

**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**

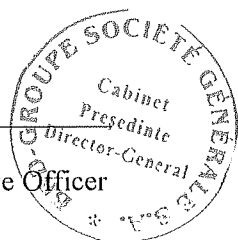
**DECEMBER 31, 2011**

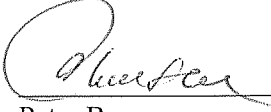
**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION**  
**as of December 31, 2011**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>ASSETS</b>					
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 subsidiaries	11	95,427	78,237	153,452	153,603
Property, plant and equipment	12	1,180,794	1,177,066	1,150,743	1,149,988
Goodwill	13	50,130	50,151	50,130	50,151
Intangible assets	14	94,451	97,661	84,891	89,647
Other assets	15	235,132	278,537	163,811	164,870
<b>Total assets</b>		<b>49,879,071</b>	<b>49,666,903</b>	<b>48,750,998</b>	<b>48,288,308</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
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
<b>Total liabilities</b>		<b>43,790,675</b>	<b>43,917,836</b>	<b>42,860,761</b>	<b>42,711,110</b>
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	-	-
<b>Total shareholders' equity</b>		<b>6,088,396</b>	<b>5,749,067</b>	<b>5,890,237</b>	<b>5,577,198</b>
<b>Total liabilities and shareholders' equity</b>		<b>49,879,071</b>	<b>49,666,903</b>	<b>48,750,998</b>	<b>48,288,308</b>

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

  
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 Guy Poupet  
 President and Chief Executive Officer



  
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 Petre Bunescu  
 Deputy Chief Executive Officer

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

	Note	Group		Bank	
		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)
<b>Net interest income</b>		<b>2,172,860</b>	<b>2,323,377</b>	<b>2,068,541</b>	<b>2,207,971</b>
<b>Fees and commissions, net</b>	27	<b>782,611</b>	<b>791,671</b>	<b>767,185</b>	<b>777,669</b>
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)
<b>Operating income</b>		<b>3,267,798</b>	<b>3,585,212</b>	<b>3,125,855</b>	<b>3,412,497</b>
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)
<b>Operating expenses</b>		<b>(1,459,968)</b>	<b>(1,475,535)</b>	<b>(1,378,916)</b>	<b>(1,376,070)</b>
Credit loss expense	34	(1,252,993)	(882,945)	(1,229,468)	(831,772)
<b>Profit before income tax</b>		<b>554,837</b>	<b>1,226,732</b>	<b>517,471</b>	<b>1,204,655</b>
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)
<b>Total income tax</b>		<b>(56,351)</b>	<b>(217,909)</b>	<b>(48,094)</b>	<b>(208,318)</b>
<b>Profit for the year</b>		<b>498,486</b>	<b>1,008,823</b>	<b>469,377</b>	<b>996,337</b>
(Profit) attributable to minority interest		(2,207)	(900)	-	-
Profit attributable to parent company shareholders		496,279	1,007,923	469,377	996,337
<b>Earnings per share (in RON)</b>	40	<b>0.7121</b>	<b>1.4463</b>	<b>0.6735</b>	<b>1.4297</b>

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

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

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	Group		Bank	
	2011	2010	2011	2010
Profit for the year	498,486	1,008,823	469,377	996,338
<b>Other comprehensive income</b>				
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
<b>Other comprehensive income for the year, net of tax</b>	<b>(40,033)</b>	<b>(10,204)</b>	<b>(37,216)</b>	<b>(11,111)</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>458,453</b>	<b>998,619</b>	<b>432,161</b>	<b>985,227</b>
Attributable to:				
Equity holders of the parent	456,246	997,719	432,161	985,227
Minority interest	2,207	900	-	-

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

<b>Group</b>						
	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Minority interest	Total
<b>December 31, 2009</b>		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)
<b>December 31, 2010</b>		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)
<b>December 31, 2011</b>	22	<u>2,515,622</u>	<u>(15,430)</u>	<u>3,544,633</u>	<u>43,571</u>	<u>6,088,396</u>

<b>Bank</b>					
	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Total
<b>December 31, 2009</b>		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)
<b>December 31, 2010</b>		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)
<b>December 31, 2011</b>	22	<u>2,515,622</u>	<u>(15,430)</u>	<u>3,390,045</u>	<u>5,890,237</u>

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

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

	Note	Group		Bank	
		2011	2010	2011	2010
<b>Cash flows from operating activities</b>					
Profit before tax		554,837	1,226,732	517,471	1,204,655
<i>Adjustments for non-cash items</i>					
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets		147,092	131,555	142,541	128,091
Share based payment		6,025	1,070	6,025	1,070
Loss/(gain) from investment revaluation		(17,190)	(4,950)	(5,833)	(12,424)
Net expenses from impairment of loans and from provisions	35	1,293,807	912,795	1,258,159	857,673
Income tax paid		(59,702)	(109,701)	(57,318)	(103,402)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>1,924,869</b>	<b>2,157,501</b>	<b>1,861,045</b>	<b>2,075,664</b>
<b>Changes in operating assets and liabilities</b>					
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
<b>Total changes in operating assets and liabilities</b>		<b>1,440,457</b>	<b>(5,926,098)</b>	<b>1,207,161</b>	<b>(6,377,104)</b>
<b>Cash flow from operating activities</b>		<b>3,365,326</b>	<b>(3,768,597)</b>	<b>3,068,206</b>	<b>(4,301,440)</b>
<b>Investing activities</b>					
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
<b>Cash flow from investing activities</b>		<b>(147,589)</b>	<b>(121,971)</b>	<b>(132,536)</b>	<b>(120,118)</b>
<b>Financing activities</b>					
(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)
<b>Net cash from financing activities</b>		<b>(2,907,727)</b>	<b>4,041,399</b>	<b>(2,625,658)</b>	<b>4,572,380</b>
<b>Net movements in cash and cash equivalents</b>		<b>310,010</b>	<b>150,831</b>	<b>310,012</b>	<b>150,822</b>
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
<b>Operational cash flows from interest and dividends</b>					
		2011	2010	2011	2010
Interest paid		1,310,634	1,376,857	1,213,520	1,398,351
Interest received		3,206,123	3,477,652	3,054,530	3,326,887
Dividends received		2,787	2,342	2,787	2,342

