



BRD
GROUPE SOCIETE GENERALE

ANNUAL REPORT 2008

***according to the National Securities Commission (CNVM) Regulation
no.1/2006***



Annual report according to the National Securities Commission (CNVM) Regulation no.1/2006

Date of report: December 31st, 2008

BRD – Groupe Société Générale SA

Head Office: Bd. Ion Mihalache, nr. 1-7, sect. 1, București

Tel/Fax: 301.61.00 /301.68.00

Sole registration number with the Trade Registry: 361579

Order number with the Trade Registry: J40-608-1991

Share capital subscribed and paid: 696.901.518 lei

Regulated market on which the issued securities are traded: Bucharest Stock Exchange – 1st Category

1. Analysis of the Bank Activity

On December 1st, 1990, BRD (the Romanian Bank for Development) was set up as an independent bank with the legal status of a joint-stock company and with the share capital mainly held by the Romanian State; by taking over the assets and liabilities of Banca de Investitii (the Investment Bank). In March 1999, Société Générale (SG) buys a stake representing 51% of the share capital, increasing its holding of shares to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State.

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

According to articles 5 and 6 of Chapter II of the Articles of Incorporation, the Bank's object of activity can be summarized as being the performance of banking activities.

1.1.1 Elements of general evaluation related to the financial year ended December 31st, 2008.

- Net profit – 1,353 million RON
- Net banking income¹– 3,323 million RON
- Capital adequacy ratio – 9.38%
- Return on equity (ROE) – 39.7%
- Cost to income ratio – 38.4%
- Commissions/Net banking income – 37.1%
- Liquidity indicator according to NBR regulations– 3.82
- Market shares ranging between 15.5% - 20.4% depending on banking products.

¹ It represents the turnover equivalent for credit institutions and it includes revenues and expenses related to interest and related revenues, commissions related revenues and expenses, net profit from exchange operations, securities related revenues and expenses and other operational revenues.

1.1.2 Evaluation of Bank's technical level

On December 31st, 2008, the Bank had 930 agencies, which ensured the distribution of its products throughout the whole country.

At the end of 2008, the Bank had around 2,430 thousand active private customers, 7% more than the previous year.

The evolution of deposits and loans for individuals was as follows:

	31.12.2006	31.12.2007	31.12.2008	millions RON 2008/2007
Deposits	7,217	12,075	13,055	+8%
Loans	8,844	12,907	15,783	+22%

The evolution of deposits and loans for corporate customers was as follows:

	31.12.2006	31.12.2007	31.12.2008	millions RON 2008/2007
Deposits	12,591	15,044	15,672	+4%
Loans	9,134	12,531	16,482	+32%

The evolution of the main categories of banking products in the Bank's revenues is presented at point 1.1.4.

The Bank considers further development of its range of products offered according to its customers' identified needs.

1.1.3 The Evaluation of the Activity of Technical-Material Supply

This element is not significant for the Bank.

1.1.4 Evaluation of the Sales Activity

The total revenues of the Bank have increased based on the continuous growth of the activity, but also due to the concern of launching new products and services.

The main items of the net banking income had the following evolution:

	millions RON			
	31.12.2006	31.12.2007	31.12.2008	2008/2007
Net banking income, out of wich	1,656	2,392	3,323	+39%
- Interest income	837	1,100	1,348	+23%
- Commissions	616	956	1,233	+29%

* The net banking income also includes the revenues related to the sale of ASIBAN.

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

On December 31st, 2008, the total volume of outstanding loans amounts to RON 32.264 million, representing an increase of 27%, in nominal terms.

The development of loans portfolio, according to the granting currency, during the period 2006 – 2008, looks as follows:

	million RON					
	31.12.2006	%	31.12.2007	%	31.12.2008	%
GROSS LOANS	17,978	100	25,438	100	32,264	100
Loans in local currency	11,016	61.3	13,758	54.1	16,602	51.5
Loans in foreign currency	6,962	38.7	11,680	45.9	15,662	48.5

As at the end of 2008, the Romanian banking system included 33 banks, Romanian legal entities and 10 subsidiaries of foreign banks which held assets of RON 314,640 million and shareholders equity of RON 25,158 million. Following sustained credit activity, the total net profit in the banking system has increased by 85% and reached RON 4,682 million.

