BRD
GROUPE SOCIETE GENERALE

# *Board of Directors Report*

*on the 2011 consolidated financial statements prepared according to International Financial Reporting Standards as adopted by the European Union*

**CONTENT**

# 1. GROUP BRD AND SOCIÉTÉ GÉNÉRALE PROFILE

## BRD – Groupe Société Générale profile

BRD - Groupe Societe Generale („BRD” or „the Bank”) was set up on December 1st, 1990 as an independent bank with the legal status of a joint-stock company and with the share capital mainly held by the Romanian State, by taking over the assets and liabilities of Banca de Investitii (the Investment Bank).

In March 1999, Société Générale (“SG”) buys a stake representing 51% of the share capital, increasing its holding of shares to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State.

Starting 2001, BRD-Groupe Société Générale operates as an open joint-stock company, according to the legislation on trading companies, bank legislation, provisions of the Articles of Incorporation and other internal regulations.

BRD Group („Group”) is made of the following entities:

- BRD - Groupe Societe Generale;
- BRD Sogelease IFN SA;
- BRD Finance IFN SA;
- BRD Asset Management SAI SA;
- BRD Corporate Finance SRL.

## 2012 strategy

The main objectives of the Group for 2012 relates, mainly, to:

- Intensive commercial development by:
  - Increase and diversification of customer base;
  - New innovative products;
  - Financing new projects related to European funds, energy, environment, infrastructure etc;
  - a strong investment banking position;
- Increased efficiency of systems and processes.

## Bank’s rating

| | | |
|---|---|---|
| - **Fitch:** | Long term rating for foreign currency | BBB+ |
| - **Moody’s:** | Long term rating for deposits in foreign currency | Baa3 |
| | Long term rating for deposits in local currency | Baa2 |

## 1. GROUP BRD AND SOCIÉTÉ GÉNÉRALE PROFILE (continued)

### 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. Based on a diversified universal banking model, Society General Group combines financial solidity with a strategy of sustainable growth, and aims to be the reference for relationship banking, recognized on its markets, close to clients, chosen for the quality and commitment of its teams.

Its 157,000 employees (including employees of Societe Marseillaise de Credit acquired in September 2010 by Credit du Nord) based in 85 countries accompany more than 33 million clients throughout the world on a daily basis. SG teams offer advice and services to individual, corporate and institutional customers in three core business:

- *Retail Banking in France* with Societe Generale branch network, Credit du Nord and Boursorama;
- *International retail banking*, with presence in Central and Eastern Europe and Russia, in the Mediterranean basin, in Sub-Saharian Africa, In Asia and in the French Overseas territories;
- *Corporate and investment banking* with a global expertise in investment banking, financing and global markets.

Société Générale is also a significant player in specialized financing and insurance, private banking, asset management and securities services.

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

- Standard and Poor's: A
- Moody's: A1
- Fitch: A+

## 1. GROUP BRD AND SOCIÉTÉ GÉNÉRALE PROFILE (continued)

*BRD position within Société Générale*

SG has been present in Romania since 1980, being the only significant bank from 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. SECURITIES MARKET

Starting with January 15th, 2001, the Bank's shares are listed in the 1st category of the Bucharest Stock Exchange and are included in the BET and BET-C indexes. The Bank's shares are ordinary, nominative, dematerialised and indivisible. According to the Articles of Incorporation, article 17, letter k, the shares of the Bank are traded freely on those capital markets set by General Assembly of Shareholders („AGA"), whereas complying with the legislation on the trade of shares issued by bank institutions.

The closing price for BRD share as at December 30th, 2011, the last 2011 trading day, was of 10.71 RON/share. On the same date, the market capitalisation was RON 7,463.8 millions.

In addition, in November 2006, BRD issued bonds in RON, meant to non resident investors. The operation was performed on the Luxemburg market and amounts to RON 735 millions. The borrowing period was 5 years, and the interest rate was of 7.75%. The bonds have been fully repaid in November 2011.

During 2011 neither the Bank, nor its subsidiaries have bought back its own shares.

### Dividends

According to the Romanian legislation and the Articles of Incorporation, dividends are paid from the funds created for this purpose after the approval of the General Assembly of Shareholders, within maximum 60 days from the publication date of the AGA decision of approval of dividends in the Official Journal.

The net annual profit is distributed as dividends according to the decision of AGA. The change in the volume of approved and distributed dividends is presented as follows:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Distributable profit (RON million) | 501 | 779 | 1,353 |
| Total dividends (RON million) | 125 | 195 | 508 |
| Number of shares (millions) | 697 | 697 | 697 |
| Dividend per share (RON), nominal | 0.1796 | 0.2795 | 0.7283 |
| Distribution rate from distributable profit | 25% | 25% | 37% |

The distribution of dividends is made according to the General Assembly decision, upon the Board of Directors' proposal and depends on the value of the distributable profit and on the future capitalization need of the Bank.

## 2. SECURITIES MARKET (continued)

*Dividends payment*

The dividends are distributed to the shareholders proportionally to their participation in the share capital. The dividend income is subject to withholding tax.

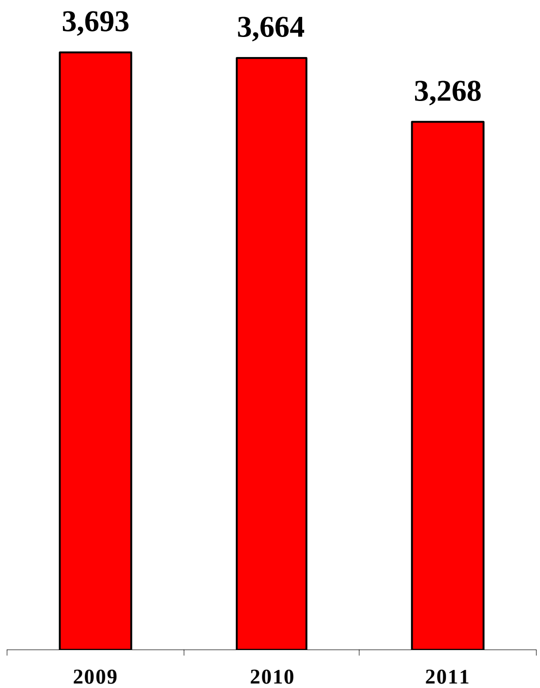
According to the Articles of Incorporation of the Bank, dividends are paid within no more than 2 months from the approval date of the annual financial statements for the year then ended, in cash or by bank transfer, according to the shareholders' choice.

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

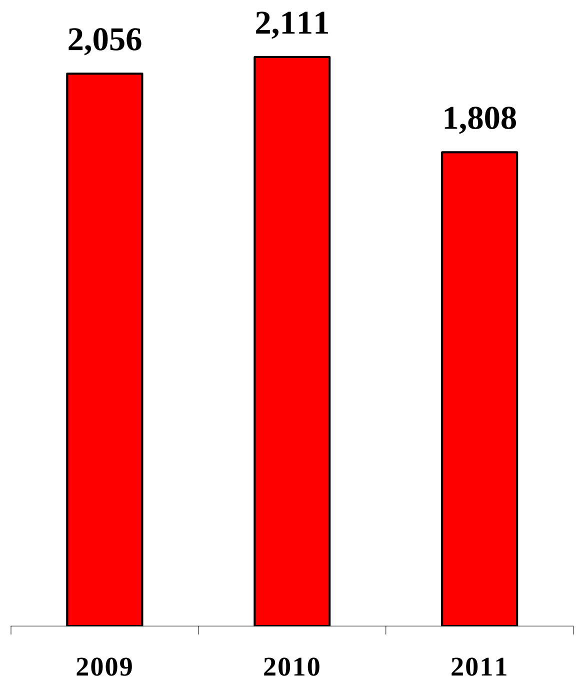
BRD started the payment of the 2010 dividends on June $10^{th}$, 2011.

### 3. KEY FIGURES 2011

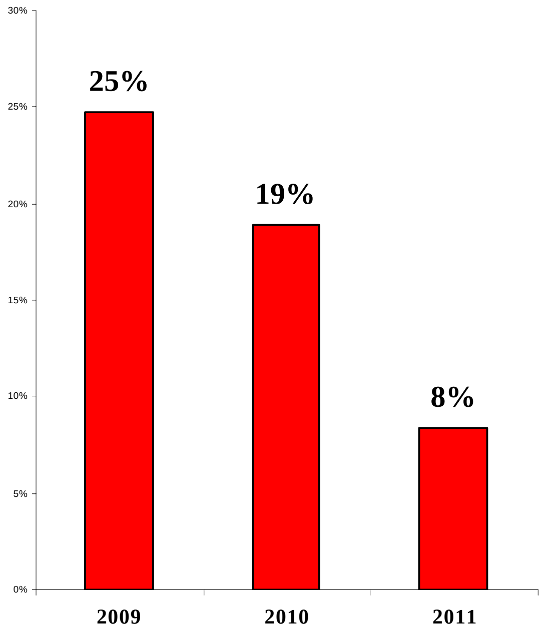
**Net banking income *(RON million)***



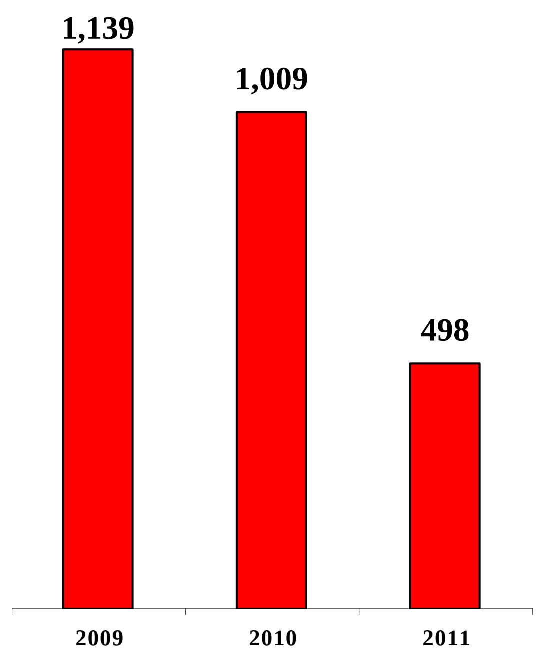

**Operational profit *(RON million)***




**Return on equity (ROE)**

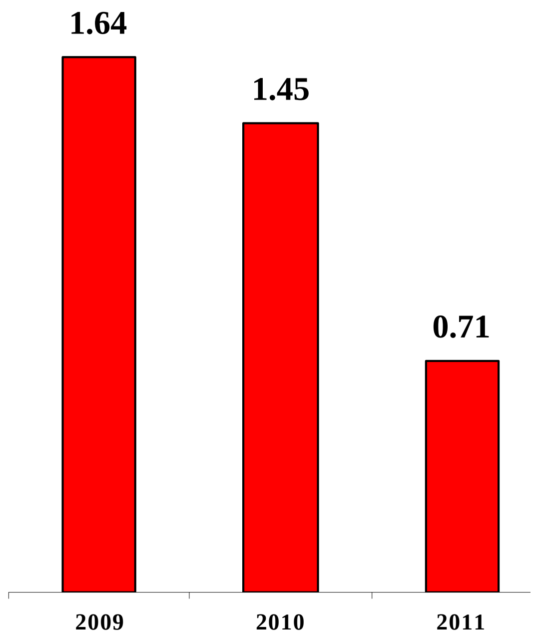



**Net profit after minority interest *(RON million)***

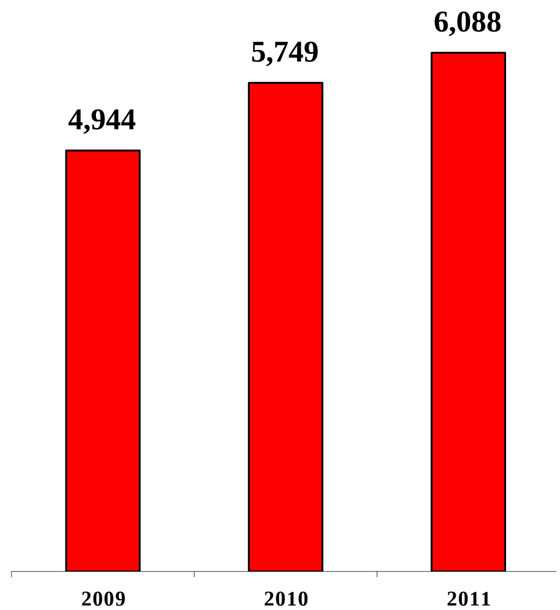


## 3. KEY FIGURES 2011 (continued)

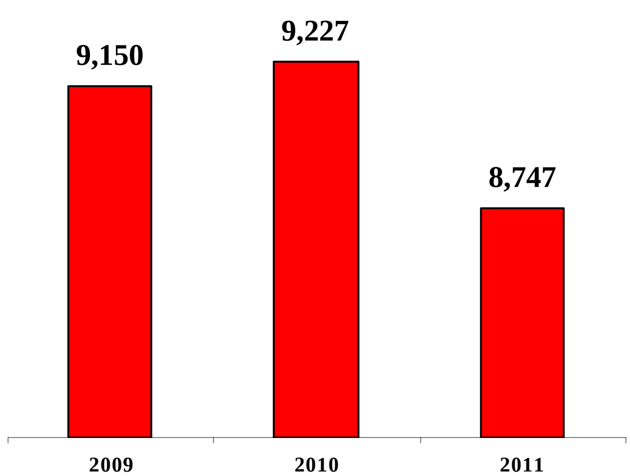
**Earnings per share (RON)**




**Shareholders' equity *(RON million)***




**Number of employees**

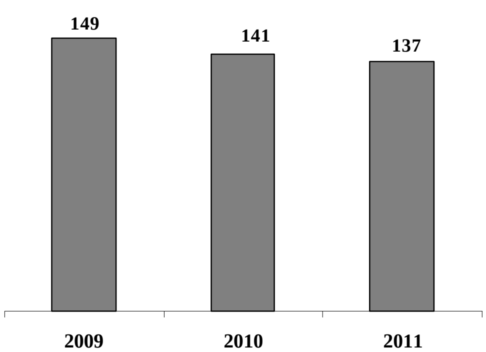


## 4. COMMERCIAL ACTIVITY

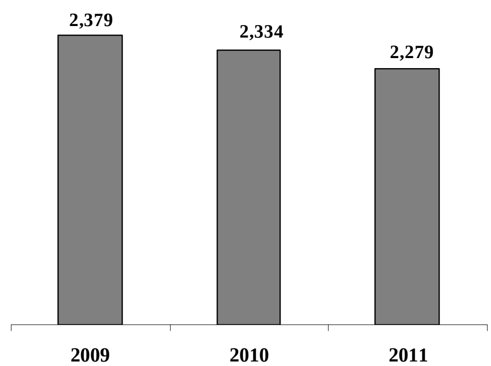
2011 allowed the continuation of network optimisation process due to its flexible structure. As at December 31st, 2011 the Group has around 940 branches, which ensured the distribution of its products throughout the whole country.