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

**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS**  
**as of and for the year ended December 31, 2011**  
*(Amounts in thousands RON)*

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**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:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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%
<b>Total</b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>

**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS**  
**as of and for the year ended December 31, 2011**  
*(Amounts in thousands RON)*

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**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](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm))

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

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

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

**b) Basis for consolidation**

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

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

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

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

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

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



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

**b) Basis for consolidation (continued)**

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

**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS**  
**as of and for the year ended December 31, 2011**  
*(Amounts in thousands RON)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **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

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

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

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

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

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

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

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

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

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

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

**- 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

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*(Amounts in thousands RON)*

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**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 significant impact on: the classification and measurement of financial assets, reporting for entities that have designated liabilities using the FVO

**- IFRS 10 *Consolidated Financial Statements***

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

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

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.

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**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 joint ventures under IFRS 11.

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

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

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

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

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

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

**- 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

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

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

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

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

#### - *IAS 19 Employee Benefits (2011)*

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

The key amendments include:

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

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

#### - *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.

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

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**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.



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**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.

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**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:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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.

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**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.

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**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:

<u>Asset type</u>	<u>Years</u>
Buildings and special constructions	10-40
Computers and equipment	3-6
Furniture and other equipment	10
Vehicles	5

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**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

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**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.

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**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.

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**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.



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**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

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**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

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**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.

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**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.

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**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
<b>Total</b>	<b>662,194</b>	<b>611,570</b>	<b>662,171</b>	<b>611,547</b>

**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
<b>Total</b>	<b>8,743,127</b>	<b>9,429,298</b>	<b>8,741,778</b>	<b>9,428,409</b>

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
<b>Total</b>	<b>1,035,020</b>	<b>662,001</b>	<b>995,384</b>	<b>622,363</b>

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:

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**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
<b>Total</b>	<b>1,035,020</b>	<b>662,001</b>	<b>995,384</b>	<b>622,363</b>

\*short term exposures, mainly amounts in settlement

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**7. Derivative financial instruments**

**Group**

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

	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
<b>Total</b>	<b>85,839</b>	<b>91,639</b>	<b>9,675,691</b>

**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
<b>Total derivatives</b>	<b>103,421</b>	<b>170,812</b>	<b>15,247,587</b>
Financial instruments held for trading	213,057	-	4,766,221
<b>Total</b>	<b>316,478</b>	<b>170,812</b>	<b>20,013,808</b>

	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
<b>Total</b>	<b>92,154</b>	<b>91,639</b>	<b>9,879,519</b>

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

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**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.



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**8. Loans and advances to customers**

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

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
<b>Total</b>	<b>34,341,712</b>	<b>33,894,627</b>	<b>33,953,459</b>	<b>33,413,538</b>

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

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

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

**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%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

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**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
<b>Balance as of December 31, 2010</b>	<b>192,231</b>	<b>1,459,183</b>	<b>1,651,414</b>
Net provision expenses/ (income)	(70,218)	883,116	812,898
Foreign exchange losses/ (gains)	(545)	18,616	18,071
<b>Balance as of December 31, 2011</b>	<b>121,468</b>	<b>2,360,915</b>	<b>2,482,383</b>

	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
<b>Balance as of December 31, 2010</b>	<b>192,231</b>	<b>1,328,083</b>	<b>1,520,314</b>
Net provision expenses/ (income)	(70,218)	929,958	859,740
Foreign exchange losses/ (gains)	(545)	18,616	18,071
<b>Balance as of December 31, 2011</b>	<b>121,468</b>	<b>2,276,657</b>	<b>2,398,125</b>

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			more than 90 days	
	days	31 to 60 days	61 to 90 days	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
<b>Total</b>	<b>3,238,542</b>	<b>710,937</b>	<b>647,605</b>	<b>25,492</b>	<b>4,622,576</b>

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

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

December 31, 2010

	less than 30			more than 90	Total
	days	31 to 60 days	61 to 90 days	days	
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
<b>Total</b>	<b>2,410,488</b>	<b>899,160</b>	<b>860,343</b>	<b>175,447</b>	<b>4,345,438</b>

**Bank**

December 31, 2011

	less than 30			more than 90	Total
	days	31 to 60 days	61 to 90 days	days	
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
<b>Total</b>	<b>2,939,909</b>	<b>703,091</b>	<b>644,877</b>	<b>25,492</b>	<b>4,313,369</b>

December 31, 2010

	less than 30			more than 90	Total
	days	31 to 60 days	61 to 90 days	days	
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
<b>Total</b>	<b>2,410,488</b>	<b>890,572</b>	<b>856,777</b>	<b>175,447</b>	<b>4,333,284</b>

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

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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
<b>Total</b>	<b><u>1,289,839</u></b>	<b><u>1,023,365</u></b>

**Bank**

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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
<b>Total</b>	<b><u>1,289,464</u></b>	<b><u>1,022,527</u></b>

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

**BRD – Groupe Société Générale S.A.**  
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**8. Loans and advances to customers (continued)**

**Analysis of collateral coverage**

**Group**

**December 31, 2011**

	<b>Overdue but not impaired loans</b>	<b>Covered by collaterals &amp; guarantees</b>	<b>Loans neither impaired nor past due</b>	<b>Covered by collaterals &amp; guarantees</b>
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
<b>Total</b>	<b>4,622,577</b>	<b>2,606,224</b>	<b>23,956,465</b>	<b>11,577,666</b>