Within this dynamic, strongly competitive environment, BRD has maintained its market shares. BRD is the second Romanian bank in terms of size, holding the following market shares as at December 31st, 2007 and as at December 31st, 2008:

	31.12.2007	31.12.2008
	(%)	(%)
Loans corporate customers	15.9	16.1
Deposits corporate customers	21.5	20.4
Loans individual customers	18.1	16.0
Deposits individual customers	17.6	15.5

The Bank's income does not depend on any customer or group of customers; hence there is no risk that the loss of a customer might significantly affect the income level.

1.1.5 Employees

The number of employees as at December 31st, 2008 was 8,617. Given the nature of the activity of a credit institution, the education level of the Bank employees is high, 75% having higher education degrees.

Within the Bank there is only one trade union organisation, which was founded in March 2003; it has a total of 3, 550 members, representing 41% of the personnel.

The work relations are regulated by the Collective Labour Contract. The negotiations on the Collective Labour Contract for 2009 took place during the period December 2008 – January 2009, between representatives of both employers and labour union. The Collective Labour Contract was registered with the Labour and Social Protection Office of Bucharest on January 29th, 2009 and it became effective starting with the same date.

1.1.6 Evaluation of aspects related to the impact of Bank's activity on the natural environment

Given the very nature of the activity of the Bank, this aspect is not significant.

1.1.7 Evaluation of Research and Development Activity

The only development activities of the Bank are those related to IT programs.

1.1.8 Evaluation Bank's Activity on Risk Management

The main financial assets and liabilities consist of loans and advance payments to customers, leasing receivables, securities placed with NBR, sight and term deposits and borrowings. These instruments are exposed to a series of risks such as credit risk, foreign exchange risk, interest rate and liquidity risk, but also the operational risk.

Credit risk

The credit risk is mainly the risk that a counter party fails to meet its payment obligations towards the bank or the deterioration of an issuer's or a counter party's quality.

The credit risk management within the bank is part of the risk management process of SG. Here are some of the important principles used in credit risk management:

- ▶ the analysis and validation by the bank management of the launch of new risk-generating products and activities;
- ▶ the use of well-defined criteria for extending loans, depending on the type of customer, including thoroughly knowing the debtor, the destination and structure of the loan, as well as the source of repayment, and requesting real or personal securities to reduce the credit risk to acceptable levels;

- ▶ well-formalized processes for the approval of loans and a clear system of approval powers;
- ▶ the continuous monitoring of exposures, on the individual and, if necessary, group levels;
- ▶ periodical monitoring and reporting to the bank management on the quality of the credit portfolios;
- ▶ periodical check of the crediting activity by the internal audit;
- ▶ the use of a system meant to identify and manage bad loans and the different aspects related to this activity, by means of objective ratios.

The main exposure of the bank to the credit risk is generated by credit and guarantee facilities extended to the customers.

Corporate credit risk

Here are the main characteristics of the loans to corporate customers:

- ▶ consolidation of exposures to a single debtor: consolidation of all, both direct and indirect exposures, to a certain counter party, first at the level of Romania, then at the world level (SG),
- ▶ use of the internal rating system: the rating system of the bank is a version of the SG rating system, adapted and adjusted to the local economic environment;
- ▶ transfer of the bad customers to a division independent from the commercial function.

Credit risk from the retail business

Lending to retail customers and to certain small and medium-sized enterprises is approached in a standardized manner, the products developed being in line with the needs identified on the market. Thus, the credit products are aimed at an identified target customer segment and are accompanied by a set of customer acceptance criteria implemented through the scoring systems. BRD continuously monitors the risk of this portfolio, using objective and verifiable criteria, such as the debt service. As soon as a customer has reached a certain number of days of delay, he/she is taken over by a recovery structure which is well equipped and independent from the commercial structures.