The clientele basis has remained solid, with slight decrease for individual, followed by a climb in the fourth quarter of 2011. Moreover, the commercial activuty focused also on cross-selling (increase in number of banking products /client) and clients' loyalty, stimulated by a strong contribution of innovative products (cards "A la carte", carduri contactless...) and internet banking.

**Corporates (x 1 000)**




**Individuals (x 1 000)**




The Group's commercial offer includes a complete portfolio of financial, banking products, consultancy and services designed for both private and corporates customers.

BRD continued to be the second largest bank in Romania, having the following market shares as at December 31$^{st}$ 2010 and December 31$^{st}$ 2011:

| | **31.12.2010** | **31.12.2011** |
|---|---|---|
| | *(%)* | *(%)* |
| Total assets | 13.9 | 13.6 |
| Loans to corporate customers | 14.2 | 13.1 |
| Deposits from corporate customers | 17.8 | 16.7 |
| Loans to individual customers | 15.7 | 15.7 |
| Deposits from individual customers | 14.1 | 13.5 |

## 4. COMMERCIAL ACTIVITY (continued)

In an increasingly difficult environment, the carried-out commercial campaigns supported the launch of new products, but also refinancing offers meant to attract and to provide alterative solutions to customers with loans to other banks. The group continued to support its clients by providing them with appropriate, customized loans rescheduling / restructuring solutions. A key priority was the development of new clients' portfolio, supported by specially designed solution but also a proper risk management.

BRD credit offer was enhanced by launching the loan "Casa BRD de 10". During 2011, BRD has continued to be engaged in "Prima casa" program, being one of the banks which has actively participated and with significant results in all stages of the program.

The Bank's involvement will continue to be highly important in 2012 and will remain as such until the full use of the ceiling provided by FNGCIMM.

In terms of innovation, BRD has proved tha this is not just a theoretical concept in the Group - in the past year, the Group continued to create, develop and market products designed to complement the existing offer. The most innovative products launched in 2011 were:

**Transport card** - credit card for urban transportation networks launched in June 2011, is an innovation within banking offer in Romania. Clients may choose to introduce subscription card or direct payment card account, without having to purchase separate travel credit. This solution was declared by MasterCard as unique in Europe. In addition to transport application and classic features of a card, it integrats technology that enables contactless retail payments without PIN use.

**Card supporter** - launched in April 2011, supporter card, equipped with contactless technology is the only photo card personalized with your favorite player and which works as a subscription or ticket to the stadium. It also allows all types of transactions, as a debit card attached to a current account in lei, with national and international usage.

In 2011, BRD has re-launched its financing offers dedicated to **SMEs and freelancers**. Lending – on short, medium or long term- targets specific needs of this segment in terms of working cash-flows, but mostly investment needs, also encouraged by government subsidies of up to 200,000 euros / SME.

Loans using funding sources from the European Bank for Reconstruction and Development and European Investment Bank, designed mainly to support the development of SME segment, granted in favorable conditions have continued to be a priority for the Group.

Moreover BRD has supported its clients by restructuring or rescheduling of their commitments.

EUROBRD program (financing of investment projects benefiting from European funds) has had as well a satisfactory evolution. The range of services includes: pre-financing and / or co-finance of client own contribution, financing not qualified expenditure, working capital needs coverage for current activity and new investments.

In 2011 BRD aimed to consolidate its position of leading partner for **large corporations** by extending the relationship with existing clients (financing of current activities and/or new investments, developing product range with focus on value added transactions etc.) but as well acquiring new partnerships.

## 4. COMMERCIAL ACTIVITY (continued)

The increase of the exposure focused on the clients operating in the strategic sectors for Romanian economy like infrastructure, construction and energy (including the renewable energy) and as well financing of municipalities (mainly financing of infrastructure investments). The exposure on other economic sectors remained stable with some adjustments linked to the decreased activity of clients due to the economy performance.

The new financings in 2011 were dedicated to various economic sectors: energy, constructions / infrastructure, retail, telecom, oil & gas and local public administrations

The year on year increase of deposits attracted from large corporate clients was in line the increase of the on balance sheet exposure on this segment of clients (ca + 1% yoy).

Moreover an increase in the number of hedging transactions for the forex, interest rate but as well commodities prices with, both, multinational corporations and Romanian private companies has been recorded;

Several cash pooling and cash management contracts with multinational corporations and Romanian private companies were also signed in 2011.

## 4. COMMERCIAL ACTIVITY (continued)

**Subsidiaries activity**

**BRD Finance IFN SA ("BRD Finance")**

BRD Finance has been, from its setting-up, one of the most important participants of consumer loans market.

In 2011 the Company strengthen its partnerships with main retailers in the market (Carrefour, Real, Altex, DOMO, Ikea, etc) and has strongly developed its car finance business.

At the same time 2011 brought an improvement in the company's profitability due to good management of interests margins, expenses and cost of risk.

**BRD Sogelease IFN SA ("BRD Sogelease")**

Within an environment more and more competitive BRD Sogelease IFN, BRD leasing subsidiary ended 2011 with more than 1 400 leasing contracts, the value of the financed goods being of EUR 75 millions.

By the end of 2011, about 55% of the BRD Sogelease portfolio represented vehicles financing contracts, while the equipment financing represented around 35% and real estate - 10%.

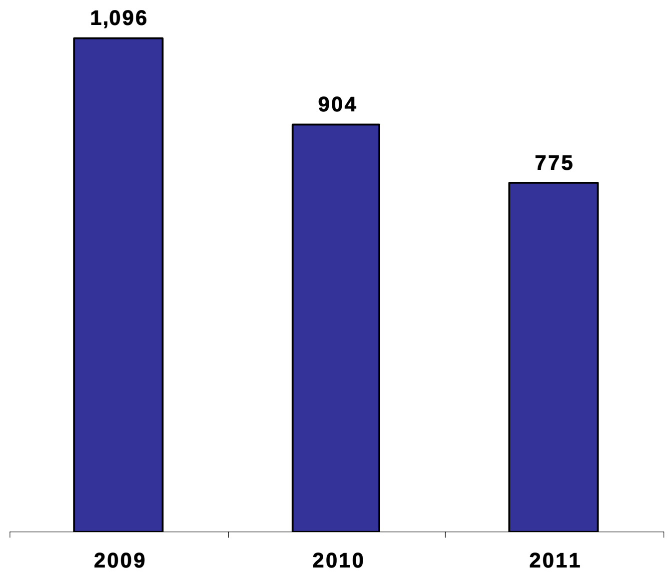
Staring 2011, a series of new projects dedicated to distinquish BRD Sogelease from its competitors by offering new different competitive products meant to differentiate from the competion's ones, has been started.

The commercial activity of BRD Sogelease in 2011 concentrated on:

- finding new clients by offering a new competitive commercial package and cros-selling within BRD Group. Specific action have already be taken together with BRD Finance IFN SA (collaboration contract signed in December 2011), with ALD Automotive SRL (by using a common remarketing platform for recovered vehicles and equipment and by including in the commercial offer of BRD Sogelease of fleet management services) and ECS ("Econocom" program);
- new partenership with auto dealers and vendors (ie Citroen).

## 4. COMMERCIAL ACTIVITY (continued)

**Balance of leasing financing** *(RON millions)*




### BRD Asset Management SAI

BRD Asset Management is on the third place on the Romanian UCITS market, having in its portfolio 6 open investment funds and a market share as at December 31, 2011 of 9.13%.

Simfonia fund has known a significant increase of its net assets (by 128.5%), remaining one of the most important fund on the Romanian market with net assets reaching RON 360.28 millions by the end of 2011.

The net assets of the fund BRD Obligatiuni, launched in 2006, decreased in 2011 by 7.9%, but the net unit asset recorded a positive performance of 5.9%. The fund's investments are made mainly on bonds market and on fix rate instruments.

The Actiuni Europa Regional fund, launched in March 2009, targets is investing up to 90% in quoted shares on regional markets (Romania, Czech Republic, Poland, Hungary) or in investments in UCITS and/or non UCITS mainly investing in share. The negative evolution of 14.5% was primarily influenced by the decrease in international capital and financial markets, and also led to a decrease in net assets by 14.5%.

Diverso Europa Regional fund, launched in the same period as Actiuni Europa Regional fund, targets is investing up to 50% in quoted shares on regional markets or in investments in UCITS and/or non UCITS mainly investing in shares. By the end of 2011 the fund performance decreased by 3.09% and the net assets by 5.95%.

## 4. COMMERCIAL ACTIVITY (continued)

The EUR denomitated fund, BRD Eurofond has a prudent diversification asset policy between various investments, its assets being mainly invested in low risk markets, like monetary or fixed rate instruments markets. During 2011, the fund recorded a performance increase of 4.67 % (EUR equivalent), reaching a total net assets of RON 204.89 million (EUR 47.8 million), thus being the fund with the largest positive evolution (87.8%).

Index Europa Regional fund has a balanced portfolio meant to invest minimum 75% of fund's assets in shares of listed companies which are part of a mix of indexes based on:

- BET-XT 50%,
- WIG-20 20%,
- Budapest SE Index-10% and
- Prague SE Index 20%..

Due to the incertitude in the Euro zone which caused severe decrease on the stock exchange, the fund had a negative performance of 15.6% as at December 31, 2011. The net assets reached RON 2 064.8 millions.

**BRD Corporate Finance SRL**

In 2011, the Romanian mergers and acquisitions market was characterized by a low number of transactions (around 100 completed operations) and very small values of these transactions, generally below the 20 million euro each.

Despite the difficult market context, BRD Corporate Finance SRL has managed to remain among the leading consultancy in Romania. Some of the major operations where BRD Corporate Finance was part were the take over of the international activity of Volksbank International, where Societe Generale acted as a consultant for Sberbank and other corporate finance transactions such as private investor test in the market economy, assistance in obtaining complex financing from international financial organizations or advice on transfer pricing operations performed for various Romanian companies.

Neither Banks' revenues nor the Groups' revenues depend on a single customer or group of connected customers; hence there is no risk that the loss of a customer might significantly affect the income level.

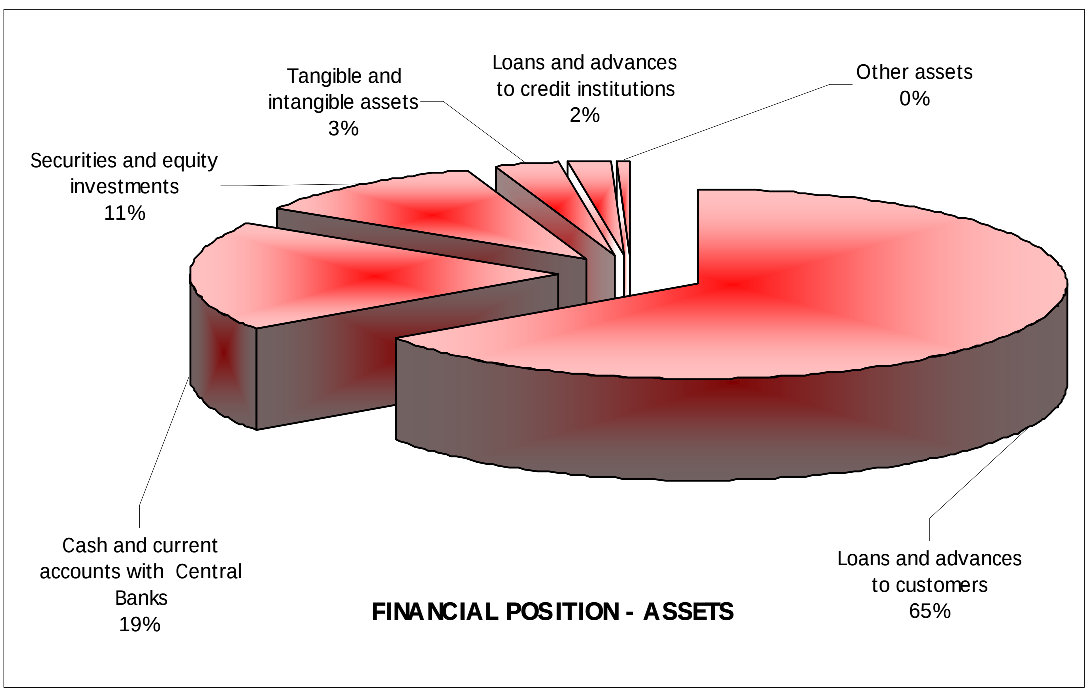
## 5. FINANCIAL POSITION ANALYSIS

### Financial position – assets

The total assets level remained constant as at Decemeber 31st, 2011 compared to prior year. The evolution of the most important items on the balance sheet assets side evolution was the following:

| **Total assets** (RON millions) | **2011** | **2010** | **11/10** |
|---|---|---|---|
| Loans and advances to customers | 32,592 | 33,115 | -2% |
| Cash and current accounts with Central Banks | 9,405 | 10,041 | -6% |
| Securities and equity investments | 5,286 | 4,246 | 25% |
| Tangible and intangible assets | 1,325 | 1,325 | 0% |
| Loans and advances to credit institutions | 1,035 | 662 | 56% |
| Other assets | 235 | 279 | -16% |
| **Total assets** | **49,879** | **49,667** | **0%** |

Considering the structure of the financial position's assets at the end of 2011, the position looks as follows:



## 5. FINANCIAL POSITION ANALYSIS (continued)

### Loans, net, including leasing

The net loans amounting RON 32 592 millions represents 67% of the total operations reflected in the financial position of the Group. The decrease of 2% in loans and leasing is mainly due to loans impairement negative evolution.

### Cash in hand, current accounts with the Central Bank and loans and advances to credit institutions

The Group liquid assets, including cash in hand and current account with the Central Bank decrease by 6% compared to December 31st, 2010, and represent 19% of the total financial position. The decrease is a direct consequence of the cut in minimum compulsory reserves rate for foreign currency denominated liabilities from 25% to 20%, announced by the National Bank of Romania in April 2011.

### Other financial instruments

The significative increase of these elements is determined by the increase in treasury bills portfolio, having a balance of 4 709 RON millions as at December 31st, 2011, compared to 3 964 RON millions by the end of prior year.

### Fixed and intangible assets

The net fixed assets amounted as at December 31st, 2011 to RON 1 325 millions, out of which the most important share is represented by land and buildings (more than 65%). Most of the buildings are recently constructed or modernized and they are situated all over the country, in most of the cities.