**December 31, 2010**

	<b>Overdue but not impaired loans</b>	<b>Covered by collaterals &amp; guarantees</b>	<b>Loans neither impaired nor past due</b>	<b>Covered by collaterals &amp; guarantees</b>
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
<b>Total</b>	<b>4,345,437</b>	<b>3,203,863</b>	<b>25,066,956</b>	<b>12,556,207</b>

**Bank**

**December 31, 2011**

	<b>Overdue but not impaired loans</b>	<b>Covered by collaterals &amp; guarantees</b>	<b>Loans neither impaired nor past due</b>	<b>Covered by collaterals &amp; guarantees</b>
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
<b>Total</b>	<b>4,313,370</b>	<b>2,606,224</b>	<b>23,962,228</b>	<b>11,577,666</b>

**December 31, 2010**

	<b>Overdue but not impaired loans</b>	<b>Covered by collaterals &amp; guarantees</b>	<b>Loans neither impaired nor past due</b>	<b>Covered by collaterals &amp; guarantees</b>
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
<b>Total</b>	<b>4,333,284</b>	<b>3,203,863</b>	<b>24,730,484</b>	<b>12,556,207</b>

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.

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

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

	Group		Bank	
	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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
<b>Total</b>	<b><u>10,012,684</u></b>	<b><u>10,520,408</u></b>	<b><u>10,018,448</u></b>	<b><u>10,584,155</u></b>

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

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

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

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**9. Lease receivables**

	Group	
	December 31, 2011	December 31, 2010
<b>Gross investment in finance lease:</b>		
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
	<b>889,230</b>	<b>1,014,390</b>
<b>Unearned finance income</b>	(114,722)	(109,953)
<b>Net investment in finance lease</b>	<b>774,508</b>	<b>904,437</b>
<b>Net investment in finance lease:</b>		
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
	<b>774,508</b>	<b>904,437</b>

	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)
<b>Total</b>	<b>732,665</b>	<b>871,821</b>

**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
<b>Total</b>	<b>93,903</b>	<b>33,079</b>	<b>30,297</b>	<b>20,533</b>	<b>177,811</b>

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
<b>Total</b>	<b>99,143</b>	<b>39,313</b>	<b>83,576</b>	<b>30,806</b>	<b>252,837</b>

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**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
<b>Total</b>	<b>177,811</b>	<b>144,436</b>	<b>450,056</b>	<b>435,273</b>

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
<b>Total</b>	<b>252,838</b>	<b>214,572</b>	<b>563,891</b>	<b>546,270</b>

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
<b>Total</b>	<b>325,040</b>	<b>425,912</b>

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**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
<b>Total</b>	<b>4,877,014</b>	<b>4,081,509</b>	<b>4,876,828</b>	<b>4,032,352</b>

*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)



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**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).

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**11. Investments in subsidiaries and associates**

Group	Field of activity	%	December 31, 2010	Additions/ Reclassifications	Disposals	Increase / (decrease) in net assets	December 31, 2011
<u>Associates</u>							
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
			<b>78,237</b>	<b>-</b>	<b>-</b>	<b>17,190</b>	<b>95,427</b>

Group	Field of activity	%	December 31, 2009	Additions/ Reclassifications	Disposals	Increase / (decrease) in net assets	December 31, 2010
<u>Associates</u>							
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
			<b>79,271</b>	<b>7,237</b>	<b>(769)</b>	<b>(7,502)</b>	<b>78,237</b>

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.

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

**BRD – Groupe Société Générale S.A.**  
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**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
<b>Associates</b>			<b>84,151</b>			<b>84,151</b>
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 management consultancy	100.00%	403	-	-	403
<b>Subsidiaries</b>			<b>69,452</b>	<b>2,000</b>	<b>2,151</b>	<b>69,301</b>
<b>Total Associates and Subsidiaries</b>			<b>153,603</b>	<b>2,000</b>	<b>2,151</b>	<b>153,452</b>

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

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

<u>Bank</u>	<u>Field of activity</u>	<u>%</u>	<u>December 31, 2009</u>	<u>Additions/ Reclassifications</u>	<u>Disposals</u>	<u>December 31, 2010</u>
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 Soglease Asset Rental SRL	Operational leasing	20.00%	60	-	-	60
<b>Associates</b>			<b>78,020</b>	<b>6,591</b>	<b>(460)</b>	<b>84,151</b>
BRD Securities Groupe Societe Generale SA	Financial institution	100.00%	2,151	-	-	2,151
BRD Soglease 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 management	100.00%	403	-	-	403
<b>Subsidiaries</b>			<b>69,452</b>	<b>-</b>	<b>-</b>	<b>69,452</b>
<b>Total Associates and Subsidiaries</b>			<b>147,472</b>	<b>6,591</b>	<b>(460)</b>	<b>153,603</b>

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

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

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

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**12. Property, plant and equipment**

	Group					
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Total
<b>Cost:</b>						
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
<b>Depreciation and impairment:</b>						
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)
<b>Net book value:</b>						
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

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

	Bank					Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	
<b>Cost:</b>						
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	7,324	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
<b>Depreciation and impairment:</b>						
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)
<b>Net book value:</b>						
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).

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**13. Goodwill**

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999. The goodwill is no longer amortized starting with January 1, 2004 (see accounting policies). During 2011 there was no impairment of the goodwill.

