27,753,240**	**9,254,763**	**3,318,115**	**5,017,098**	**2,947,292**	**48,290,508**
Liabilities						
Demand deposits and current accounts	14,618,902	-	-	-	-	14,618,902
Term deposits	13,365,780	6,748,998	859,863	124,376	1,325	21,100,342
Borrowed funds and debt issued	1,881,432	3,663,821	631,740	920,364	39,220	7,136,577
Derivative financial instruments	63,418					63,418
Current tax liability	-	-	13	-	-	13
Deferred tax liability	7,253	4,773	6,917	24,151	46,924	90,018
Other liabilities	334,750	2,343	-	-	-	337,093
Total liabilities	**30,271,535**	**10,419,935**	**1,498,533**	**1,068,891**	**87,469**	**43,346,363**
Total shareholders' equity	**-**	**-**	**-**	**-**	**4,944,145**	
Net position	**(2,518,295)**	**(1,165,172)**	**1,819,582**	**3,948,207**	**(2,084,322)**	

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

December 31, 2008	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	913,750	-	-	-	-	913,750
Due from Central Bank	13,312,740	-	-	-	-	13,312,740
Due from banks	343,846	57,000	22,156	88,624	72,160	583,786
Derivative financial instruments	175,159	-	-	-	-	175,159
Loans and advances to customers	17,221,890	6,334,650	2,994,563	3,657,774	1,725,872	31,934,749
Financial lease receivables	230,238	591,651	259,631	284,337	-	1,365,857
Financial assets available for sale	3,663	283,331	420,096	53,427	105,099	865,616
Investments in associates	-	-	-	-	82,787	82,787
Goodwill	-	-	-	-	50,151	50,151
Deferred tax asset	723	(431)	7,301	(1,590)	59,057	65,060
Non current assets and other assets	-	303,483	-	-	1,266,465	1,569,948
Total assets	**32,202,009**	**7,569,684**	**3,703,747**	**4,082,572**	**3,361,591**	**50,919,603**
Liabilities						
Demand deposits and current accounts	17,260,919	-	-	-	-	17,260,919
Term deposits	19,666,098	16,961	3,050	-	-	19,686,109
Borrowed funds and debt issued	3,785,192	3,310,144	882,869	1,040,741	52,243	9,071,189
Derivative financial instruments	209,768	-	-	-	-	209,768
Current tax liability	-	-	123,189	-	-	123,189
Deferred tax liability	89,493	211,312	-	-	-	300,805
Other liabilities	**41,011,470**	**3,538,417**	**1,009,108**	**1,040,741**	**52,243**	**46,651,979**
Total shareholders' equity	**-**	**-**	**-**	**-**	**4,267,624**	
Net position	**(8,809,461)**	**4,031,267**	**2,694,639**	**3,041,831**	**(958,276)**	

42. Risk management (continued)

42.3 Liquidity risk

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

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

The maturity structure of the Group's assets and liabilities, based on the expected maturity as of December 31, 2009 and 2008 is as follows:

(Amounts in thousands RON)