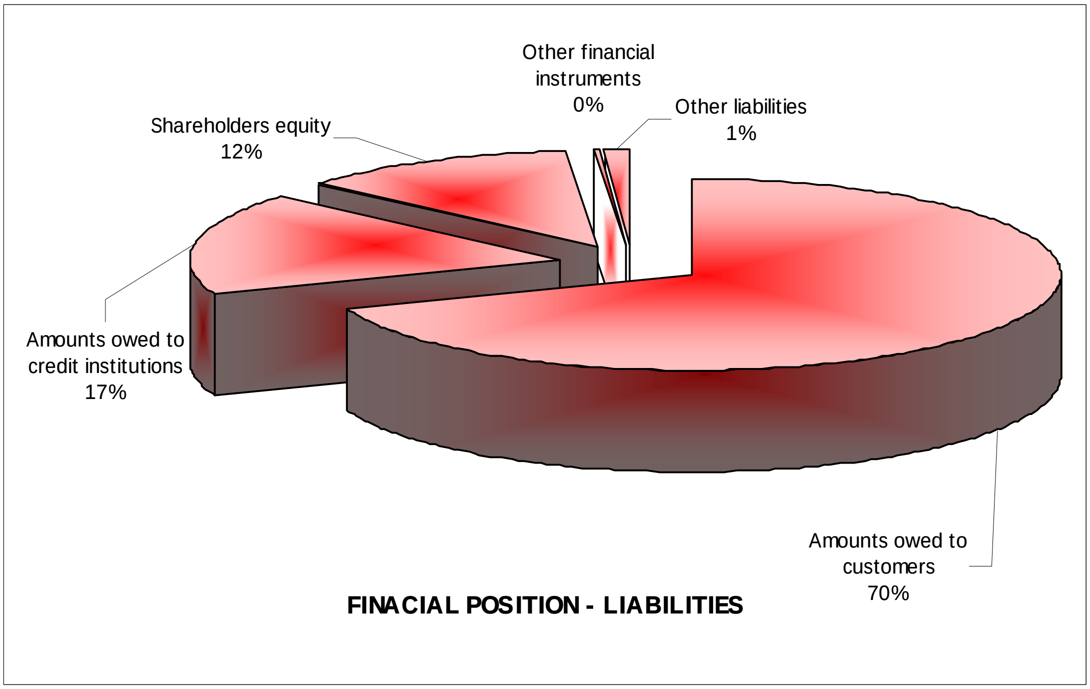
## 5. FINANCIAL POSITION ANALYSIS (continued)

### Financial position - liabilities

The comparative statement of liabilities, for the financial years 2011 – 2010 is as follows:

| **Liabilities and shareholders equity** (RON millions) | **2011** | **2010** | **11/10** |
|---|---|---|---|
| Amounts owed to customers | 34,487 | 31,901 | 8% |
| Amounts owed to credit institutions | 8,590 | 11,373 | -24% |
| Shareholders equity | 6,088 | 5,749 | 6% |
| Other financial instruments | 171 | 92 | 86% |
| Other liabilities | 543 | 552 | -2% |
| **Total liabilities and shareholders equity** | **49,879** | **49,667** | **0%** |

On December 31st, 2011, liabilities had the following structure:




### Amounts owed to customers

These operations representing current accounts, sight and term deposits collected from customers amount to 70% of total liabilities and increased by 8% compared to the previous year.

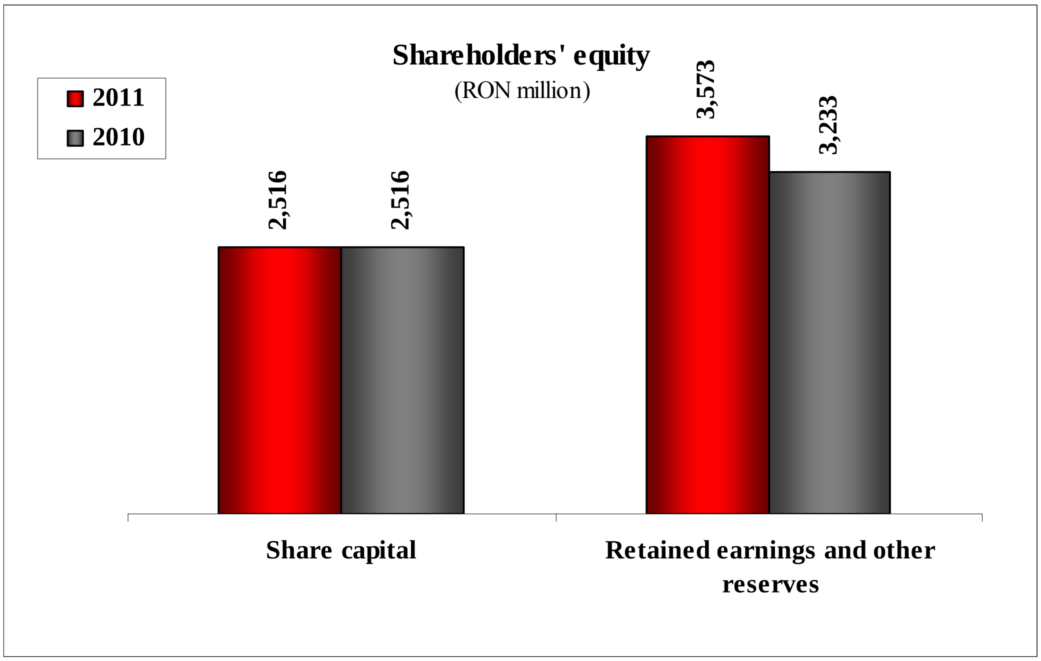
## 5. FINANCIAL POSITION ANALYSIS (continued)

### Amounts owed to credit institutions

Amounts owed to credit institutions represent 17% of total liabilities and refer mainly to current accounts, sight and term deposits as well as borrowings both from international financial institutions and commercial banks.

**Shareholders' equity** amounts to 6 088 RON millions, increasing by 6% compared to 2010.

The evolution of the shareholders equity elements for the period 2011-2010 is presented below:



## 5. FINANCIAL POSITION ANALYSIS (continued)

### Financial results

Net profit of the Group in 2011, before minority interest, is of RON 498 millions. The comparative position of the Group's results for the period 2011-2010 is presented below:

RON millions

| | 31.12.2011 | 31.12.2010 | 2011/2010. |
|---|---|---|---|
| **Net banking income,** | **3,268** | **3,585** | ***-9%*** |
| *out of wich* | | | |
| - Interest income | 2,173 | 2,323 | *-6%* |
| - Commissions | 783 | 792 | *-1%* |
| **Operating expenses** | **(1,460)** | **(1,476)** | ***-1%*** |
| **Operating profit** | **1,808** | **2,110** | ***-14%*** |
| Net cost of risk | (1,253) | (883) | *42%* |
| Gross profit | 555 | 1,227 | *-55%* |
| **Net profit** | **498** | **1,009** | ***-51%*** |

## 6. HUMAN RESOURCES

**Key-figures:**

- over 9 200 employees in BRD Group
- over 400 new employees
- almost 95% of the personnel followed at least one training course

Under the umbrella of the strategic program Ambitions 2015, during 2011, within the Human Resources Department, a series of activities and projects were developed targeting the development of human capital, promoting a new leadership model and optimisation of the working model.

Thus, the 2011 strategic directions concerning the human resources have looked upon career management, high potential employees, professional training especially management training, improvement in organisational culture, performance evalution system, and also acrivities optimisation.

Among the major projects developed in 2011 one can mention the second edition of the Employees Satisfaction Barometer, presentations and local action plans following the results of the Organisational Diagnosis study, identification of high potential employees and building their development road map, the carry-over of the management academy and annual evalution meetings, starting the implementation of a new evaluation application, but also supporting the internal reorganisation processes, for example the set-up of the new Regional Customer Services Centres.

The personnel internal mobility has remained at a significant level (12%), thus reflecting the adaptability of the structure to the present macroeconomic context.
In the same time, the number of promotions has remained constant compared to 2010, representing 7% of the total personnel.

Concerning the employees' *training*, at the level of the BRD Group, the training programs set up in the career maps have continued in 2011, bu also new trainig projects meant to sustain the business were put in place (eg the "Commercial School" – training programs for the selling force designed to improve the quality of the services rendered to the customers). Moreover, during the Management Academy program, about 900 managers have been trained, most of the trainig modules being developed in 2011. The average number of training days per employees reached 5 days.

In 2011, the human resources policy concerning the salary package has remained the same. The BRD Group has continued to reward performance, both at group level and at individual level, adapted to the current macroeconomic context.

## 7. CORPORATE GOVERNANCE

The corporate governance of BRD represents the set of principles underlying the framework through which the Bank and the Group are managed and controlled.

### ADMINISTRATION AND MANAGEMENT OF THE BANK

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

### BOARD OF DIRECTORS

The Board of Directors is made up of 11 members, elected by the General Assembly of the Shareholders for a 4-year term of office.

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

In 2011 the mandates of the following Board members have been renewed for a period of 4 years: Petre Bunescu; Sorin – Mihai Popa, Didier Alix, Jean Louis Mattei, Bogdan Baltazar, Dumitru Popescu, Ioan Cuzman and Sorin Marian Coclitu

Mr Bernardo SANCHEZ INCERA took over the vacant position of member of the Board of Directors of BRD, following Mrs Anne FOSSEMALLE giving up her term of office.

Mrs. Anne Marion BOUCHACOURT has been nominated as member of the Board, following the vacancy brought by the expiration of Mr. Aurelian DOCHIA mandate.

The mandate of administrator of Mr Sorin Marian Coclitu has been renewed for a 4 year period.

## 7. CORPORATE GOVERNANCE (continued)

### Members of the Board of Directors (as at 31.12.2011)

**Guy Marie Charles POUPET**

**Chairman - CEO**

**Member of the Management Committee**

Born on January 5, 1952

Residence: Bucharest, 1st district

With an experience of over 35 years within the Societe Generale Group, he first started in 1975 as inspector, then, in 1983, took over the management of the group Le Havre – Societe Generale France, as deputy manager. In 1987, he became the Deputy CEO of Banco Supervielle Societe Generale in Argentina and, in 1992, he took over the position of CEO of Societe Generale de Banques in Senegal. In 1995 he was appointed IT Project Manager within the International Division of Societe Generale, and in 1998 he took over the position of Head of Securities and Stock Market - Societe Generale Nantes. He resumed his international career within the Group in 2002, by taking over the position of Vice-Chairman and Deputy - CEO of Komerçni Banka in the Czech Republic and, as of 2004, the position of Vice-Chairman and CEO of NSGB (National Societe Generale Bank) in Cairo – Egypt.

He graduated from the Political Studies Institute in Paris. He has a Bachelor Degree in Public Law and a Degree from the University Centre for European Communities Studies, delivered by the Paris University.

Since January 1st, 2010, he has been Chairman and CEO of BRD.

He also holds the following positions: Chairman of the Board of Directors of BRD Finance IFN SA, Member of the Board of Directors of ALD Automotive SRL, Chairman of the Council of Mobiasbanca - Groupe Societe Generale S.A and Member of the Board of Directors of Societe Generale European Business Services SA, BRD Societate de administrare a Fondurilor de Pensii Private S.A. and BRD Asigurari de Viata S.A.

**Sorin - Mihai POPA**

**Member of the Board of Directors**

**Delegate CEO**

Born on September 5, 1964

Residence: Bucharest, 1st district

Other positions held: member of the Board of Directors of BRD Sogelease IFN, After his internship in the commercial and accounting field, he works as inspector with the Pitesti Financial Administration, between 1990 and 1993. He becomes an employee of Societe Generale – Bucharest Branch in 1993, where he successively fills in the positions of Corporate Controller and of Executive Officer of the branch between 1996 and 1999.

## 7. CORPORATE GOVERNANCE (continued)

He is then appointed Head of the Network Department within BRD-Groupe Société Générale, until 2003 when he takes over the position of Deputy CEO and becomes member of the Board of Directors of BRD. As of 2002, he manages directly the process of restructuring, reorganisation and modernisation of the network, and as of 2004 he coordinates the process of development of BRD and of densification of its agency network.

On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011.

Staring September 16, 2011 he is Delegate CEO.

He graduated from the Finance – Accounting Faculty – Economic Studies Academy in Bucharest and he holds an International Management Degree, delivered by the Business Management Institute within Ecole Supérieure de Gestion – Toulouse, France.

In 2005, the magazine "Saptamâna Financiara" awards him the "Banker of the Year" trophy.

In 2008, he receives the "Mr RON" award from "Saptamâna Financiara", for "The Most Spectacular Development" regarding the development of the agency network of BRD in 2007.

**Petre BUNESCU**

**Member of the Board of Directors**

**Deputy CEO**

Born on November 15, 1952

Residence: Bucharest, 3rd District

In 1975, he becomes an employee of the Investment Bank, and in 1990 he is appointed as Deputy CEO of the Bucharest Branch. Once the Romanian Bank for Development is set up, on December 1st, 1990, he takes over the position of Vice-Chairman and member of the Board of Directors and of the Management Board of the bank until July 1999. Between November 1997 and May 1998, he holds the position of Interim Chairman of the Romanian Bank for Development. Since August 1999, he has been Deputy CEO and member of the Board of Directors of BRD - Groupe Societe Generale.

On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011.

He is the Vice-Chairman of the Romanian Banking Association and member of the Board of Directors of Transfond SA. Between 1997 and 2006 he was he has been a permanent member of the teaching staff of the Romanian Banking Institute and of the Financial and Banking Studies Institute, and in 2007 he has became an associated member of the teaching staff of the Romanian-American University in Bucharest.

He graduated from the Economic Studies Academy in 1975. In 2003, he got his PhD in Economics.

## 7. CORPORATE GOVERNANCE (continued)

**Didier Charles Maurice ALIX**

**Non-executive member of the Board of Directors**

Born on August 16, 1946

Residence: Paris, France

He joined SOCIÉTÉ GÉNÉRALE in 1971.

Between 1972 and 1979, he was an inspector with the General Inspection and became the head of the Central Risk Control structure. In 1984, he was appointed Manager of the Levallois Group, then, in 1987, of the Paris Opera Group.

Between 1991 and 1993, he was assigned at the Specialised Financing Division, seconded at Franfinance, the consumer financing subsidiary, as CEO. In 1993, he was appointed Deputy Manager of the French Network, and Manager in 1995.

In 1998, he was appointed Deputy CEO in charge of private and corporate clients. Between 2006 and 2009, Didier ALIX was appointed Deputy CEO of the Societe Generale Group.

On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011.

He graduated from the Political Studies Institute in Paris and has a degree in Economic Sciences.

**Jean-Louis MATTEI**

**Non-executive member of the Board of Directors**

**Chairman of the Audit Committee**

**Chairman of the Remuneration Committee**

Born on September 8, 1947

Residence: Paris, France

In 1973, he joined the Societe Generale Group and, in time, filled in the following positions: Controller with the Agencies' Division in Provence area, Training Manager – HR Division, Officer in charge of the Cost Laboratory (study of costs and profitability) within the Technical Management Division, Officer in charge with Management Control within the Organisation and Informatics Department within the Management Technique Division, Officer for the Africa Overseas Area.

Since 1998, he has been the Head of BHFM – the structure that coordinates the activity of the commercial banks - subsidiaries of Societe Generale in Central and Eastern Europe, the Mediterranean area, Africa and the French Overseas territories.

He has a degree in law and public services, and a diploma from the Centre of Higher Education in Banking.

On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011.