**14. Intangible assets**

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

	<b>Group</b>	<b>Bank</b>
<b>Cost:</b>		
as of December 31, 2009	<u>207,570</u>	<u>194,446</u>
Additions	35,103	30,758
as of December 31, 2010	<u>242,673</u>	<u>225,204</u>
Additions	24,464	20,514
as of December 31, 2011	<u><u>267,137</u></u>	<u><u>245,718</u></u>
 <b>Amortization:</b>		
as of December 31, 2009	<u>(127,789)</u>	<u>(120,378)</u>
Amortization expense	(17,174)	(15,130)
Transfers	(49)	(49)
as of December 31, 2010	<u>(145,012)</u>	<u>(135,557)</u>
Amortization expense	(27,674)	(25,270)
as of December 31, 2011	<u><u>(172,686)</u></u>	<u><u>(160,827)</u></u>
 <b>Net book value:</b>		
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**

	<b>Group</b>		<b>Bank</b>	
	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
<b>Total</b>	<u><u>235,133</u></u>	<u><u>278,537</u></u>	<u><u>163,810</u></u>	<u><u>164,870</u></u>

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.



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**16. Demand deposits and current accounts**

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

**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
<b>Total</b>	<b>21,253,245</b>	<b>17,936,160</b>	<b>21,307,792</b>	<b>18,001,057</b>

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
<b>Total</b>	<b>7,716,276</b>	<b>10,508,800</b>	<b>6,793,165</b>	<b>9,303,620</b>

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.

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**20. Taxation**

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

The deferred tax liability/asset is reconciled as follows:

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

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

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

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**20. Taxation (continued)**

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

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

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**20. Taxation (continued)**

Movement in deferred tax is as follows:

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

**Reconciliation of total tax charge**

Reconcilierea profitului contabil cu profitul fiscal

	Grup		Banca	
	2011	2010	2011	2010
<b>Profit brut (inainte de impozitul pe profit)</b>	<u>554,838</u>	<u>1,226,730</u>	<u>517,471</u>	<u>1,204,654</u>
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	<u>(47,029)</u>	<u>(163,985)</u>	<u>(41,403)</u>	<u>(165,690)</u>
<b>Impozit pe profit la rata efectiva de impozitare</b>	<u><u>56,351</u></u>	<u><u>217,904</u></u>	<u><u>48,094</u></u>	<u><u>208,316</u></u>
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.

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**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
<b>Total</b>	<b>374,724</b>	<b>356,357</b>	<b>287,430</b>	<b>277,923</b>

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)
<b>Carrying value as of December 31,2010</b>	<b>4,311</b>
Additional expenses	9,303
Reversals of provisions	(131)
<b>Carrying value as of December 31, 2011</b>	<b>13,483</b>

**Bank**

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

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**21. Other liabilities (continued)**

**Post-employment benefit plan**

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

**Expenses recognised in profit and loss**

**Expenses recognised in profit and loss**

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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	<u>9,956</u>	<u>8,861</u>

**Movement in defined benefits obligations**

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
<b>Opening defined benefit obligation</b>	<u>39,116</u>	<u>31,728</u>
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
<b>Closing defined benefit obligation</b>	<u>48,258</u>	<u>39,116</u>

**Main actuarial assumptions**

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

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**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
<b>Total</b>	<b>3,443,671</b>	<b>3,693,670</b>	<b>3,298,021</b>	<b>3,535,238</b>

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.

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**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
<b>Total</b>	<b>1,270,811</b>	<b>1,370,293</b>	<b>1,229,480</b>	<b>1,327,267</b>

**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)
<b>Net commission revenue</b>	<b>782,611</b>	<b>791,671</b>	<b>767,185</b>	<b>777,669</b>

**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)
<b>Total</b>	<b>238,209</b>	<b>329,629</b>	<b>238,437</b>	<b>326,567</b>

**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
<b>Total</b>	<b>19,598</b>	<b>237</b>	<b>2,408</b>	<b>8,049</b>

**30. Other income**

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

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

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



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**31. Salaries and related expenses**

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

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

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

**Share based payment transactions**

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

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

Grant date/ employees entitled	Number of instruments	Vesting conditions	Contractual life of share based options
shares granted to all employees of the group at 02/11/2010	16	ROE before tax for 2012 > 14 years and 5 months presence in the group until 31/03/2015	
shares granted to all employees of the group at 02/11/2010	24	improvement of customer satisfaction between 2010 5 years and 5 months presence in the group until 31/03/2016	
<b>Total shares</b>	<b>40</b>		

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**31. Salaries and related expenses (continued)**

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

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

**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)
<b>Total</b>	<b>147,092</b>	<b>131,553</b>	<b>142,541</b>	<b>128,089</b>

**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
<b>Total</b>	<b>600,441</b>	<b>644,903</b>	<b>562,823</b>	<b>585,859</b>

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

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

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**34. Credit loss expense**

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

**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
<b>Total</b>	<b>1,336,933</b>	<b>1,026,923</b>

**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
<b>Total</b>	<b>1,297,274</b>	<b>987,262</b>

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)
<b>Total</b>	<b>1,293,807</b>	<b>912,795</b>

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

**Bank**

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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)
<b>Total</b>	<b><u>1,258,160</u></b>	<b><u>857,673</u></b>

**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.

	<b>Group</b>		<b>Bank</b>	
	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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
<b>Total commitments granted</b>	<b><u>11,331,831</u></b>	<b><u>11,206,330</u></b>	<b><u>11,463,590</u></b>	<b><u>11,335,910</u></b>

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**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	-
<b>Total</b>	<b>66,205</b>	<b>25,324</b>	<b>66,205</b>	<b>25,324</b>