Risks of interest rate and foreign exchange rate in the banking book (structural risks)
The risks of interest rate and of foreign exchange rate generated by the commercial activities and by the activities made in one's own name (transactions regarding the shareholders' equity, investments and issues of bonds) are covered, to the extent possible, on an individual basis or by means of macro-hedging techniques, while the uncovered part is maintained within prudent limits previously set.

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

For the exchange position (the commercial activity and trading in one's own name), the Bank has a set of limits set at prudent levels, monitored by CRCD on a daily basis.

Liquidity risk

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

The management of the bank's liquidity has 2 major components:

- ▶ monitoring the liquidity position and estimating the financing needs of the bank on the short, medium and long term, based on forecasts, and identifying the adequate financing solutions;
- ▶ crisis plans, including a continuous assessment of the potential trends, events and uncertainties that might impact on the bank's liquidity.

As to ensuring the liquidity in foreign currency, the management of the bank's liquidity is well integrated into that of Société Générale.

ALM Committee validates the basic principles for the organisation and management of the liquidity risk, validates the financing programs of the Bank, examines the liquidity position monitoring reports and the estimates of the future liquidity position, examines the crisis scenarios and proposes adequate actions to the Managing Committee.

Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal procedures, human errors, system-related errors and also external events.

The Bank employs the following three methodologies in managing operational risk: Risk and Controls Self-Assessment Methodology (RCSA); Operational Loss Data Collection (OLDC); and Key Risk Indicators Methodology (KRI).

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

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

1.1.9 Perspective Elements on the Bank's Activity

a) Liquidity status

Throughout 2008, the Bank respected the norms of the National Bank of Romania concerning the liquidity risk. The Bank has maintained a balanced structure of resources and investments, despite the conditions of the Romanian market that does not offer yet any financing possibilities on the medium and long run.

Through a flexible policy of interests, the Bank has consolidated its relations with depositors by offering attractive interest rates for the more and more diversified saving products.

b) Capital expenses in 2008

The total value of investments made in 2008 was about EUR 61.86 million, the main component thereof being the investments in IT systems.

c) Events and changes produced in 2008

The main macroeconomic factors, having major implications in 2008 on the banking activity were:

- The consumption prices index at the end of 2008 compared with December 31st, 2007, provided by the National Institute of Statistics is 6.3%, exceeding the estimations of the Government and the target announced by NBR;
- During 2008, the national currency has depreciated compared to the euro by 10.39 %, in nominal terms ;
- In 2008, the real growth of the GDP was 7.1 %*;
- At the same time, NBR has kept a high percentage of the minimum compulsory reserve, respectively 40% for foreign currencies and 18 % for lei.

*Value estimated by the National Institute of Statistics.

2. Tangible Assets

As at December 31st, 2008, the net tangible assets amounted to RON 1,570 million, out of which the major part (80%) represents buildings and land. Most of the main buildings are recently constructed or modernized and they are situated all over the country, in most of the cities.

3. The Market of Securities Issued by the Bank

3.1 The market on which BRD-Groupe Société Générale shares are traded

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

During 2008, the BRD share had a similar trend with the BET index. The closing price of the BRD share on the December 23rd, 2008 was RON 8.25 / share. On the same date, the market capitalisation was RON 5,749,437,523.

In addition, in November 2006, BRD issued bonds in RON, destined to non resident investors. The operation was performed on the Luxemburg market and amounts to RON 735 millions. The borrowing period is 5 years, and the interest rate is 7.75%.

3.2 Dividends

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

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

<i>Year</i>	<i>Distributable result</i>	million RON <i>Dividends(**)</i>
2006	568,70 (*)	256
2007	916,91	413
2008	1.353,48	508

(*) after setting up the fund for general bank risks

(**) paid for the respective year

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

4. The Management of the Bank

4.1 The Board of Directors

The statutory management entities of BRD-Groupe Société Générale are the General Assembly of Shareholders, the Board of Directors and the Executive Committee.