## 7. CORPORATE GOVERNANCE (continued)

**Anne Marion BOUCHACOURT**

**Non-executive member of the Board of Directors of BRD**

**Memeber of Remuneration Committee**

Born in 1958

Residence: Paris, France

In 1981 she was appointed as councellor at PricewaterhouseCoopers, and she became in 1990 Financial Services Director within this entity.

In 1999 she was appointed Vice-President for Gemini Consulting.

Between 2002 and 2004 she was Vice-President for Solving International and the person in charge with banking practice.

In 2004 she was appointed as Human Resources manager in Société Générale Corporate & Investment Banking (SG CIB), and since 2006 she has been the Head of Human Resources for Group Societe Generale.

On April 14, 2011 she has been appointed as a Member of the Board of Directors of BRD.

She graduated from Ecole Superieure de Commerce de Paris, has a licence in accounting expertise and a Diploma in financial management for capital markets issued by Dauphine University.

**Bernardo Sanchez INCERA**

**Non-executive member of the Board of Directors of BRD**

Born on March 9, 1960

Residence: Paris, France

Between 1984 and 1992, he was a customer consultant and deputy manager of the corporate branch La Defense of the Credit Lyonnais bank. Until 1994, he held the position of manager and chairman of the Credit Lyonnais subsidiary in Belgium. Between 1994 and 1996, he was Deputy Manager of the JOVER bank.

From 1996 until 2009, he held several managerial positions, such as Chairman of Zara France, International Operational Director of Inditex Group, Chairman of LVMH Mode et Maroquinerie Europe and LVMH Fashion Group France, General Director of Viavarte Group, Executive General director of Monoprix France.

In 2009 he joined Societe Generale as Delegated CEO in charge of the International Retail Banking Division (BHFM) and of the Specialised Financial Services activity.

He graduated the Institute of Political Studies in Paris and has a Master in Business Administration INSEAD

He is a Member of the Board of Directors of BRD starting April 14, 2011.

## 7. CORPORATE GOVERNANCE (continued)

**Bogdan BALTAZAR**

**Non-executive member of the Board of Directors of BRD**

Born on September 22, 1939

Residence: Bucharest, 2nd district

Between 1971 and 1981 he worked at the Ministry of Foreign Affairs as 1st Diplomatic Secretary and then as Manager of the Africa Division. He went back to the Ministry of Foreign Affairs in 1990, as General Manager of the Northern and Southern America Divisions. Between 1990 and 1991, he was a spokesman for the Government, and then, until 1996, a Senior Banking Adviser, coordinator of the group for Romania in the EBRD Headquarters - London. From 1997 until 1998, he was Vice-president of the State Property Fund (FPS).

Between 1998 and 2004, he was Chairman of the Board of Directors of the Romanian Bank for Development, after privatization called BRD-Groupe Societe Generale.

On April 18, 2007, he was re-elected director of BRD for a 4-year term of office.

He is known as publicist and analyst, and he participates with studies, analyses and communications regarding the banking restructuration / privatisation in numerous financial and banking forums: Crans Montana, Frankfurt, Atena, Salonika, Sofia, Viena, London, Bucharest, as well as “Invest – România” in London, Toronto, Istanbul, Viena, etc.

He graduated from the Polytechnics University in Bucharest and he ahs a PhD in Economy from the City University of New York.

**Dumitru POPESCU**

**Non-executive member of the Board of Directors**

Born on March 15, 1953

Residence: Bucharest, 2nd district

He has got 30 years of experience in the banking, financial, academic, administrative fields, both in operation and management, at the macro and microeconomic levels, and he filled in the following positions: Deputy Secretary of State in the Ministry of Economy and Finance – Economic Strategy and Orientation Department, National Coordinator of Technical and Economic Assistance for Romania, State Advisor of the Deputy Prime Minister, Secretary of State – Chairman of the Romanian Agency for Restructuring, Vice-Chairman of TEC MIACO, a Romanian-American Enterprise Fund, Project Manager within PSAL II – a World Bank Program for Romania, Senior Consultant for the Chairman of APAPS within the programme “High Technical Assistance for Evaluating the Effects of Privatization in Romania”, Senior Consultant for the United States Agency for International Development within a project regarding a complex analysis of the agricultural system in Romania.

He has 27 years of experience in the university field, now a professor at the Academy of Economic Studies in Bucharest in the fields of economic and financial analysis of companies. He is also the author of 14 books and 45 articles of financial analysis.

## 7. CORPORATE GOVERNANCE (continued)

On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011.

**Sorin Marian COCLITU**

**Independent member of the Board of Directors**

**Member of the Audit Committee**

**Member of the Remuneration Committee**

Born on July 16, 1948

Residence: Bucharest, 6th district

Positions held in other companies: Chairman – CEO of Fondul Român de Garantare a Creditelor pentru Intreprinzatorii Privati, General Secretary of the SIF Muntenia Shareholders' Representative Council.

Sorin Marian Coclitu is an economist and, over the years, filled in the following positions: economist with SC Grivita Rosie, main inspector within the State Planning Committee – Synthesis Division, expert with the Ministry of National Economy – Secretariat for Privatization, consultant with the Strategy and Reform Council – Government of Romania, Sub-Secretary of State - Ministry of Economy and Finance, and Advisor of the President and General Manager of the Coordination, Strategy and Control Department with the National Privatization Agency.

He graduated the Economic Computation and Economic Cybernetics Faculty within the Economic Studies Academy in Bucharest.

On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011 and, at the same time, the General Assembly appointed him as an independent director of BRD.

**Ioan CUZMAN**

**Non-executive member of the Board of Directors**

Born on October 3, 1944

Residence: Arad, Arad County

As of 1981, he filled in the positions of: economist with the Enterprise Electrobanat Timisoara, Financial Office Manager with the Machine-Tools Factory in Arad, Deputy Commercial Manager with the Confections Factory in Arad, Sub-prefect of Arad County, University Lecturer at the West University in Timisoara, Chairman – CEO at Fondul Proprietatii Private no. 1 Banat-Crisana.

On April 14, 2011, he is re-elected director of BRD for a 4-year term of office, starting April 18, 2011.

## 7. CORPORATE GOVERNANCE (continued)

He graduated the Faculty of Economic Sciences; section "Economics of industry, constructions and commerce" within the West University in Timisoara.

He has a PhD in Economics and is an assosciate professor.

**BRD shares held by the members of the Board of Directors as at December 31st, 2011**

| Name: | Number of shares |
|---|---:|
| Petre BUNESCU | 325,000 |
| Ioan CUZMAN | 3,500 |
| TOTAL | 328,500 |

### Attributions and responsibilities of the Board of Directors

The main attributions of the Board of Directors, including those that cannot be delegated to members of the executive management, are set by law and by the Articles of Incorporation. In cases permitted by law, the General Assembly of Shareholders can delegate to the Board of Directors other attributions, as well.

The Board of Directors sets the main business and development directions of the bank and supervises the activity of the bank and of the executive management structure, and also has the ultimate responsibility for the operations and the financial strength of the bank. The Board of Directors decides on the accounting and financial control system and approves the financial planning.

The Board of Directors approves the general strategy of development of the bank, of identification of significant risks and of management of such risks, and makes sure that the activity of the executive management structure complies with the approved strategy and policies.

The Board of Directors approves the organisational structure of the bank, risk management policy, general remuneration policy regarding the employees, as well as the directors and officers of the bank.

The members of BRD's Board of Directors meet the eligibility conditions and criteria required for an efficient administration of BRD, meaning they:

- Have a good reputation and carry out their business in compliance with the rules of prudent and healthy banking practices;
- Have the professional experience that implies theoretical and practical knowledge adequate to the nature, extent and complexity of the banking business and of the entrusted responsibilities, as well as experience in a management position, acquired in an entity comparable, in terms of size and activity, to the bank;
- Ensure the conditions of the collective competence of the Board for an efficient and highly performing administration of the bank's activity.

To designate an independent director, the Board of Directors and the General Assembly of the Shareholders take into account the compliance with the independence criteria stipulated by the Companies' Act no. 31/1990.

## 7. CORPORATE GOVERNANCE (continued)

### Meetings of the Board of Directors

The Board of Directors meets any time it is necessary, but at least once every 3 months.

The notices of meeting of the Board of Directors specify the place, date and draft of the agenda of the respective meeting, and no decision can be made regarding unexpected issues, except for emergency cases and provided they are ratified by the absent members at the next meeting.

Minutes are drafted for each meeting and include the names of the participants, the order of the deliberations, the decisions made, the number of votes cast and the separate opinions.

### Activity of the Board of Directors in 2011.

In 2011, 10 meetings of the Board of Directors took place, and the decisions of the Board were made with the unanimity of the votes.

On the Board of Directors agenda the following subjects were included: the General Development Strategy of the Bank in 2011, identification and management of significant risks, Liquidity strategy, BRD Remunaration policy, Reports on annual inventory, Reports regarding the internal control framework, Reports regarding Bank/Group results, Memos regarding changes in Bank/Group Management, Modifications in internal regulations etc.

During its meetings the Board of Directors was regularly informed on the economic, monetary and financial environment, on the evolution of the regulations in force, on significant risks, on the the activity of Audit Committee and Risk Management Committee, as well as on the main events that took place within BRD.

### Remuneration of the members of the Board of Directors

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

### COMMITTEES SET UP IN SUPPORT OF THE BOARD OF DIRECTORS

In order to develop and maintain good practices of business administration, the Board of Directors set up three committees that assist it in performing its attributions, and for which organisation and operation rules are set and defined in the internal regulations.

## 7. CORPORATE GOVERNANCE (continued)

### Audit Committee

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

The members of the Audit Committee have the experience required for their specific attributions within the Committee.

The Audit Committee meets at least once a half-year.

The Audit Committee assists the Board of Directors in performing its responsibilities in terms of internal control and financial audit. To this effect, the Audit Committee makes recommendations to the Board of Directors regarding the strategy and policy of the credit institution in the field of internal control and financial audit.

In 2011, 2 meetings of the Audit Committee took place, where it was analysed the internal control activity of the bank.

After each meeting, minutes were drafted, specifying the aspects that required improvements, as well as recommendations for their application.

### Remuneration Committee

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

The Committee is made up of 3 non-executive directors, one of which is independent, elected by the Board of Directors from among its members: Jean-Louis MATTEI (Chairman), Anne Marion BOUCHACOURT (Member), and Sorin Marian COCLITU (Indipendent Member).

It meets annually or any time necessary.

In order to perform the attributions entrusted, the Remuneration Committee presents to the Board of Directors, for approval, the proposed policy of remuneration within BRD, the proposals of remuneration of the directors and officers; it supervises the application of the principles of the Group staff remuneration policy and informs the Board of Directors in this respect.

### Risk Management Committee

Chaired by the CEO, the Risk Management Committee meets on a quarterly basis or more often, if necessary. Its objective is the management of significant risks, risks with high impact on the assets and/or image of the bank (credit risk, market risk, liquidity risk, operational risk, and reputational risk), as well as the risks associated to the outsourced activities.

## 7. CORPORATE GOVERNANCE (continued)

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

In 2011, 4 meetings of the Risk Management Committee took place.

### EXECUTIVE MANAGEMENT

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

The executive officers of the bank are elected by the Board of Directors, among directors or from outside the Board, and together they represent the Management Board.

The Management Board is made up of the CEO, Delegate CEO and the Deputy CEOs. The Management Board is run by the CEO who is also the Chairman of the Board of Directors.

### Members of the Management Board (as at December 31st, 2011)

**Guy Marie Charles POUPET**

**Chairman - CEO**

He has direct authority over all the structures and activities in the Bank and, as at December 31, 2011, the following structures were directly subordinated to him: General Secretariat, Human Resources, and internal control related structures.

**Sorin Mihai POPA**

**Member of the Board of Directors**

**Delegate CEO**

In the President - CEO absence he has the authority over all the Group structures.

As at December 31, 2011, the following structures were directly subordinated to him: Private Banking and Network Development and Studies.

**Petre BUNESCU**

**Member of the Board of Directors**

**Deputy CEO**

As at December 31, 2011, he was coordonating the following structures: Finance, Banking Operations, Legal and Financial Markets Back Office.

## 7. CORPORATE GOVERNANCE (continued)

**Alexandru-Claudiu CERCEL-DUCA**

**Deputy CEO – Coordinating: Financial markets structure**

**Member of the the Management Board**

Born on February 17, 1968.

Residence: Bucharest, 1st district.

He coordinates the activity of the Financial Market Structure, made up of the following departments: Financial Markets, Services for financial investments and Management of Assets.

Between 1992 and 1993, he was a sales manager in the field of communications products. He has worked within BRD since 1993, and filled in the positions of Treasury Officer, FX technical analyst, FX trader, Treasury Deputy Manager, Market Operations Manager and Executive Officer of Financial Markets.

He graduated the Economic Studies Academy - Cybernetics Faculty, in 1992, as well as varous management and leadership training courses organised both by Societe Generale and other banking institutions: Nomura Bank (London), Bank of America (San Francisco), or the Montreal University and London Business School. He graduated from the Executive Master of Business Administration (EMBA) - ASEBUSS BUCHAREST / UNIVERSITY OF WASHINGTON, USA.

**Jean-Luc Bernard Raymond GRASSET**

**Deputy CEO – Coordinating: the Resources structure**

**Member of the the Management Board**

Born on September 11, 1954

Residence: Bucharest, 1st district

He graduated from the University of Aix-en-Provenceof in 1977, having a licence in Economic and Social Management. In 1979 he obtained DESS (Diploma in Specialised Higher Education) in Finance, specialty Econometrics.

In 1980, he joined Societe Generale within the Group Nantes sur Loire. Between 1981 and 1989 he had several responsabilities within the Organisation Department in Paris, regarding marketing, coordination and projects implementation, among which the most important was the change in the banks' core-banking system and banks' reorganization.

In 1991, Jean-Luc started a series of missions within Societe Generale structures from abroad, as Development and Audit Manager (Ivory Coast), CEO (South Africa), Ibank Implementation Manager (BRD).

Between 2003 and 2005 he returned to Paris, within BHFM, as Supervisor for a group of SG African subsiaries.

Starting 2005 till 2010 he took over the job of Resources Manager at NSGB Egipt, where he coordinated 3 major organization projects.

## 7. CORPORATE GOVERNANCE (continued)

As at December 31, 2011, he was coordonating the following structures: IT Studies and Development, IT Infrastructure and Production, Projects and Organisation, Buildings Administration, Logistics and Security.

**Gabriela Stefania GAVRILESCU**

**Deputy CEO – Coordinating: Corporate Banking Structure (Large Corporate Customers)**

**Member of the the Management Board**

Born on December 12, 1956

Residence: Bucharest, $2^{nd}$ district.

She graduated form Bucharest Economic Studies Academy – International Economic Relations Department in 1980.

Starting 1991, she enreached her professional expertise through several trainings in Societe Generale and other external structures such as World Bank, DC Gardner or London Business School.

Between 1987 and 1993 she has several positions at the National Bank of Romania, BCR and Banca Comerciala Ion Tiriac.