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
<b>Assets</b>	<b>335,894</b>	<b>3,538</b>	<b>157,887</b>	<b>-</b>	<b>244,844</b>	<b>7,994</b>	<b>160,585</b>	<b>-</b>
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	-
<b>Liabilities</b>	<b>10,258,423</b>	<b>35,371</b>	<b>143,073</b>	<b>29,296</b>	<b>9,977,929</b>	<b>869,572</b>	<b>147,036</b>	<b>581</b>
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	-
<b>Commitments</b>	<b>8,435,161</b>	<b>21,249</b>	<b>-</b>	<b>-</b>	<b>4,745,481</b>	<b>33,978</b>	<b>-</b>	<b>-</b>
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	-	-	-
<b>Income statement</b>	<b>127,324</b>	<b>90,403</b>	<b>27,022</b>	<b>1,267</b>	<b>88,003</b>	<b>66,757</b>	<b>40,739</b>	<b>423</b>
Interest and commission revenues	15,118	127	13,797	254	14,075	76	21,389	2
Interest and commission expense	69,550	90,174	11,281	1,013	34,383	67,083	17,395	421
Net (loss) on interest rate derivatives	(21,688)	-	-	-	(10,093)	-	521	-
Net gain/(loss) on foreign exchange derivatives	64,344	102	-	-	49,638	(402)	-	-
Other income	-	-	1,234	-	-	-	548	-
Other expenses	-	-	710	-	-	-	886	-

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

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

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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).

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**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
<i>Ordinary shares on the market</i>	696,901,518	696,901,518	696,901,518	696,901,518
<i>Profit attributable to parent company shareholders</i>	496,279	1,007,923	469,377	996,338
<i>Earnings per share (in RON)</i>	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
<i>Declared and paid during the year</i>				
Dividends for 2010: 0.17957 (2009: 0.27947)	123,076	192,698	123,076	192,698
<i>Proposed for approval at AGM</i>				
Dividends for 2011: 0.16690 (2010:0.17957)	116,316	125,147	116,316	125,147

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**42. Risk management**

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

**42.1 Credit risk**

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

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



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**42. Risk management (continued)**

**42.1 Credit risk (continued)**

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

	Group	
	December 31, 2011	December 31, 2010
<b>ASSETS</b>		
Due from Central Bank	8,743,127	9,429,298
Due from banks	1,035,020	662,001
Derivatives and other financial instruments held for trading	313,788	85,839
Loans, gross	34,341,712	33,894,627
Impairment reserve for loans	(2,482,383)	(1,651,414)
Loans and advances to customers	31,859,329	32,243,213
Financial lease receivables	732,665	871,821
Financial assets available for sale	4,877,014	4,081,509
Investments in associates and subsidiaries	95,427	78,237
Other assets	67,511	92,571
<b>Total in balance sheet</b>	<b>47,723,881</b>	<b>47,544,489</b>
Letters of guarantee granted	4,224,903	3,274,814
Financing commitments granted	-	-
<b>Total commitments granted</b>	<b>4,224,903</b>	<b>3,274,814</b>
<b>Total credit risk exposure</b>	<b>51,948,784</b>	<b>50,819,302</b>
	Bank	
	December 31, 2011	December 31, 2010
<b>ASSETS</b>		
Due from Central Bank	8,741,778	9,428,409
Due from banks	995,384	622,363
Derivatives and other financial instruments held for trading	316,478	92,154
Loans, gross	33,953,459	33,413,538
Impairment reserve for loans	(2,398,125)	(1,520,314)
Loans and advances to customers	31,555,334	31,893,224
Financial lease receivables	-	-
Financial assets available for sale	4,876,826	4,032,352
Investments in associates and subsidiaries	153,452	153,603
Other assets	36,950	14,122
<b>Total in balance sheet</b>	<b>46,676,202</b>	<b>46,236,227</b>
Letters of guarantee granted	4,272,428	3,313,193
Financing commitments granted	-	-
<b>Total commitments granted</b>	<b>4,272,428</b>	<b>3,313,193</b>
<b>Total credit risk exposure</b>	<b>50,948,630</b>	<b>49,549,420</b>

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**42. Risk management (continued)**

**42.2 Market risk**

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

*Foreign exchange risk*

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

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

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

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

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

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**42. Risk management (continued)**

**42.2 Market risk (continued)**

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

	Group			Bank			
	December 31, 2011			December 31, 2011			
	Total	RON	EUR	Total	RON	EUR	Other
Cash in hand	662,194	523,315	103,412	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	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	31,555,334	13,831,717	17,020,859	702,758
Financial lease receivables	732,665	4,694	725,969	-	-	-	-
Financial assets available for sale	4,877,015	2,990,300	1,849,835	4,876,826	2,990,113	1,849,834	36,879
Investments in associates and subsidiaries	95,427	95,427	-	153,452	153,452	-	-
Goodwill	50,130	50,130	-	50,130	50,130	-	-
Deferred tax asset	-	-	-	-	-	-	-
Non current assets and other assets	1,510,377	1,352,180	153,454	1,399,445	1,289,234	106,907	3,304
<b>Total assets</b>	<b>49,879,072</b>	<b>24,049,999</b>	<b>24,976,298</b>	<b>48,750,997</b>	<b>23,647,321</b>	<b>24,252,338</b>	<b>851,338</b>
<b>LIABILITIES</b>							
Demand deposits and current accounts	13,233,637	8,798,595	3,917,979	13,264,722	8,829,680	3,917,979	517,063
Term deposits	21,253,245	11,070,057	9,098,928	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	6,793,165	25,129	6,768,036	-
Subordinated debt	874,161	-	874,161	874,161	-	874,161	-
Derivatives and other financial instruments held for trading	170,811	103,705	67,107	170,812	103,705	67,107	-
Current tax liability	19,731	19,731	-	16,867	16,867	-	-
Deferred tax liability	148,089	148,089	-	145,812	145,812	-	-
Other liabilities	374,725	345,146	19,769	287,430	257,852	19,769	9,809
Shareholders' equity	6,088,396	6,088,396	-	5,890,237	5,890,237	-	-
<b>Total liabilities and shareholders' equity</b>	<b>49,879,071</b>	<b>26,880,761</b>	<b>21,385,883</b>	<b>48,750,998</b>	<b>26,393,887</b>	<b>20,745,979</b>	<b>1,611,132</b>
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