42. Risk management (continued)
42.3 Liquidity risk (continued)

December 31, 2009	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	631,571	631,571	-	-	-	-	-
Due from Central Bank	9,219,118	9,219,118	-	-	-	-	-
Due from banks	584,867	343,051	-	18,294	98,282	125,240	-
Derivative financial instruments	90,166	90,166	-	-	-	-	-
Loans and advances to customers	32,680,245	3,513,543	2,098,086	7,091,640	10,616,207	9,360,769	-
Financial lease receivables	1,082,128	109,091	439,609	248,660	245,847	38,921	-
Financial assets available for sale	2,275,135	10,690	232,427	1,349,134	506,371	176,513	-
Investments in associates	79,271	-	-	-	-	-	79,271
Goodwill	50,151	-	-	-	-	-	50,151
Deferred tax asset	-	-	-	-	-	-	-
Non current assets and other assets	1,597,856	-	312,292	-	-	-	1,285,564
Total active	**48,290,508**	**13,917,230**	**3,082,414**	**8,707,728**	**11,466,707**	**9,701,443**	**1,414,986**
LIABILITIES							
Demand deposits and current accounts	14,618,902	14,618,902	-	-	-	-	-
Term deposits	21,100,342	7,331,106	3,500,005	2,792,710	7,338,998	137,523	-
Borrowed funds and debt issued	7,136,577	157,066	74,832	1,052,235	5,255,296	597,148	-
Derivative financial instruments	63,418	63,418	-	-	-	-	-
Current tax liability	13	-	-	13	-	-	-
Deferred tax liability	90,018	7,253	4,773	6,917	24,151	11,364	35,560
Other payables	337,093	334,750	2,343	-	-	-	-
Total liabilities	**43,346,363**	**22,512,495**	**3,581,953**	**3,851,875**	**12,618,445**	**746,035**	**35,560**
Total shareholders equity	**4,944,145**	-	-	-	-	-	**4,944,145**
Gap		**(8,595,265)**	**(499,539)**	**4,855,853**	**(1,151,738)**	**8,955,408**	**(3,564,719)**
Cumulative gap		**(8,595,265)**	**(9,094,804)**	**(4,238,951)**	**(5,390,689)**	**3,564,719**	-

(Amounts in thousands RON)

42. Risk management (continued)
42.3 Liquidity risk (continued)

December 31, 2008	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash	913,750	913,750	-	-	-	-	-
Due from Central Bank	13,312,740	13,312,740	-	-	-	-	-
Due from banks	583,786	343,846	57,000	18,294	73,176	91,470	-
Derivative financial instruments	175,159	175,159	-	-	-	-	-
Loans, net	31,934,749	2,263,118	2,646,682	8,011,481	9,767,743	9,245,725	-
Lease receivables	1,365,857	230,239	591,651	259,630	284,337	-	-
Financial assets available for sale	865,616	3,663	283,331	420,096	53,427	105,099	-
Investments in associates	82,787	-	-	-	-	-	82,787
Goodwill	50,151	-	-	-	-	-	50,151
Deferred tax asset, net	65,060	723	(431)	7,301	(1,590)	5,125	53,932
Non current assets and other assets	1,569,948	-	303,483	-	-	-	1,266,465
Total assets	**50,919,603**	**17,243,238**	**3,881,716**	**8,716,802**	**10,177,093**	**9,447,419**	**1,453,335**
LIABILITIES							
Demand deposits and current accounts	17,260,919	17,260,919	-	-	-	-	-
Term deposits	19,686,109	8,534,360	3,065,509	2,513,630	5,416,235	156,375	-
Borrowed funds and debt issued	9,071,189	907,036	490,977	2,063,413	4,999,592	610,171	-
Derivative financial instruments	209,768	209,768	-	-	-	-	-
Current tax liability	123,189	-	-	123,189	-	-	-
Other payables	300,805	89,493	211,312	-	-	-	-
Total liabilities	**46,651,979**	**27,001,576**	**3,767,798**	**4,700,232**	**10,415,827**	**766,546**	**-**
Total shareholders equity	**4,267,624**	**-**	**-**	**-**	**-**	**-**	**4,267,624**
Gap		**(9,758,338)**	**113,918**	**4,016,570**	**(238,734)**	**8,680,873**	**(2,814,289)**
Cumulative gap		**(9,758,338)**	**(9,644,420)**	**(5,627,850)**	**(5,866,584)**	**2,814,289**	**-**

(Amounts in thousands RON)

42. Risk management (continued)
42.3 Liquidity risk (continued)

Future undiscounted cash flows

The tables below summaries the maturity profile of the financial liabilities as of December 31, 2009 and 2008 based on contractual undiscounted repayment obligations.