She has joined Societe Generale in 1993 in the Bucharest Branch of Societe Generale as Commercial Director.

In 2000 she was named as Executive Delegate Director for Large Corporate Clients, where she was coordinating a team of 60 people involved in various activities such as management and development of clients' portfolio and business, commercial policy and large clients strategy, structured lending, European funds and International Financing Institutions.

In October 2009, she became Executive Director of Large Corporate Customers Department, and starting beginning 2011 she has been appointed Member of the BRD Management Board.

She directly coordinates Corporate Banking structure.

**Gheorghe MARINEL**

**Deputy CEO: – Coordinating: Commercial/ Marketing/ Network structure** (as at December 31, 2011 this position was under NBR validation)

**Member of the the Management Board** (subsequent to NBR validation)

Born on March 13, 1965

Residence: Voluntari, Ilfov County

He graduated “Summa cum Laudae” from the Bucharest Economic Studies Academy – Finance and Accounting in 1991.

In 1992 he obtained a diploma Master of Business Administration (in Management) from Ecole Superieure de Gestion - Toulouse, France, and in 1999 a diploma of Executive MBA – ASSEUSS, University of Washington, USA.

He followed several management and leadership trainings.

He has an experience of more than 20 years in the banking field, occupying several positions in credit institutions such as: Banca Comerciala Romana (1991-1993), Societe Generale – Bucuresti (1993-1995) and ABN AMRO BANK Romania (1995-2001).

He has joined BRD- Groupe Societe General in 2001, occupying the following positions: project Manager – Network Reorganisation and Restructuring Project, Network Management Director and General Secretary.

Starting October 2011 he has been appointed as Deputy CEO Commercial/ Marketing/ Network.

He coordinates directly the following structures: Strategy and Marketing, Commercial Network, General Management of the Network.

**BRD shares held by the members of the Management Board as at December 31st, 2011**

| Name | Number of shares |
|---|---:|
| Petre BUNESCU | 325 000 |
| Claudiu CERCEL - DUCA | 1,030 |
| TOTAL | 326 030 |

**Attributions and responsibilities**

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

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

## 7. CORPORATE GOVERNANCE (continued)

### Changes in the structure of the Management Board in 2011

On September 15th, 2011 the Board of Directors decided to nominate Mr Sorin – Mihai POPA as Delegate CEO and to nominate Mr. Gheorghe MARINEL as Deputy CEO (under the condition of the National Bank of Romania approval).

On February 15th, 2012 Mr. Gheorghe MARINEL received the approval from the National Bank of Romania.

### Meetings of the Management Board

The meetings of the Management Board are held at least once every two weeks, or any time the activity of the bank requires it.

The decisions of the Management Board are made with the absolute majority of the votes cast by its members. Voting cannot be delegated within the meetings of the Management Board.

The minutes of the meeting are signed by the officers who attended the meeting immediately after their drafting.

The Management Board provided the Board of Directors regularly and comprehensive detailed information about all the important aspects of the bank's activity, including risk management, potential risk assessment and compliance matters, measures taken and recommended, irregularities found while performing its attributions. Any major event is communicated at once to the Board of Directors.

## RIGHTS OF THE SHAREHOLDERS

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

### Voting right

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

General Assemblys are called by the Board of Directors.

General Assemblys are ordinary and extraordinary. The Ordinary General Assembly of the Shareholders meets at least once a year, within no more than 5 months as of the end of the financial year, and the Extraordinary General Assembly of Shareholders meets whenever necessary. In 2011, there was an Ordinary General Assembly of Shareholders and an Extraordinary General Assembly of the Shareholders, on April $14^{th}$, 2011.

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

## 7. CORPORATE GOVERNANCE (continued)

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

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

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

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

### Right to dividends

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

In 2011, the General Assembly approved the distribution of a gross dividend of RON 0.17957/share and established the dividend distribution procedure.

### Right to information

BRD makes sure its shareholders have access to relevant information, so that they may exercise all their rights in an equitable manner. The communication strategy of the bank relies on the following principles:

a. Equal access to information for all shareholders and immediate availability of relevant information;

b. Meeting deadlines for the publication of the results;

c. Transparency and coherence of the provided information.

BRD set up and maintains an adequate structure for its relation with the investors, in general, and with its own shareholders, in particular. The staff of this structure has the necessary knowledge to carry out this activity and periodically attend professional training courses aimed at the development of their professional skills specific to this activity.

## 7. CORPORATE GOVERNANCE (continued)

Shareholders / investors may send their requests to the bank through e-mail or over the telephone, at the contact data displayed on the institutional site. Also, all the shareholders receive an annual individual letter of information regarding their shares and the dividends due to them for the ended financial year.

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

For the information of shareholders and investors, the bank sets at the beginning of the year a financial reporting calendar, which it sends to the Bucharest Stock Exchange and to the National Securities Commission. Financial reporting is made according to the accounting regulations imposed through the NBR Order no. 13/2008 for the approval of the Accounting Regulations compliant with the European Directives, applicable to credit institutions, non-banking financial institutions and to the Bank Deposit Guarantee Fund (on a quarterly basis), as well as to the highest financial reporting standards – the International Financial Reporting Standards (IFRS) (on an annual basis) – and in compliance with the regulations specific to the capital market.

In order to communicate on its financial results, BRD organises meetings with financial analysts, investment consultants, brokers and investors. These meetings during which the annual results of the bank are presented are an opportunity for Bank management and the financial market analysts to exchange opinions. The same policy of transparency has been adopted regarding the communication with the rating agencies and with the capital market institutions.

*Financial calendar for the year 2012 is the following:*

| | |
|---|---|
| Presentation of preliminary results as at December 31, 2011 during the meeting with analists | February 14, 2012 |
| Annual General Assembly of Shareholders | April 26, 2012 |
| Presentation of annual results for 2011 | April 26, 2012 |
| Presentation of quarterly results Q1 | April 30, 2012 |
| Presentation of quarterly results Q2 | July 30, 2012 |
| Presentation of quarterly results Q3 | November 6, 2012 |

## OTHER CORPORATE GOVERNANCE ELEMENTS

### 1. Conflicts of interest

In 2011, there were no identified conflicts of interests between the members of the Board of Directors or of Management Board and the interests of the bank.

## 7. CORPORATE GOVERNANCE (continued)

The main obligations respected by the members of the Board of Directors and of the Management Board, imposed at the bank level in order to prevent and avoid conflicts of interests at such level, are:

- the obligation to act only in the interest of the bank and to make decisions without allowing themselves to be influenced by any own interests that could occur in their activity;
- -the obligation to keep the confidentiality of any fact, data or information which they became aware of while performing their duties, understanding that they do not have the right to use or reveal such information either during or after the end of their activity;
- the obligation to inform other members of the Board of Directors and the internal auditors of any operation in which they have direct or indirect interests, which are contrary to the interests of the bank, and not to take part in any deliberation regarding such operation.

### 2. Transactions with affiliated persons

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

The approval of the loans to affiliated private and corporate persons falls within the competence of the Board of Directors.

### 3. Insider trading

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

In addition, for the purpose of protecting persons who have access to privileged information, trading financial instruments issued by BRD is forbidden before publication of the periodical reports of the Bank. Also, there have been set obligations to report to the Bank the transactions made.

**The characteristics of the internal control and of the risk management system in relation to the finanial reporting process** are described in chapter 8 - Risk Management.

# 8. RISK MANAGEMENT

## Framework

The Group 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)

## 8. RISK MANAGEMENT (continued)

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 Group'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, including leasing and guarantees it issues..

## 8. RISK MANAGEMENT (continued)

*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.

## 8. RISK MANAGEMENT (continued)

### 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.

## 9. SOCIAL AND ENVIRONMENT RESPONSIBILITY

BRD development strategy is to conduct its activities respecting the environment, the human rights and freedoms and values of the Romanian society.
According to the policies of Société Générale Group, BRD involvement in projects of social solidarity and community environment arises internally through a responsible resources management and externally by controlling its own actions against the environment and by commitments made to the community.

### Social solidarity

The most important BRD priorities in this field concerns: education, promoting and supporting talented young people, the fight against dropping out of school and the professional insertion of the persons excluded from the labour market, health.

*A few of the 2011 projects:*

- *Week of solidarity:* 230 BRD employees have become donors for the internal program of salary donations "*Change a destiny. Give value to life.*" Their contribution to the program, doubled by the Bank, reaches almost 20 000 euro/ Year. The total amount raised 2011 by the 1 500 donor employees engaged in the programme, reaches 200 000 euro. The money will be used for the education and labour market insertion of children and young people in need.
- *Citizen Awards 2011*: More than 500 employees have voted on-line the project "Each child goes to kindergarten" promoted by the Association Ovidiu Rom. Due to their vote, the NGO has received the 2nd award of the competition Citizen Awards, representing funding amounting to 40 000 euro. This money allowed the organization to include some more 80 children from poor communities in their program for preventing dropping out of school.
- *Do you want to be Santa Claus*: 2 350 children in need sent letters to all the Santas in BRD, who offered them presents – 59 000 euro is the amount invested by the Bank's employees in this project for childrens' presents.

### Culture

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

### Sport

For 11 years, BRD has been the Official Partner of the Romanian Cycling and Triathlon Federation and the sponsor of the Romanian Cycling Tour.
BRD has also become in 2011, Official Partner of the Romanian Handball Federation.

Tennis is also a very imporatnt axis in sponsorship strategy of BRD.

## 9. SOCIAL AND ENVIRONMENT RESPONSIBILITY (continued)

Besides the traditional BRD Futures circuit, the Bank has also become for three consecutive years (2011-2013) the Main Partner of international tennis tour"BRD Nastase Tiriac Trophy" – the most important sporting event in Romania.

Within a three year partnership (2010 – 2012), the Bank has continued to support the program dedicated to football talented children developped at Hagi Academy.

### Environmental responsibility

BRD - Groupe Société Générale bought in 2011 carbon credit certificates, compensating thus, all C02 emissions for the year 2010. The investment in this environmental program reaches 630 000 euro.

BRD initiative is according to the policy of Société Générale, which has decided to completely neutralize its CO2 emmissions till 2012.

Volunteer in this program BRD has started mid 2010 the project „Plan Carbon" which which focuses on 3 main directions:

1. optimised consumption (especially electricity, paper, fuel),
2. increase of the energetic efficacy of the buildings
3. decrease in the negative impact of the IT activity on the environment.

In the mean time, several projects have been started aiming to improve the reporting process, implementation of national recycling programs, and the development within BRD of eco-responsible practices.

Since the launch of Plan Carbon, BRD has made significant investments especially in IT projects, videoconferencing systems, energy optimization and purchasing carbon certificates.

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

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

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The consolidated financial statements prepared according to International Financial Reporting Standards as adopted by the European Union are attached to this report.

President – Chief Executive Officer

Guy Charles Marie POUPET

# BRD – Groupe Société Générale S.A.

## CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

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

**DECEMBER 31, 2011**

## BRD – Groupe Société Générale S.A.
## CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION
## as of December 31, 2011
***(Amounts in thousands RON)***

| | Note | Group December 31, 2011 | Group December 31, 2010 | Bank December 31, 2011 | Bank December 31, 2010 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash in hand | 4 | 662,194 | 611,570 | 662,171 | 611,547 |
| Due from Central Bank | 5 | 8,743,127 | 9,429,298 | 8,741,778 | 9,428,409 |
| Due from banks | 6 | 1,035,020 | 662,001 | 995,384 | 622,363 |
| Derivatives and other financial instruments held for trading | 7 | 313,788 | 85,839 | 316,478 | 92,154 |
| Loans and advances to customers | 8 | 31,859,329 | 32,243,213 | 31,555,334 | 31,893,224 |
| Financial lease receivables | 9 | 732,665 | 871,821 | - | - |
| Financial assets available for sale | 10 | 4,877,014 | 4,081,509 | 4,876,826 | 4,032,352 |
| Investments in associates and subsidiares | 11 | 95,427 | 78,237 | 153,452 | 153,603 |
| Property, plant and equipment | 12 | 1,180,794 | 1,177,066 | 1,150,743 | 1,149,988 |
| Goodwill | 13 | 50,130 | 50,151 | 50,130 | 50,151 |
| Intangible assets | 14 | 94,451 | 97,661 | 84,891 | 89,647 |
| Other assets | 15 | 235,132 | 278,537 | 163,811 | 164,870 |
| **Total assets** | | **49,879,071** | **49,666,903** | **48,750,998** | **48,288,308** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Demand deposits and current accounts | 16 | 13,233,637 | 13,965,114 | 13,264,722 | 13,976,859 |
| Term deposits | 17 | 21,253,245 | 17,936,160 | 21,307,792 | 18,001,057 |
| Borrowed funds and debt issued | 18 | 7,716,276 | 10,508,800 | 6,793,165 | 9,303,620 |
| Subordinated debt | 19 | 874,161 | 864,219 | 874,161 | 864,219 |
| Derivative financial instruments | 7 | 170,812 | 91,639 | 170,812 | 91,639 |
| Current tax liability | | 19,731 | 2,383 | 16,867 | - |
| Deferred tax liability | 20 | 148,089 | 193,164 | 145,812 | 195,793 |
| Other liabilities | 21 | 374,724 | 356,357 | 287,430 | 277,923 |
| **Total liabilities** | | **43,790,675** | **43,917,836** | **42,860,761** | **42,711,110** |
| Share capital | 22 | 2,515,622 | 2,515,622 | 2,515,622 | 2,515,622 |
| Reserves from revaluation of available for sale assets | | (15,430) | 24,604 | (15,430) | 21,786 |
| Retained earnings | 23 | 3,544,633 | 3,167,476 | 3,390,045 | 3,039,790 |
| Minority interest | | 43,571 | 41,365 | - | - |
| **Total shareholders' equity** | | **6,088,396** | **5,749,067** | **5,890,237** | **5,577,198** |
| **Total liabilities and shareholders' equity** | | **49,879,071** | **49,666,903** | **48,750,998** | **48,288,308** |

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

Guy Poupet
President and Chief Executive Officer

Petre Bunescu
Deputy Chief Executive Officer

# BRD – Groupe Société Générale S.A.
# CONSOLIDATED AND INVIDUAL INCOME STATEMENT
# for the year ended December 31, 2011
*(Amounts in thousands RON)*

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

# BRD – Groupe Société Générale S.A.
# CONSOLIDATED AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
# for the year ended December 31, 2011
*(Amounts in thousands RON)*

| | Group | | Bank | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| **Profit for the year** | **498,486** | **1,008,823** | **469,377** | **996,338** |
| **Other comprehensive income** | | | | |
| Net gain/(loss) on available-for-sale financial assets | (41,858) | (12,895) | (38,554) | (13,995) |
| Income tax relating to components of other comprehensive income | 1,825 | 2,691 | 1,338 | 2,884 |
| **Other comprehensive income for the year, net of tax** | **(40,033)** | **(10,204)** | **(37,216)** | **(11,111)** |
| **Total comprehensive income for the year, net of tax** | **458,453** | **998,619** | **432,161** | **985,227** |
| Attributable to: | | | | |
| Equity holders of the parent | 456,246 | 997,719 | 432,161 | 985,227 |
| Minority interest | 2,207 | 900 | - | - |