The accompanying notes are an integral part of these financial statements

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**42. Risk management (continued)**

	Group			Bank			
	31 decembrie 2010			31 decembrie 2010			
	Total	RON	EUR	Total	RON	EUR	Other
Cash in hand	611,570	484,405	106,286	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	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	31,893,224	13,580,470	17,698,713	614,041
Financial lease receivables	871,821	17,228	843,694	-	-	-	-
Financial assets available for sale	4,081,509	2,672,952	1,374,283	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	1,404,505	1,371,791	31,578	1,136
<b>Total assets</b>	<b>49,666,903</b>	<b>23,488,750</b>	<b>25,471,508</b>	<b>48,288,308</b>	<b>22,884,582</b>	<b>24,705,321</b>	<b>698,405</b>
<b>LIABILITIES</b>							
Demand deposits and current accounts	13,965,114	8,610,134	4,792,142	13,976,859	8,621,879	4,792,142	562,838
Term deposits	17,936,160	9,706,362	7,287,061	18,001,037	9,771,259	7,287,061	942,737
Borrowed funds and debt issued	10,508,800	1,114,876	9,382,332	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	277,923	253,362	17,077	7,485
Shareholders' equity	5,749,067	5,749,067	-	5,577,198	5,577,198	-	-
<b>Total liabilities and shareholders' equity</b>	<b>49,666,903</b>	<b>25,798,306</b>	<b>22,343,944</b>	<b>48,288,308</b>	<b>25,275,201</b>	<b>21,500,047</b>	<b>1,513,060</b>
Position		(2,309,556)	3,127,564		(2,390,619)	3,205,274	(814,655)
Position off BS		1,801,210	(2,672,141)		1,801,210	(2,672,141)	870,931
Position total		(508,346)	455,423		(589,409)	533,133	56,276

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**42. Risk management (continued)**

**42.2 Market risk (continued)**

*Interest rate risk*

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

<b>Group December 31, 2011</b>			<b>Bank December 31, 2011</b>		
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)

<b>December 31, 2010</b>			<b>December 31, 2010</b>		
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.

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**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
<b>ASSETS</b>							
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	95,427	4,877,014
Investments in associates	-	-	-	-	-	50,130	50,130
Goodwill	-	-	235,133	-	-	1,275,245	1,510,378
Non current assets and other assets	23,999,147	11,418,842	4,804,295	7,095,697	2,561,090	-	49,879,071
<b>Total assets</b>							
<b>Liabilities</b>							
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
Deferred tax liability	11,763	10,252	31,713	56,837	37,524	-	148,089
Other liabilities	372,653	2,072	-	-	-	-	374,724
<b>Total liabilities</b>	29,110,455	10,385,136	2,630,607	1,479,778	184,700	-	43,790,675
<b>Total shareholders' equity</b>	-	-	-	-	-	6,088,396	-
<b>Net position</b>	(5,111,308)	1,033,706	2,173,688	5,615,919	(3,712,006)	-	-

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**42. Risk management (continued)**

**42.2 Market risk (continued)**

Group	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>December 31, 2010</b>						
<b>ASSETS</b>						
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
<b>Total assets</b>	<b>25,031,524</b>	<b>11,606,807</b>	<b>5,272,582</b>	<b>5,199,121</b>	<b>2,556,869</b>	<b>49,666,903</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>26,346,411</b>	<b>10,770,381</b>	<b>5,601,091</b>	<b>1,057,177</b>	<b>142,776</b>	<b>43,917,836</b>
<b>Total shareholders' equity</b>	-	-	-	-	<b>5,749,067</b>	-
<b>Net position</b>	<b>(1,314,887)</b>	<b>836,426</b>	<b>(328,509)</b>	<b>4,141,944</b>	<b>(3,334,975)</b>	-

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**42. Risk management (continued)**

**42.2 Market risk (continued)**

Bank	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>December 31, 2011</b>						
<b>ASSETS</b>						
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
	-	163,810	-	-	1,235,635	1,399,445
<b>Non current assets and other assets</b>	<b>23,867,859</b>	<b>11,315,507</b>	<b>4,360,465</b>	<b>6,750,781</b>	<b>2,456,386</b>	<b>48,750,998</b>
<b>Liabilities</b>						
Demand deposits and current accounts	13,264,722	-	-	-	-	13,264,722
Term deposits	13,277,787	4,595,355	2,407,810	855,141	171,699	21,307,792
Borrowed funds and debt issued	1,044,648	5,252,933	11,796	483,105	682	6,793,165
Subordinated debt	874,161	-	-	-	-	874,161
Derivative financial instruments	170,812	-	-	-	-	170,812
Current tax liability	-	-	16,867	-	-	16,867
Deferred tax liability	11,976	10,343	31,979	56,135	35,379	145,812
Other liabilities	285,358	2,072	-	-	-	287,430
<b>Total liabilities</b>	<b>28,929,465</b>	<b>9,860,703</b>	<b>2,468,452</b>	<b>1,394,381</b>	<b>207,760</b>	<b>42,860,761</b>
<b>Total shareholders' equity</b>					<b>5,890,237</b>	
<b>Net position</b>	<b>(5,061,606)</b>	<b>1,454,804</b>	<b>1,892,013</b>	<b>5,356,400</b>	<b>(3,641,611)</b>	

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**42. Risk management (continued)**

**42.2 Market risk (continued)**

Bank	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>December 31, 2010</b>						
<b>ASSETS</b>						
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
<b>Total assets</b>	<b>25,109,877</b>	<b>12,090,307</b>	<b>4,168,019</b>	<b>4,462,935</b>	<b>2,457,170</b>	<b>48,288,308</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>26,038,083</b>	<b>10,104,528</b>	<b>5,431,059</b>	<b>976,279</b>	<b>161,161</b>	<b>42,711,110</b>
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,577,198</b>	<b>-</b>
<b>Net position</b>	<b>(928,206)</b>	<b>1,985,779</b>	<b>(1,263,040)</b>	<b>3,486,656</b>	<b>(3,281,190)</b>	<b>-</b>