The General Assembly of Shareholders represents the total number of shareholders of the Bank, its capacity being provided by law and the Articles of Incorporation.

According to the Articles of Incorporation, the Bank is managed by the Board of Directors, which is made up of 11 members, individuals, elected by the General Assembly of Shareholders for a renewable mandate of 4 years.

The Board of Directors elects among its members the President of the Board of Directors and sets their capacity.

On December 31st, 2008, the members of the Board of Directors were the following:

Name	Number of shares
Patrick GELIN	17,000
Petre BUNESCU	340,150
Sorin-Mihai POPA	0
Didier ALIX	0
Bogdan BALTAZAR	0
Aurelian DOCHIA	0
Anne FOSSEMALLE	0
Jean – Louis MATTEI	0
Dumitru D. POPESCU	1.200
Sorin Marian COCLITU	0
Ioan CUZMAN	3.500

4.2 The Executive Committee

The Executive Committee is formed of individuals, employees of the Bank, elected by the Board of Directors, namely the Chief Executive Officer and 4 Deputy Chief Executive Officers, assigned to manage and coordinate the activity of the Bank.

On December 31st, 2008, the members of the Steering Committee were the following:

Name	Position
Patrick GELIN	Chief Executive Officer
Petre BUNESCU	Deputy Chief Executive Officer
Sorin-Mihai POPA	Deputy Chief Executive Officer
Herve BARBAZANGE	Deputy Chief Executive Officer
Claudiu CERCEL DUCA	Deputy Chief Executive Officer (position held starting October 2 nd 2008)

The list of the affiliated parties can be found in the Appendix n° 1.

5. The Financial and Accounting Position

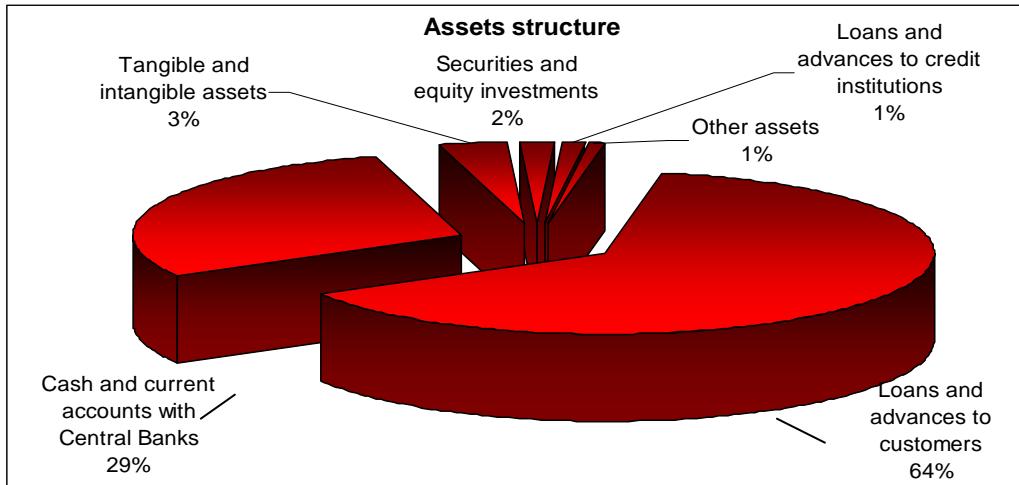
As per the NBR Order n° 5/2005, as further amended, the Bank applies the accounting Regulations which comply with the European directive, applicable to credit institutions, and the disclosure of the balance sheet elements will also be made accordingly.