***(Amounts in thousands RON)***

**Group**

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

**Bank**

| | Note | Issued capital | Reserves from revaluation of available for sale assets | Retained earnings | Total |
|---|---|---|---|---|---|
| **December 31, 2009** | | **2,515,622** | **32,897** | **2,237,149** | **4,785,668** |
| Total comprehensive income | | - | (11,111) | 996,338 | 985,227 |
| Increase in share capital | | - | - | 1,070 | 1,070 |
| Equity dividends | | - | - | (194,767) | (194,767) |
| **December 31, 2010** | | **2,515,622** | **21,786** | **3,039,790** | **5,577,198** |
| Total comprehensive income | | - | (37,216) | 469,377 | 432,161 |
| Shared-based payment transactions | | - | - | 6,025 | 6,025 |
| Equity dividends | | - | - | (125,147) | (125,147) |
| **December 31, 2011** | 22 | **2,515,622** | **(15,430)** | **3,390,045** | **5,890,237** |

***(Amounts in thousands RON)***

| | Note | Group 2011 | Group 2010 | Bank 2011 | Bank 2010 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | **554,837** | **1,226,732** | **517,471** | **1,204,655** |
| *Adjustments for non-cash items* | | | | | |
| Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets | | 147,092 | 131,555 | 142,541 | 128,091 |
| Share based payment | | 6,025 | 1,070 | 6,025 | 1,070 |
| Loss/(gain) from investment revaluation | | (17,190) | (4,950) | (5,833) | (12,424) |
| Net expenses from impairment of loans and from provisions | 35 | 1,293,807 | 912,795 | 1,258,159 | 857,673 |
| Income tax paid | | (59,702) | (109,701) | (57,318) | (103,402) |
| **Operating profit before changes in operating assets and liabilities** | | **1,924,869** | **2,157,501** | **1,861,045** | **2,075,664** |
| **Changes in operating assets and liabilities** | | | | | |
| Current account with NBR | | 686,171 | (210,180) | 686,631 | (210,476) |
| Accounts and deposits with banks | | (113,633) | 93,698 | (113,633) | 93,698 |
| Available for sale securities | | (835,539) | (1,816,578) | (881,690) | (1,843,674) |
| Loans | | (900,751) | (476,398) | (914,438) | (460,683) |
| Lease receivables | | 139,156 | 210,307 | - | - |
| Other assets | | (141,293) | (60,519) | (174,618) | (93,596) |
| Demand deposits | | (731,477) | (653,788) | (712,137) | (659,976) |
| Term deposits | | 3,317,085 | (3,164,182) | 3,306,735 | (3,362,898) |
| Other liabilities | | 20,738 | 151,542 | 10,311 | 160,501 |
| **Total changes in operating assets and liabilities** | | **1,440,457** | **(5,926,098)** | **1,207,161** | **(6,377,104)** |
| **Cash flow from operating activities** | | **3,365,326** | **(3,768,597)** | **3,068,206** | **(4,301,440)** |
| **Investing activities** | | | | | |
| Acquisition of equity investments | | - | (7,237) | - | (6,591) |
| Proceeds from equity investments | | - | 5,984 | 5,984 | 6,294 |
| Acquisition of tangible and intangible assets | | (149,276) | (126,572) | (140,207) | (125,631) |
| Proceeds from sale of tangible and intangible assets | | 1,687 | 5,854 | 1,687 | 5,810 |
| **Cash flow from investing activities** | | **(147,589)** | **(121,971)** | **(132,536)** | **(120,118)** |
| **Financing activities** | | | | | |
| (Decrease) / Increase in borrowings | | (2,782,582) | 4,236,442 | (2,500,513) | 4,767,423 |
| Dividends paid | | (125,145) | (195,043) | (125,145) | (195,043) |
| **Net cash from financing activities** | | **(2,907,727)** | **4,041,399** | **(2,625,658)** | **4,572,380** |
| **Net movements in cash and cash equivalents** | | **310,010** | **150,831** | **310,012** | **150,822** |
| **Cash and cash equivalents at beginning of the period** | 35 | **1,026,923** | **876,092** | **987,262** | **836,440** |
| **Cash and cash equivalents at the end of the period** | 35 | **1,336,933** | **1,026,923** | **1,297,274** | **987,262** |

| **Operational cash flows from interest and dividends** | Group 2011 | Group 2010 | Bank 2011 | Bank 2010 |
|---|---|---|---|---|
| Interest paid | 1,310,634 | 1,376,857 | 1,213,520 | 1,398,351 |
| Interest received | 3,206,123 | 3,477,652 | 3,054,530 | 3,326,887 |
| Dividends received | 2,787 | 2,342 | 2,787 | 2,342 |

***(Amounts in thousands RON)***

## 1. Corporate information

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

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

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

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

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

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

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

The shareholding structure of the Bank is as follows:

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

## 2. Basis of preparation

### a) Basis of preparation

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

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

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

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

### b) Basis for consolidation

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

A subsidiary is an entity over which the Bank exercises control. Control is presumed to exist when direct or indirect ownership exceeds 50% of the voting power of the enterprise. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2010: 99.98%), BRD Finance IFN S.A (49% ownership, 2010: 49%, control through the power to govern the financial and operating policies of the entity under various agreements), BRD Corporate Finance SRL (100% ownership, 2010: 100 %) and BRD Asset Management SAI SA (99.98% ownership, 2010: 99.95%). All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

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

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

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

Acquisition of minority interests are accounted for so that the difference between the consideration and the fair value of the share of the net assets aquired is recognised as goodwill. Any negative difference between the cost of aquisition and the fair values of the identifiable net assets acquired (i.e. a loss on

## 2. Basis of preparation (continued)

### b) Basis for consolidation (continued)

acquisition) is recognised directly in the income statement in the year of aquisition. The Bank is accounting the investments in subsidiaries and associates in the individual financial statement at cost less potential impairment.

## 2. Basis of preparation (continued)

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

The accounting policies adopted are consistent with those of the previous financial year.

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- **IAS 24 *Related Party Disclosures*** (as part of Improvements to IFRSs issued in 2009)
  Amends the requirements of the previous version of IAS 24 to:
  - Provide a partial exemption from related party disclosure requirements for government-related entities
  - Clarify the definition of a related party
  - Include an explicit requirement to disclose commitments involving related parties.

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

- **IFRS 2 *Share based Payment*** is amended in order to clarify the accounting for cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.
  The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 - Group and Treasury Share Transactions and as a consequence these two Interpretations are superseded by the amendments.

- **IAS 32 *Financial Instruments: Presentation*** is amended in order to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments. The amendament will provide relief to entities that issue rights fixed in a currency other than their functional currency, and then treat the rights as derivatives with fair value changes recorded in profit and loss.

- **IFRS 7 *Financial Instruments: Disclosures***
  Makes amendments to IFRS 7 Financial Instruments: Disclosures resulting from the IASB's comprehensive review of off balance sheet activities.
  The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- **IFRIC 19 *Extinguishing Liabilities with Equity Instruments***
  Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instrument issued and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of convertible debt) or to common control transactions. As an impact, IFRIC 19 will result in a gain recognised in profit or loss as the fair value of

## 2. Basis of preparation (continued)

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

the equity issued will often be less than the carrying value of the liability.Determining the fair value of the equity may be difficult if the shares are not actively traded.

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

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

Standards issued but not yet effective up to the date of issuance of the bank's financial statements are listed below. This listing is of standards and interpretations issued, which the bank reasonably expects to be applicable at a future date. The bank intends to adopt those standards when they become effective.
The Bank anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the bank in the period of initial application.

- **IAS 27 *Separate Financial Statements***

Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.
The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.
The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

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

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

- **IAS 32 *Financial instruments: presentation***

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

- **IFRS 7 *Financial Instruments: Disclosures***

Transfers of Financial Assets published by IASB on 7 October 2010. The objective of the amendments is to improve the quality of the information reported about financial assets that have been 'transferred' but are still, at least partially, recognised by the entity because they do not qualify for derecognition; and

**2.Basis of preparation (continued)**

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

financial assets that are no longer recognised by an entity, because they qualify for derecognition, but with which the entity continues to have some involvement.

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

**- IFRS 9 *Financial Instruments (2009)***
IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

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

**- IFRS 9 *Financial Instruments (2010)***
A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.
The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.
Phase 1 of IFRS 9 will have a sigificant impact on: the classification and measurement of financial assets, reporting for entities that have designated liabilities using the FVO

**- IFRS 10 *Consolidated Financial Statements***
Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.
The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.
The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:

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

**2.Basis of preparation (continued)**

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

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

**- IFRS 11 *Joint Arrangements***
Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
Joint arrangements are either joint operations or joint ventures:

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

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

**- IFRS 12 *Disclosure of Interests in Other Entities***
Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
In high-level terms, the required disclosures are grouped into the following broad categories:

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

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.
The new disclosures will assist users to make their own assessment of the financial impact were manangement to reach a different conclusion regarding consolidation.

**- IFRS 13 *Fair Value Measurement***
Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.
The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires

**2.Basis of preparation (continued)**

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

disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.
IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

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

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.
Specific requirments relating to the highest and best use and the principal market may require entities to re-evaluate their processes and procedures for determining fair value, and assess whether they have appropriate expertise.

**- *Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)***
Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.
As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

**- IAS 19 *Employee Benefits (2011)***
An amended version of IAS 19 Employee Benefits with revised requirements for pensions and other postretirement benefits, termination benefits and other changes.
The key amendments include:

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

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

**- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)***
Amends IAS 1 Presentation of Financial Statements to revise the way other comprehensive income is presented.

**2.Basis of preparation (continued)**

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

The amendments:

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

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

## 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:

*Going concern*
The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

*Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 43.

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

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.

## 2. Basis of preparation (continued)

### e) Significant accounting judgments and estimates (continued)

*Impairment of goodwill*
The Group determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2011 was 50,130 (December 31, 2010: 50,151).

*Deferred tax assets*
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

*Retirement benefits*
The cost of the defined benefit retirement plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions are described in Note 21.

### f) Segment information

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

***(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, 2011 and 2010 were as follows:

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

### b) Cash and cash equivalents

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

### c) Current accounts and deposits with banks

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

### d) Loans and advances to customers and finance lease receivables

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

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

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

## 3. Summary of significant accounting policies (continued)

### e) Renegotiated loans

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

### f) Leases

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

***Group as a lessor***

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

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

***Group as a lessee***

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

### g) Investment in associates

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

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

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

## 3. Summary of significant accounting policies (continued)

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

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

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

All regular way purchases and sales of financial assets are recognized on the settlement date. Fair value movements between trade date and settlement date are recognized in other comprehensive income.

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

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

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

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

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

### i) Tangible assets

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

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

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

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

## 3. Summary of significant accounting policies (continued)

### i) Tangible assets

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

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying amount of a tangible asset is greater than the estimated recoverable amount, it is written down to its recoverable amount. Tangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

### j) Borrowing costs

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

### k) Investment properties

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

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

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

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

### l) Goodwill

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

Starting January 1, 2004 goodwill already registered in balance sheet is not amortized any longer and is reviewed for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating

**3. Summary of significant accounting policies (continued)**

unit, to which the goodwill relates. Where the recoverable amount of cash-generating unit is less than the carrying amount, an impairment loss is recognized.

**m) Intangible assets**

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

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

All intangible assets of the Group carried as of December 31, 2011 and 2010 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 5 years. The amortization period and the amortization method are reviewed at least at each financial year end.

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

**n) Derivative financial instruments**

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

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

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

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. The Group formally documents the relationship between the hedging instruments and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

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

## 3. Summary of significant accounting policies (continued)

### n) Derivative financial instruments

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

### o) Borrowings

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

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

### p) Offsetting of financial assets and liabilities

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

### q) Sale and repurchase agreements

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

### r) Customers' deposits and current accounts

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

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

*Financial assets*
A financial asset is derecognized where:

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

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

## 3. Summary of significant accounting policies (continued)

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

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

### t) Recognition of income and expenses

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

*Interest and similar income*

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any origination fees and incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

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

*Fee and commission income*

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

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

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

(ii) Fee income from providing transaction services

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

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

## 3. Summary of significant accounting policies (continued)

### t) Recognition of income and expenses

*Net trading income*

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

### u) Employee benefits

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

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

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

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

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

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

The cost of equity–settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity–settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity

## 3. Summary of significant accounting policies (continued)

### u) Employee benefits (continued)

instruments that will ultimately vest. The income statement expense or credit for a period is recorded in "Personnel expenses" and represents the movement in cumulative expense recognized as at the beginning and end of that period.

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

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

### v) Taxation

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

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

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

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

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

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

### w) Provisions

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

## 3. Summary of significant accounting policies (continued)

### w) Provisions (continued)

appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as borrowing cost.

### x) Contingencies

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

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

### y) Earnings per share

Basic earnings per share are calculated by dividing net profit for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2011 and 2010 there were no dilutive equity instruments issued by the Group.

### z) Dividends on ordinary shares

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

### aa) Related parties

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

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

### ab) Subsequent events

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

### ac) Financial guarantees

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

## 3. Summary of significant accounting policies (continued)

### ad) Comparatives

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

*(Amounts in thousands RON)*

## 4. Cash in hand

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

## 5. Due from Central Bank

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

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

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

## 6. Due from banks

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

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

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

*(Amounts in thousands RON)*

## 6. Due from banks (continued)

| | Group | | Bank | |
|---|---|---|---|---|
| | **December 31, 2011** | **December 31, 2010** | **December 31, 2011** | **December 31, 2010** |
| AA | 7,196 | 311,783 | 7,196 | 272,145 |
| A | 364,117 | 14,877 | 324,481 | 14,877 |
| BBB | 400,886 | - | 400,886 | - |
| BB | 95,669 | 260,256 | 95,669 | 260,256 |
| Not rated* | 167,152 | 75,085 | 167,152 | 75,085 |
| **Total** | **1,035,020** | **662,001** | **995,384** | **622,363** |

*short term exposures, mainly amounts in settlement

***(Amounts in thousands RON)***

## 7. Derivative financial instruments

**Group**

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

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

**Bank**

| | December 31, 2011 | | |
|---|---|---|---|
| | **Assets** | **Liabilities** | **Notional** |
| Interest rate swaps | 8,731 | 97,259 | 2,538,796 |
| Currency swaps | 41,163 | 25,987 | 6,305,263 |
| Forward foreign exchange contracts | 22,160 | 16,199 | 1,710,711 |
| Currency options | 31,367 | 31,367 | 4,692,817 |
| **Total derivatives** | **103,421** | **170,812** | **15,247,587** |
| Financial instruments held for trading | 213,057 | - | 4,766,221 |
| **Total** | **316,478** | **170,812** | **20,013,808** |

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

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

a) On 6 May 2011, the Group purchased a 3 year fixed rate bond; as a result the Group is exposed to changes in the fair value of the purchased bond due to changes in market interest rates.
In order to minimize its exposure to fair value changes due to changes in market interest rates, management has selected to enter into an interest rate swap to receive

## 7. Derivative financial instruments (continued)

variable rate and to pay a fixed rate. The amount of the hedged item is of 182,4 million EUR with an interest rate of 4.5% and the notional amount of the hedging instrument is of 180 million EUR with a fixed interest rate of 2.031%.

b) On 28 July 2011, the Group purchased a 4 year fixed rate bond; as a result the Group is exposed to changes in the fair value of the purchased bond due to changes in market interest rates. The amount of the hedged item is of 99,9 million EUR with an interest rate of 4.7% and the notional amount of the hedging instrument is of 100 million EUR with a fixed interest rate of 2.171%.