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**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:

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**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
<b>ASSETS</b>							
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
<b>Total assets</b>	<b>49,879,071</b>	<b>14,900,670</b>	<b>2,240,460</b>	<b>9,545,863</b>	<b>13,264,751</b>	<b>8,506,526</b>	<b>1,420,801</b>
<b>LIABILITIES</b>							
Demand deposits and current accounts	13,233,637	13,233,637	-	-	-	-	-
Term deposits	21,253,245	13,204,718	4,452,044	2,429,408	941,535	225,540	-
Borrowed funds and debt issued	7,716,275	68,830	474,852	6,076,853	1,087,710	8,030	-
Subordinated debt	874,161	10,221	-	-	863,940	-	-
Derivative financial instruments	170,812	170,812	-	-	-	-	-
Current tax liability	19,731	-	-	19,731	-	-	-
Deferred tax liability	148,089	11,763	10,252	31,713	56,837	19,672	17,852
Other payables	374,724	372,652	2,072	-	-	-	-
<b>Total liabilities</b>	<b>43,790,675</b>	<b>27,072,633</b>	<b>4,939,220</b>	<b>8,557,705</b>	<b>2,950,022</b>	<b>253,242</b>	<b>17,852</b>
<b>Total shareholders equity</b>	<b>6,088,396</b>	-	-	-	-	-	<b>6,088,396</b>
<b>Gap</b>	<b>(12,171,963)</b>	<b>(2,698,760)</b>	<b>988,158</b>	<b>10,314,729</b>	<b>8,253,284</b>	<b>(4,685,447)</b>	-
<b>Cumulative gap</b>	<b>(12,171,963)</b>	<b>(14,870,723)</b>	<b>(13,882,565)</b>	<b>(3,567,837)</b>	<b>4,685,447</b>	-	-

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**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
<b>ASSETS</b>							
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
<b>Total assets</b>	<b>49,666,903</b>	<b>14,214,923</b>	<b>2,614,930</b>	<b>10,455,041</b>	<b>11,919,780</b>	<b>9,059,114</b>	<b>1,403,115</b>
<b>LIABILITIES</b>							
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	-	-	-	-
<b>Total liabilities</b>	<b>43,917,836</b>	<b>25,486,868</b>	<b>5,145,118</b>	<b>9,678,241</b>	<b>3,229,169</b>	<b>324,027</b>	<b>54,413</b>
<b>Total shareholders equity</b>	<b>5,749,067</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,749,067</b>
<b>Gap</b>	<b>(11,271,945)</b>	<b>(11,271,945)</b>	<b>(2,530,188)</b>	<b>776,800</b>	<b>8,690,611</b>	<b>8,735,088</b>	<b>(4,400,365)</b>
<b>Cumulative gap</b>	<b>(11,271,945)</b>	<b>(11,271,945)</b>	<b>(13,802,133)</b>	<b>(13,025,333)</b>	<b>(4,334,722)</b>	<b>4,400,366</b>	<b>-</b>

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

December 31, 2011	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
<b>ASSETS</b>							
Cash in hand	662,171	-	-	-	-	-	-
Due from Central Bank	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
<b>Total assets</b>	<b>48,750,998</b>	<b>14,807,121</b>	<b>2,105,179</b>	<b>9,091,848</b>	<b>12,931,278</b>	<b>8,376,355</b>	<b>1,439,217</b>
<b>LIABILITIES</b>							
Demand deposits and current accounts	13,264,722	13,264,722	-	-	-	-	-
Term deposits	21,307,792	13,226,712	4,452,044	2,429,408	941,535	258,093	-
Borrowed funds and debt issued	6,793,165	7,920	448,389	5,436,573	899,600	682	-
Subordinated debt	874,161	10,221	-	-	863,940	-	-
Derivative financial instruments	170,812	170,812	-	-	-	-	-
Current tax liability	16,867	-	-	16,867	-	-	-
Deferred tax liability	145,812	11,976	10,343	31,979	56,135	19,572	15,807
Other payables	287,430	285,358	2,072	-	-	-	-
<b>Total liabilities</b>	<b>42,860,761</b>	<b>26,977,722</b>	<b>4,912,847</b>	<b>7,914,827</b>	<b>2,761,210</b>	<b>278,347</b>	<b>15,807</b>
Total shareholders equity	5,890,237	-	-	-	-	-	5,890,237
<b>Gap</b>	<b>(12,170,601)</b>	<b>(2,807,668)</b>	<b>(1,177,023)</b>	<b>1,177,023</b>	<b>10,170,068</b>	<b>8,098,006</b>	<b>(4,466,827)</b>
<b>Cumulative gap</b>	<b>(12,170,601)</b>	<b>(14,978,268)</b>	<b>(13,801,246)</b>	<b>(3,631,178)</b>	<b>4,466,827</b>	<b>-</b>	<b>-</b>

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**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
<b>ASSETS</b>							
Cash	611,547	-	-	-	-	-	-
Due from Central Bank	9,428,409	-	-	-	-	-	-
Due from banks	622,363	420,501	-	18,294	73,176	110,392	-
Derivative financial instruments	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
<b>Total assets</b>	<b>48,288,308</b>	<b>14,271,121</b>	<b>3,098,616</b>	<b>9,353,001</b>	<b>11,199,362</b>	<b>8,922,819</b>	<b>1,443,389</b>
<b>LIABILITIES</b>							
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	-	-	-	-
<b>Total liabilities</b>	<b>42,711,110</b>	<b>25,339,784</b>	<b>5,118,464</b>	<b>9,327,630</b>	<b>2,528,406</b>	<b>339,525</b>	<b>57,300</b>
<b>Total shareholders equity</b>	<b>5,577,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,577,198</b>
<b>Gap</b>	<b>(11,068,664)</b>	<b>(2,019,848)</b>	<b>25,371</b>	<b>8,670,956</b>	<b>8,583,294</b>	<b>(4,191,109)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(11,068,664)</b>	<b>(13,088,512)</b>	<b>(13,063,141)</b>	<b>(4,392,186)</b>	<b>4,191,109</b>	<b>-</b>	<b>-</b>