December 31, 2009	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Demand deposits and current accounts	14,621,276	14,621,276	-	-	-	-	-
Term deposits	21,299,488	11,919,824	6,312,848	2,441,963	428,492	196,361	-
Borrowed funds and debt issued	7,485,949	117,105	1,433,903	1,893,209	3,433,959	607,773	-
Current tax liability	13	-	-	13	-	-	-
Deferred tax liability	90,018	7,253	4,773	6,917	24,151	11,364	35,560
Other liabilities except for fair values of derivatives	337,093	334,750	2,343	-	-	-	-
Derivative financial instruments	61,452	27,595	4,591	41,625	(12,038)	(321)	-
Letters of guarantee granted	8,224,088	8,224,088	-	-	-	-	-
Total liabilities	**52,119,377**	**35,251,891**	**7,758,458**	**4,383,727**	**3,874,564**	**815,177**	**35,560**

December 31, 2008	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Demand deposits and current accounts	17,264,542	17,264,542	-	-	-	-	-
Term deposits	20,466,872	14,249,651	3,557,587	2,097,005	327,036	235,593	-
Borrowed funds and debt issued	9,817,150	934,564	491,691	2,301,020	5,477,053	612,822	-
Current tax liability	123,189	-	-	123,189	-	-	-
Other liabilities except for fair values of derivatives	320,288	318,744	1,544	-	-	-	-
Derivative financial instruments	(37,549)	(19,395)	(7,911)	(2,708)	(7,525)	(10)	-
Letters of guarantee granted	9,059,057	9,059,057	-	-	-	-	-
Total liabilities	**57,013,549**	**41,807,163**	**4,042,911**	**4,518,506**	**5,796,564**	**848,405**	-

(Amounts in thousands RON)

43. Fair value

Determination of fair value and fair value hierarchy

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

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

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

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

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

	December 31, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	-	-	-
Currency swaps	-	40,160	-	40,160
Forward foreign exchange contracts	-	32,994	-	32,994
Currency options	-	17,012	-	17,012
	-	**90,166**	**-**	**90,166**
Financial assets available for sale				
Treasury notes	-	2,131,310	-	2,131,310
Equity investments	3,088	-	7,257	10,345
Other securities	129,699	3,781	-	133,480
	132,787	**2,135,091**	**7,257**	**2,275,135**
Total	**132,787**	**2,225,257**	**7,257**	**2,365,301**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	12,419	-	12,419
Currency swaps	-	27,446	-	27,446
Forward foreign exchange contracts	-	6,541	-	6,541
Currency options	-	17,012	-	17,012
Total	**-**	**63,418**	**-**	**63,418**

(Amounts in thousands RON)

43. Fair value (continued)

	December 31, 2008			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	-	-	-
Currency swaps	-	27,756	-	27,756
Forward foreign exchange contracts	-	90,920	-	90,920
Currency options	-	56,483	-	56,483
	-	**175,159**	**-**	**175,159**
Financial assets available for sale				
Treasury notes	-	756,913	-	756,913
Equity investments	1,787	-	7,604	9,391
Other securities	95,708	3,604	-	99,312
	97,495	**760,517**	**7,604**	**865,616**
Total	**97,495**	**935,676**	**7,604**	**1,040,775**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	11,323	-	11,323
Currency swaps	-	118,189	-	118,189
Forward foreign exchange contracts	-	23,771	-	23,771
Currency options	-	56,485	-	56,485
Total	**-**	**209,768**	**-**	**209,768**

Financial instruments recorded at fair value

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

Derivatives

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

Financial assets available for sale

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

(Amounts in thousands RON)

43. Fair value (continued)

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

Financial assets

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

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

Financial liabilities

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

The following table presents the fair value and the carrying amount of loans to customers, deposits from customers and borrowings.

	December 31, 2009		December 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash in hand	631,571	631,571	913,750	913,750
Due from Central Bank	9,219,118	9,219,118	13,312,740	13,312,740
Due from banks	584,867	584,867	583,786	583,786
Loans and advances to customers	32,680,245	32,755,350	31,934,749	31,579,450
Financial lease receivables	1,082,128	995,944	1,365,857	1,417,525
	44,197,929	**44,186,850**	**48,110,882**	**47,807,251**
Financial liabilities				
Demand deposits and current accounts	14,618,902	14,618,902	17,260,919	17,260,919
Term deposits	21,100,342	20,957,382	19,686,109	19,659,883
Borrowed funds and debt issued	7,136,577	7,110,530	9,071,189	8,970,910
	42,855,821	**42,686,814**	**46,018,217**	**45,891,712**

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

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

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

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