We can conclude for both hedging relationships that there were effective.

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

*Swaps*
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts concluded by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

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

***(Amounts in thousands RON)***

## 8. Loans and advances to customers

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

The structure of loans is the following:

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

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

### The analysis of portfolio by type of ownership

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

### Sector analysis

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

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

***(Amounts in thousands RON)***

## 8. Loans and advances to customers (continued)

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

### Impairment allowance for loans

**Group**

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

**Bank**

| | Collective impairment | Specific impairment | Total |
|---|---|---|---|
| **Balance as of December 31, 2009** | **190,180** | **920,232** | **1,110,412** |
| Net provision expenses | 1,057 | 404,340 | 405,397 |
| Foreign exchange losses | 994 | 3,511 | 4,505 |
| **Balance as of December 31, 2010** | **192,231** | **1,328,083** | **1,520,314** |
| Net provision expenses/ (income) | (70,218) | 929,958 | 859,740 |
| Foreign exchange losses/ (gains) | (545) | 18,616 | 18,071 |
| **Balance as of December 31, 2011** | **121,468** | **2,276,657** | **2,398,125** |

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

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

### Ageing analysis of past due but not impaired loans

### Group

**December 31, 2011**

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

*(Amounts in thousands RON)*

## 8. Loans and advances to customers (continued)

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

**December 31, 2010**

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

### Bank

**December 31, 2011**

| | less than 30 days | 31 to 60 days | 61 to 90 days | more than 90 days | Total |
|---|---|---|---|---|---|
| Corporate lending | 1,177,754 | 188,418 | 253,636 | 10,143 | 1,629,951 |
| Small business lending | 174,966 | 64,403 | 70,219 | 1,216 | 310,804 |
| Consumer lending | 1,288,424 | 366,734 | 244,425 | 13,190 | 1,912,773 |
| Residential mortgages | 298,765 | 83,536 | 76,597 | 943 | 459,841 |
| **Total** | **2,939,909** | **703,091** | **644,877** | **25,492** | **4,313,369** |

**December 31, 2010**

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

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

### Group

| | December 31, 2011 | December 31, 2010 |
|---|---|---|
| Corporate lending | 785,661 | 641,086 |
| Small business lending | 148,393 | 112,843 |
| Consumer lending | 341,021 | 262,592 |
| Residential mortgages | 14,764 | 6,844 |
| **Total** | **1,289,839** | **1,023,365** |

### Bank

| | December 31, 2011 | December 31, 2010 |
|---|---|---|
| Corporate lending | 785,661 | 641,086 |
| Small business lending | 148,393 | 112,843 |
| Consumer lending | 340,646 | 261,754 |
| Residential mortgages | 14,764 | 6,844 |
| **Total** | **1,289,464** | **1,022,527** |

***(Amounts in thousands RON)***

## 8. Loans and advances to customers (continued)

### Analysis of collateral coverage

### Group

**December 31, 2011**

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

**December 31, 2010**

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

### Bank

**December 31, 2011**

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

**December 31, 2010**

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

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

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

*(Amounts in thousands RON)*

## 8. Loans and advances to customers (continued)

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

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

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

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

The quality of corporate exposures is managed using an internal credit rating system in which the human judgment is a key element of the assessment process. The internal rating system is based on rating models that include both quantitative and qualitative assessment criteria relevant to counterparty type and size. The set of internal models is developed on the Group' available data history and the use of rating in business is formalized in internal norms and procedures.

*(Amounts in thousands RON)*

## 9. Lease receivables

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

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

## Ageing analysis of past due but not impaired lease receivables

**December 31, 2011**

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

**December 31, 2010**

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

*(Amounts in thousands RON)*

## 9. Lease receivables (continued)

### Analysis of collateral coverage

**December 31, 2011**

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

**December 31, 2010**

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

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

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

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

***(Amounts in thousands RON)***

## 10. Financial assets available for sale

| | Group | | Bank | |
|---|---|---|---|---|
| | **December 31, 2011** | **December 31, 2010** | **December 31, 2011** | **December 31, 2010** |
| Treasury notes | 4,709,048 | 3,964,454 | 4,709,049 | 3,964,453 |
| Equity investments | 11,708 | 8,826 | 11,521 | 7,691 |
| Other securities | 156,258 | 108,229 | 156,258 | 60,208 |
| **Total** | **4,877,014** | **4,081,509** | **4,876,828** | **4,032,352** |

### *Treasury notes*

Treasury notes consist of interest bearing bonds issued by the Romanian Ministry of Public Finance, rated as BB+ by Standard&Poors. As of December 31, 2011 treasury notes amounting to 494,564 have been pledged to NBR (2010: 3,581) for repo transactions.

### *Equity investments*

Other equity investments represent shares in Victoria Business Centre S.A, Romanian Commodities Exchange, Bucharest Clearing House (the former Romanian Securities Clearing and Depository Company), Depozitarul Central S.A. (Shareholders' Register for the National Securities Commission), Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA, Romanian Clearing House (SC Casa Romana de Compensatie SA), Investor Compensating Fund (Fondul de Compensare a Investitorilor), TransFond and Visa International Service Association.

### *Other securities*

The Group holds units in:

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

The Bank holds units in:

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

**10. Financial assets available for sale (continued)**

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

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

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

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

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

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

*(Amounts in thousands RON)*

## 11. Investments in subsidiaries and associates

**Group**

| Associates | Field of activity | % | December 31, 2010 | Additions/ Reclassifications | Disposals | Increase / (decrease) in net assets | December 31, 2011 |
|---|---|---|---|---|---|---|---|
| ALD Automotive | Operational leasing | 20.00% | 12,528 | - | - | 4,144 | 16,672 |
| Mobiasbanca Groupe Societe Generale S.A. | Financial institution | 20.00% | 32,970 | - | - | 8,584 | 41,554 |
| BRD Asigurari de Viata SA | Insurance | 49.00% | 10,099 | - | - | 1,635 | 11,734 |
| Fondul de Garantare a Creditului Rural | Loans guarantee | 33.33% | 9,889 | - | - | 2,913 | 12,803 |
| Biroul de Credit S.A. | Financial institution | 18.85% | 2,874 | - | - | 360 | 3,234 |
| BRD Fond de Pensii S.A. | Pension fund management | 49.00% | 9,547 | - | - | (725) | 8,822 |
| BRD Sogelease Asset Rental SRL | Operational leasing | 20.00% | 330 | - | - | 278 | 608 |
| | | | **78,237** | **-** | **-** | **17,190** | **95,427** |

**Group**

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

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

***(Amounts in thousands RON)***

## 11. Investments in subsidiaries and associates (continued)

**Bank**

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

***(Amounts in thousands RON)***

## 11. Investments in subsidiaries and associates (continued)

**Bank**

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

***(Amounts in thousands RON)***

## 11. Investments in subsidiaries and associates (continued)

The subsidiaries and associate summary of financial position and income statement as at December 31, 2011 are as follows:
The amounts for the subsidiaries and associates are not audited.

| Associate | Address | Total assets | Total liabilities | Net assets | Shareholders interest | Net profit/(loss) |
|---|---|---|---|---|---|---|
| ALD Automotive | 1-7, Ion Mihalache Street, Bucharest | 219,140 | 145,790 | 73,350 | 62,157 | 10,455 |
| Mobiasbanca Groupe Societe Generale S.A. | 81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova | 696,133 | 531,281 | 164,852 | 69,777 | 14,723 |
| BRD Asigurari de Viata SA | 64 Blvd. Unirii Bl. K4, sector 3, Bucharest | 41,030 | 17,543 | 23,487 | 26,671 | 699 |
| Fondul de Garantare a Creditului Rural | 5 Occidentului Street, Bucharest | 1,397,027 | 1,362,540 | 34,487 | 18,782 | 11,004 |
| Biroul de Credit S.A. | 15 Calea Victoriei, Bucharest | 16,042 | 691 | 15,351 | 6,235 | 2,258 |
| BRD Fond de Pensii S.A. | 64 Unirii Blvd, Bucharest | 19,276 | 677 | 18,599 | 35,557 | (1,032) |
| BRD Sogelease Asset Rental SRL | 1-7, Ion Mihalache Street, Bucharest | 76,494 | 73,406 | 3,088 | 1,162 | 997 |
| **Subsidiaries** | **Address** | **Total assets** | **Total liabilities** | **Net assets** | **Shareholders interest** | **Net profit/(loss)** |
| BRD Sogelease IFN SA | 1-7, Ion Mihalache Street, Bucharest | 835,052 | 659,614 | 175,437 | 175,401 | 20,184 |
| BRD Finance Credite de Consum IFN SA | 1-7, Ion Mihalache Street, Bucharest | 471,710 | 386,275 | 85,435 | 97,045 | 4,328 |
| BRD Asset Management SAI SA | 1-3, Clucerul Udricani Street, Bucharest | 5,719 | 433 | 5,286 | 5,389 | 877 |
| BRD Corporate Finance SRL | 1-7, Ion Mihalache Street, Bucharest | 549 | 83 | 466 | 466 | (251) |

The summary of financial statements for associates is prepared based on latest available financial statements as at June 30, 2011, except for Mobiasbanca for which we had no interim available financial statements and we considered the amounts as at December 31, 2010.
For the subsidiaries, the information for BRD Sogelease IFN SA and for BRD Finance Credite de Consum IFN SA is as at December 31, 2011 and for the other companies as at June 30, 2011.

*(Amounts in thousands RON)*

## 12. Property, plant and equipment

**Group**

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

*(Amounts in thousands RON)*

## 12. Property, plant and equipment (continued)

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

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

***(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 2011 there was no impairment of the goodwill.

## 14. Intangible assets

The balance of the intangible assets as of December 31, 2011 and 20010 represents mainly software.

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

## 15. Other assets

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

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

***(Amounts in thousands RON)***

## 16. Demand deposits and current accounts

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

## 17. Term deposits

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

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

## 18. Borrowed funds and debt issued

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

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

The bonds represent RON denominated notes issued in December 2006 on the Luxembourg stock exchange amounting to 735,000 for five years at a fixed rate of 7.75%.
Bonds issued were fully reimbursed at maturity date in December 2011.

## 19. Subordinated debt

Subordinated debt is in amount of EUR 200,000,000, RON 863,940,000 equivalent (2010: EUR 200,000,000, RON 856,960,000 equivalent) representing two subordinated loans, EUR 100,000,000 received in 2005, at EURIBOR6M+0.5%, due in 2015 and a EUR 100,000,000 loan received in 2006, at EURIBOR6M+0.99%, due in 2013. The accrued interest to the subordinated debt is in amount of RON 10,221,430.

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

*(Amounts in thousands RON)*

## 20. Taxation

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

The deferred tax liability/asset is reconciled as follows:

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

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

*(Amounts in thousands RON)*

## 20.Taxation (continued)

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

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

***(Amounts in thousands RON)***

## 20.Taxation (continued)

Movement in deferred tax is as follows:

| | Group | Bank |
|---|---|---|
| **Deferred tax liability, net as of December 31, 2009** | **(90,018)** | **(93,761)** |
| Deferred tax recognized in other comprehensive income | 2,691 | 2,884 |
| Net deferred tax expense | (105,838) | (104,915) |
| **Deferred tax liability, net as of December 31, 2010** | **(193,164)** | **(195,793)** |
| Deferred tax recognized in other comprehensive income | 1,825 | 1,338 |
| Net deferred tax expense | 43,251 | 48,644 |
| **Deferred tax liability, net as of December 31, 2011** | **(148,089)** | **(145,813)** |

## Reconciliation of total tax charge

| **Reconcilierea profitului contabil cu profitul fiscal** | **Grup** | | **Banca** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| **Profit brut (inainte de impozitul pe profit)** | **554,838** | **1,226,730** | **517,471** | **1,204,654** |
| Impozit (16%) | 88,774 | 196,488 | 82,795 | 192,959 |
| Credit fiscal | (7,515) | - | (7,515) | - |
| Elemente nedeductibile | 22,121 | 185,401 | 14,216 | 181,047 |
| Elemente neimpozabile | (47,029) | (163,985) | (41,403) | (165,690) |
| **Impozit pe profit la rata efectiva de impozitare** | **56,351** | **217,904** | **48,094** | **208,316** |
| Rata efectiva de impozit | 10.2% | 17.8% | 9.3% | 17.3% |

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

***(Amounts in thousands RON)***

## 21. Other liabilities

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

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

The movement in provisions is as follows:

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

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

*(Amounts in thousands RON)*

## 21.Other liabilities (continued)

### Post-employment benefit plan

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

### Expenses recognised in profit and loss

**Expenses recognised in profit and loss**

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

### Movement in defined benefits obligations

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

### Main actuarial assumptions

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

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

***(Amounts in thousands RON)***

## 22. Share capital

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

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

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

## 23. Retained earnings

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

## 24. Capital management

The Bank manages its capital with the objective of maintaining a strong capital base to support its business activities and to meet capital regulatory requirements in the current period and going forward.

The Bank's capital principally consists of the following balances: share capital, reserve funds, undistributed profit and subordinated debt.

For the periods ending December 31, 2011 and December 31, 2010, the adequacy of the Bank's capital has been monitored using the local regulations that are based on the European Directive 2006/48/49/EC (Basel II). These requirements apply to the figures obtained based on the local accounting and financial reporting regulations (derived from European Directives on the accounting standards of credit institutions). During 2011 and 2010 the Bank has complied in full with these requirements.

## 25. Interest income

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

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 74,137 (2010: 137,544).
Interest on loans includes an amount of 31,729 representing loans to government entities.
For comparison purposes prior year figures have been reclassified accordingly by increasing Interest on loans and decreasing Interest on deposit with banks.

*(Amounts in thousands RON)*

## 26. Interest expense

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

## 27. Fees and commissions, net

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

## 28. Foreign exchange gain

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

## 29. Income from associates

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

## 30. Other income

Other income includes income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, both for the Group and the Bank, is 2,161 (2010:2,390).

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

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

***(Amounts in thousands RON)***

## 31. Salaries and related expenses

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

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

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

### Share based payment transactions

On November 2nd, 2010 the Parent established a share based payment programme that grants each employee of the group 40 Societe Generale shares.