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**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
<b>LIABILITIES</b>							
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	-	-	-
Deferred 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	-	-	-	-	-
<b>Total liabilities</b>	<b>51,189,471</b>	<b>34,041,105</b>	<b>4,963,715</b>	<b>8,819,338</b>	<b>3,037,838</b>	<b>309,624</b>	<b>17,852</b>
<b>December 31, 2010</b>							
<b>LIABILITIES</b>							
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	-	-	-	-	-
<b>Total liabilities</b>	<b>52,311,838</b>	<b>33,192,937</b>	<b>5,203,999</b>	<b>9,734,600</b>	<b>3,759,518</b>	<b>366,370</b>	<b>54,413</b>

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

*Future undiscounted cash flows (continued)*

<b>Bank</b>								Without defined maturity
<b>December 31, 2011</b>	<b>Total</b>	<b>0-1 months</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>		
<b>LIABILITIES</b>								
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	-	-	-	
Deferred 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	-	-	-	-	-	
<b>Total liabilities</b>	<b>50,342,224</b>	<b>34,029,104</b>	<b>4,936,269</b>	<b>8,168,103</b>	<b>2,858,152</b>	<b>334,791</b>	<b>15,806</b>	
<b>December 31, 2010</b>								
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	-	-	-	-	-	
<b>Total liabilities</b>	<b>51,175,315</b>	<b>33,249,204</b>	<b>5,169,946</b>	<b>9,555,465</b>	<b>2,819,909</b>	<b>380,791</b>	<b>-</b>	

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**43. Fair value**

***Determination of fair value and fair value hierarchy***

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

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

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

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

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

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**43. Fair value (continued)**

Group	December 31, 2011			Total	December 31, 2011			Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
<b>Financial assets</b>								
Derivative financial instruments				6,040		8,731	-	8,731
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
	-	<b>100,731</b>	-	<b>100,731</b>	-	<b>103,421</b>	-	<b>103,421</b>
Financial assets available for sale				4,709,048		4,709,049		4,709,049
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
	<b>158,297</b>	<b>4,709,048</b>	<b>9,519</b>	<b>4,877,014</b>	<b>158,297</b>	<b>4,709,049</b>	<b>9,479</b>	<b>4,876,826</b>
Financial instruments held for trading				213,057		-		213,057
	213,057	-	-	213,057	213,057	-	-	213,057
<b>Total</b>	<b>371,354</b>	<b>4,809,779</b>	<b>9,519</b>	<b>5,190,802</b>	<b>371,354</b>	<b>4,812,470</b>	<b>9,479</b>	<b>5,193,304</b>
<b>Financial liabilities</b>								
Derivative financial instruments				97,259		97,259		97,259
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
<b>Total</b>	-	<b>170,812</b>	-	<b>170,812</b>	-	<b>170,812</b>	-	<b>170,812</b>

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**43. Fair value (continued)**

Group	December 31, 2010			Total	December 31, 2010			Total
	Bank				Bank			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
<b>Financial assets</b>								
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
	-	<b>85,839</b>	-	<b>85,839</b>	-	<b>92,154</b>	-	<b>92,154</b>
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
	<b>109,585</b>	<b>3,964,454</b>	<b>7,470</b>	<b>4,081,509</b>	<b>61,564</b>	<b>3,964,453</b>	<b>6,335</b>	<b>4,032,352</b>
<b>Total</b>	<b>109,585</b>	<b>4,050,293</b>	<b>7,470</b>	<b>4,167,348</b>	<b>61,564</b>	<b>4,056,607</b>	<b>6,335</b>	<b>4,124,506</b>
<b>Financial liabilities</b>								
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
<b>Total</b>	-	<b>91,639</b>	-	<b>91,639</b>	-	<b>91,639</b>	-	<b>91,639</b>

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**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.

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**43. Fair value (continued)**

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

	Group		December 31, 2010		December 31, 2011		Bank		December 31, 2010		December 31, 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>												
Cash in hand	662,194	662,194	611,570	611,570	662,171	662,171	611,547	611,547	611,547	611,547	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	9,428,409	9,428,409	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	622,363	622,363	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	31,893,224	31,893,224	31,893,224	31,893,224	32,068,947
Financial lease receivables	732,665	687,796	871,821	840,158	-	-	-	-	-	-	-	-
	<b>43,032,335</b>	<b>43,182,636</b>	<b>43,817,903</b>	<b>43,897,757</b>	<b>41,954,667</b>	<b>42,185,077</b>	<b>42,555,543</b>	<b>42,555,543</b>	<b>42,555,543</b>	<b>42,731,266</b>	<b>42,731,266</b>	<b>42,731,266</b>
<b>Financial liabilities</b>												
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	13,976,859	13,976,859	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	18,001,057	18,001,057	18,001,057	17,271,983	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	10,167,839	10,167,839	10,167,839	10,891,164	10,891,164
	<b>42,203,158</b>	<b>42,231,394</b>	<b>43,274,293</b>	<b>42,608,669</b>	<b>41,365,679</b>	<b>41,388,963</b>	<b>42,145,755</b>	<b>42,145,755</b>	<b>42,145,755</b>	<b>42,140,006</b>	<b>42,140,006</b>	<b>42,140,006</b>

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**43. Fair value (continued)**

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

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

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

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

**44. Post balance sheet events**

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