The terms and conditions of the grant are as follows: all shares are to be settled by physical delivery of shares:

| Grant date/ employees entitled | Number of instruments | Vesting conditions | Contractual life of share based options |
|---|---|---|---|
| shares granted to all employees of the group at 02/11/2010 | 16 | ROE before tax for 2012 >1 presence in the group until 31/03/2015 | 4 years and 5 months |
| shares granted to all employees of the group at 02/11/2010 | 24 | improvement of customer satisfaction between 2010 presence in the group until 31/03/2016 | 5 years and 5 months |
| **Total shares** | **40** | | |

***(Amounts in thousands RON)***

## 31.Salaries and related expenses (continued)

The number and weighted average exercise price of shares is as follows:

| | Weighted average exercise price (RON) | Number of shares |
|---|---|---|
| Outstanding as at January 1, 2011 | **236** | **361,080** |
| Granted during the period | | |
| - exercise date 31/03/2015 | 149 | 109,768 |
| - exercise date 31/03/2016 | 143 | 164,652 |
| Outstanding as at December 31, 2011 | **529** | **635,501** |

**Employee expenses for share - based payment transactions**

| | 2011 | 2010 |
|---|---|---|
| Shares granted in 2010 | 1,070 | 1,070 |
| Shares granted in 2011 | 6,025 | - |
| Total expense recognised as personnel expense | **7,095** | **-** |

The shares outstanding as at December 31, 2011 have an exercise price of 149 RON (those with an exercise date as at March 31, 2015) and of 143 RON (those with an exercise date as at March 31, 2016) and a contractual life of 4 years and 5 months and 5 years and 5 months respectively.

## 32. Depreciation and amortization expense

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

## 33. Other operating expense

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

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

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

*(Amounts in thousands RON)*

## 34. Credit loss expense

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

## 35. Cash and cash equivalents for cash flow purposes

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

**Group**

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

**Bank**

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

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

**Group**

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

*(Amounts in thousands RON)*

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

**Bank**

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

## 36. Guarantees and other financial commitments

### Guarantees and letters of credit

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

### Credit related commitments

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

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

***(Amounts in thousands RON)***

## 37. Capital commitments

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

The line Services presented in the note includes operational leasing.

## 38. Related parties

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

| | **2011** | | | | **2010** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Societate mama** | **Alte entitati SG** | **Subsidiare** | **Asociati** | **Societate mama** | **Alte entitati SG** | **Subsidiare** | **Asociati** |
| ***Assets*** | **335,894** | **3,538** | **157,887** | **-** | **244,844** | **7,994** | **160,585** | **-** |
| Nostro accounts | 95,113 | 1,168 | - | - | 42,951 | 1,470 | - | - |
| Deposits | 57,841 | 2,370 | 46,002 | - | 18,953 | 6,524 | 43,597 | - |
| Loans | 182,940 | - | 109,194 | - | 182,940 | - | 110,673 | - |
| Derivative financial instruments | - | - | 2,691 | - | - | - | 6,315 | - |
| ***Liabilities*** | **10,258,423** | **35,371** | **143,073** | **29,296** | **9,977,929** | **869,572** | **147,036** | **581** |
| Loro accounts | 846 | 4,413 | - | - | 14,143 | 722 | - | - |
| Deposits | 2,552,539 | 30,958 | 85,639 | 29,296 | 608,354 | 868,850 | 76,645 | 581 |
| Borrowings | 6,830,877 | - | 5,765 | - | 8,491,213 | - | 8,577 | - |
| Subordinated borrowings | 874,161 | - | - | - | 864,219 | - | - | - |
| Lease payable | - | - | 48,978 | - | - | - | 55,499 | - |
| Derivative financial instruments | - | - | 2,691 | - | - | - | 6,315 | - |
| ***Commitments*** | **8,435,161** | **21,249** | **-** | **-** | **4,745,481** | **33,978** | **-** | **-** |
| Letters of guarantee received | 241,827 | 21,249 | - | - | 284,153 | 8,197 | - | - |
| Notional amount of foreign exchange transactions | 6,048,711 | - | - | - | 4,022,021 | 25,781 | - | - |
| Notional amount of interest rate derivatives | 2,144,623 | - | - | - | 439,307 | - | - | - |
| ***Income statement*** | **127,324** | **90,403** | **27,022** | **1,267** | **88,003** | **66,757** | **40,739** | **423** |
| Interest and commision revenues | 15,118 | 127 | 13,797 | 254 | 14,075 | 76 | 21,389 | 2 |
| Interest and commission expense | 69,550 | 90,174 | 11,281 | 1,013 | 34,383 | 67,083 | 17,395 | 421 |
| Net (loss) on interest rate derivatives | (21,688) | - | - | - | (10,093) | - | 521 | - |
| Net gain/(loss) on foreign exchange derivatives | 64,344 | 102 | - | - | 49,638 | (402) | - | - |
| Other income | - | - | 1,234 | - | - | | 548 | - |
| Other expenses | - | - | 710 | - | - | - | 886 | - |

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

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

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

***(Amounts in thousands RON)***

## 39. Contingencies

As of December 31, 2011 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 16,733 (2010: 10,111). The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance.

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

## 40. Earnings per share

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

## 41. Dividends on ordinary shares

| | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **December 31, 2011** | **December 31, 2010** | **December 31, 2011** | **December 31, 2010** |
| *Declared and paid during the year* | | | | |
| Dividends for 2010: 0.17957 (2009: 0.27947) | 123,076 | 192,698 | 123,076 | 192,698 |
| *Proposed for approval at AGM* | | | | |
| Dividends for 2011: 0.16690 (2010:0.17957) | 116,316 | 125,147 | 116,316 | 125,147 |

## 42. Risk management

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

### 42.1 Credit risk

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

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

***(Amounts in thousands RON)***

## 42.Risk management (continued)

### 42.1 Credit risk (continued)

### Maximum exposure to credit risk before considering any collaterals or guarantees

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

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

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

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

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

*(Amounts in thousands RON)*

## 42.Risk management (continued)

## 42.2 Market risk (continued)

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

| | Group December 31, 2011 | | | | Bank December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Total** | **RON** | **EUR** | **Other** | **Total** | **RON** | **EUR** | **Other** |
| Cash in hand | 662,194 | 523,315 | 103,412 | 35,467 | 662,171 | 523,292 | 103,412 | 35,467 |
| Due from Central Bank | 8,743,126 | 3,743,317 | 4,999,810 | - | 8,741,778 | 3,741,968 | 4,999,810 | - |
| Due from banks | 1,035,020 | 790,574 | 171,516 | 72,930 | 995,384 | 750,938 | 171,516 | 72,930 |
| Derivatives and other financial instruments held for trading | 313,788 | 313,788 | - | - | 316,478 | 316,478 | - | - |
| Loans and advances to customers | 31,859,329 | 14,186,274 | 16,972,301 | 700,754 | 31,555,334 | 13,831,717 | 17,020,859 | 702,758 |
| Financial lease receivables | 732,665 | 4,694 | 725,969 | 2,002 | - | - | - | - |
| Financial assets available for sale | 4,877,015 | 2,990,300 | 1,849,835 | 36,879 | 4,876,826 | 2,990,113 | 1,849,834 | 36,879 |
| Investments in associates and subsidiares | 95,427 | 95,427 | - | - | 153,452 | 153,452 | - | - |
| Goodwill | 50,130 | 50,130 | - | - | 50,130 | 50,130 | - | - |
| Deferred tax asset | - | - | - | - | - | - | - | - |
| Non current assets and other assets | 1,510,377 | 1,352,180 | 153,454 | 4,743 | 1,399,445 | 1,289,234 | 106,907 | 3,304 |
| **Total assets** | **49,879,072** | **24,049,999** | **24,976,298** | **852,775** | **48,750,997** | **23,647,321** | **24,252,338** | **851,338** |
| | | | | | | | | |
| **LIABILITIES** | | | | | | | | |
| Demand deposits and current accounts | 13,233,637 | 8,798,595 | 3,917,979 | 517,063 | 13,264,722 | 8,829,680 | 3,917,979 | 517,063 |
| Term deposits | 21,253,245 | 11,070,057 | 9,098,928 | 1,084,260 | 21,307,792 | 11,124,604 | 9,098,928 | 1,084,260 |
| Borrowed funds and debt issued | 7,716,276 | 307,041 | 7,407,939 | 1,296 | 6,793,165 | 25,129 | 6,768,036 | - |
| Subordinated debt | 874,161 | - | 874,161 | - | 874,161 | - | 874,161 | - |
| Derivatives and other financial instruments held for trading | 170,811 | 103,705 | 67,107 | - | 170,812 | 103,705 | 67,107 | - |
| Current tax liability | 19,731 | 19,731 | - | - | 16,867 | 16,867 | - | - |
| Deffered tax liability | 148,089 | 148,089 | - | - | 145,812 | 145,812 | - | - |
| Other liabilities | 374,725 | 345,146 | 19,769 | 9,809 | 287,430 | 257,852 | 19,769 | 9,809 |
| Shareholders' equity | 6,088,396 | 6,088,396 | - | - | 5,890,237 | 5,890,237 | - | - |
| **Total liabilities and shareholders' equity** | **49,879,071** | **26,880,761** | **21,385,883** | **1,612,428** | **48,750,998** | **26,393,887** | **20,745,979** | **1,611,132** |
| | | | | | | | | |
| Position | | **(2,830,761)** | **3,590,415** | **(759,653)** | | **(2,746,566)** | **3,506,359** | **(759,794)** |
| Position off BS | | 2,384,235 | (3,204,491) | 820,256 | | 2,384,235 | (3,204,491) | 820,256 |
| Position total | | **(446,526)** | **385,924** | **60,603** | | **(362,331)** | **301,868** | **60,462** |

*(Amounts in thousands RON)*

## 42.Risk management (continued)

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

*(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 and Bank's income statement and equity.

| Group December 31, 2011 | | | Bank December 31, 2011 | | |
|---|---|---|---|---|---|
| **Change in interest rate (b.p)** | **Effect on profit before tax** | **Effect on equity** | **Change in interest rate (b.p)** | **Effect on profit before tax** | **Effect on equity** |
| 100 | (17,266) | 9,621 | 100 | (14,054) | 9,621 |
| (100) | 17,266 | (9,621) | (100) | 14,054 | (9,621) |

| December 31, 2010 | | | December 31, 2010 | | |
|---|---|---|---|---|---|
| **Change in interest rate (b.p)** | **Effect on profit before tax** | **Effect on equity** | **Change in interest rate (b.p)** | **Effect on profit before tax** | **Effect on equity** |
| 100 | (4,509) | 9,665 | 100 | 636 | 9,665 |
| (100) | 4,509 | (9,665) | (100) | (636) | (9,665) |

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

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

***(Amounts in thousands RON)***

## 42.Risk management (continued)

### 42.2 Market risk (continued)

**Group**

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

***(Amounts in thousands RON)***

## 42.Risk management (continued)

### 42.2 Market risk (continued)

**Group**

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

*(Amounts in thousands RON)*

## 42.Risk management (continued)

### 42.2 Market risk (continued)

**Bank**

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

***(Amounts in thousands RON)***

## 42.Risk management (continued)

### 42.2 Market risk (continued)

**Bank**

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

## 42.Risk management (continued)

### 42.3 Liquidity risk

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

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

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

*(Amounts in thousands RON)*

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

**Group**

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

*(Amounts in thousands RON)*

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

| December 31, 2010 | Total | 0-1 months | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Without defined maturity |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash | 611,570 | 611,570 | - | - | - | - | - |
| Due from Central Bank | 9,429,298 | 9,429,298 | - | - | - | - | - |
| Due from banks | 662,001 | 422,449 | - | 18,294 | 98,282 | 122,976 | - |
| Derivative financial instruments | 85,839 | 85,839 | - | - | - | - | - |
| Loans, net | 32,243,213 | 3,457,251 | 2,095,862 | 8,025,397 | 9,971,210 | 8,693,493 | - |
| Financial lease receivables | 871,821 | 96,172 | 91,445 | 454,404 | 211,003 | 18,797 | - |
| Financial assets available for sale | 4,081,509 | 112,344 | 149,086 | 1,956,946 | 1,639,285 | 223,848 | - |
| Investments in associates | 78,237 | - | - | - | - | - | 78,237 |
| Goodwill | 50,151 | - | - | - | - | - | 50,151 |
| Non current assets and other assets | 1,597,854 | - | 278,537 | - | - | - | 1,274,727 |
| **Total assets** | **49,666,903** | **14,214,923** | **2,614,930** | **10,455,041** | **11,919,780** | **9,059,114** | **1,403,115** |
| **LIABILITIES** | | | | | | | |
| Demand deposits and current accounts | 13,965,114 | 13,965,114 | - | - | - | - | - |
| Term deposits | 17,936,160 | 10,086,960 | 4,870,229 | 1,881,666 | 944,978 | 152,327 | - |
| Borrowed funds and debt issued | 10,508,800 | 969,441 | 257,743 | 7,758,696 | 1,374,223 | 148,697 | - |
| Subordinated debt | 864,219 | 3,324 | 3,935 | - | 856,960 | - | - |
| Derivative financial instruments | 91,639 | 91,639 | - | - | - | - | - |
| Current tax liability | 2,383 | - | - | 2,383 | - | - | - |
| Deferred tax liability | 193,164 | 16,102 | 11,142 | 35,496 | 53,008 | 23,003 | 54,413 |
| Other payables | 356,357 | 354,288 | 2,069 | - | - | - | - |
| **Total liabilities** | **43,917,836** | **25,486,868** | **5,145,118** | **9,678,241** | **3,229,169** | **324,027** | **54,413** |
| **Total shareholders equity** | **5,749,067** | **-** | **-** | **-** | **-** | **-** | **5,749,067** |
| **Gap** | | **(11,271,945)** | **(2,530,188)** | **776,800** | **8,690,611** | **8,735,088** | **(4,400,365)** |
| **Cumulative gap** | | **(11,271,945)** | **(13,802,133)** | **(13,025,333)** | **(4,334,722)** | **4,400,366** | **-** |

*(Amounts in thousands RON)*

## 42.Risk management (continued)
## 42.3 Liquidity risk (continued) Bank
**Bank**

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

*(Amounts in thousands RON)*

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

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

*(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 based on contractual undiscounted repayment obligations.

**Group**

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

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

*(Amounts in thousands RON)*

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

*Future undiscounted cash flows (continued)*

**Bank**

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

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

## 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:

***(Amounts in thousands RON)***

## 43.Fair value (continued)

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

*(Amounts in thousands RON)*

## 43.Fair value (continued)

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

**43.Fair value (continued)**

**Financial instruments recorded at fair value**

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the 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.

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

***Financial assets***

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

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

***Financial liabilities***

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

***(Amounts in thousands RON)***

## 43.Fair value (continued)

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

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

**43.Fair value (continued)**

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

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

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

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

**44. Post balance sheet events**

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