Assets

On December 31st, 2008, the assets increased, as compared to the previous year, by 26%, respectively by more than 76% as compared to December 31st, 2006. The evolution of the main elements is presented as follows:

	million RON			
Assets	2006	2007	2008	2008/2007 (%)
Loans and advances to customers	17,797	24,935	31,521	26
Cash and current accounts with Central Bank	8,333	11,222	14,254	27
Tangible and intangible assets	1,062	1,568	1,627	4
Securities and equity investments	63	194	936	383
Loans and advances to credit institutions	637	751	522	(31)
Other assets	135	296	380	29
Total assets	28,026	38,966	49,240	26

Considering the structure of the balance sheet assets at the end of 2008, the position looks as follows:



Receivables from customers

Receivables from customers, amounting to RON 31,521 million, represent 64% of the total bank operations disclosed in the balance sheet.

In 2008, using a selective credit policy, BRD holds a sound portfolio, registering an average of doubtful receivables under the average of the bank system of Romania.

Cash, current accounts with Central Banks and receivables against credit institutions

The liquidities of the bank, including cash, current accounts with Central Banks, have registered an increase of 27% as compared to December 31st, 2007, representing 29% of the total balance sheet. The most important weight of this balance sheet item is held by the minimum compulsory reserve with the National Bank of Romania.

Securities and equity investments

The significant growth of these asset items is determined by the increase of T-bills portfolio, disclosed in the balance sheet as trading instruments. On December 31st, 2008, their value was RON 757 million as compared to RON 92 million at the end of the previous year.

The financial assets have increased as a consequence of BRD purchasing a stake in Mobiasbanca Bank. At the same time, the equity investments balance has decreased due to the sale of ASIBAN.

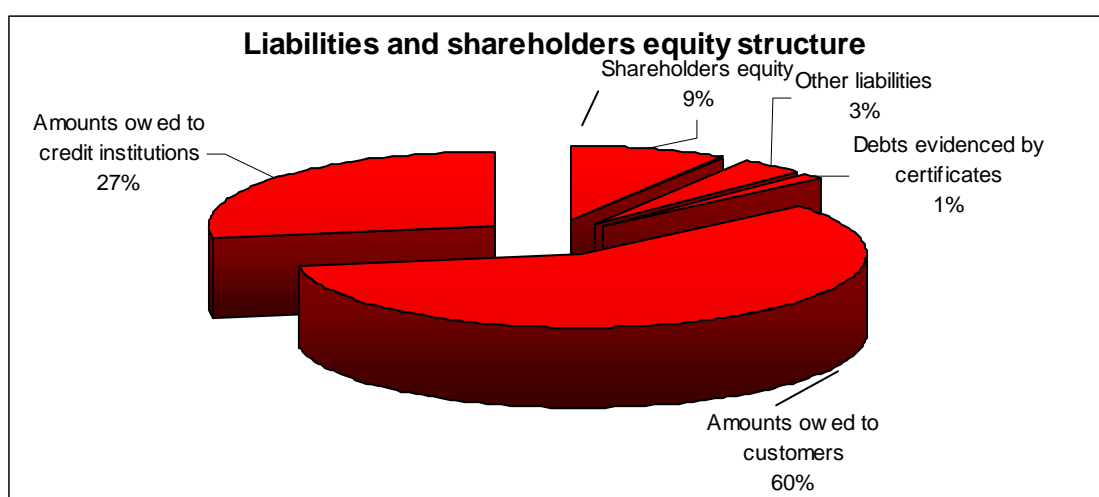
Liabilities

The comparative statement of liabilities, for the financial years 2006 – 2008 is the following:

Million RON

Liabilities and shareholders equity	2006	2007	2008	2008/2007 (%)
Amounts owed to customers	19,746	27,271	28,866	6
Amounts owed to credit institutions	3,977	5,955	13,535	127
Shareholders equity	2,331	3,456	4,397	27
Other liabilities	1003	1549	1707	10
Debts evidenced by certificates	969	735	735	-
Total liabilities and shareholders equity	28,026	38,966	49,240	26

On December 31st, 2008, liabilities had the following structure:



Operations with customers

These operations represent 60% of total liabilities; a 6% increase has been registered as compared to the previous year.

On December 31st, 2008, the value of the operations was RON 28,866 million and it includes:

Million RON

	2007	2008	2008/2007 (%)
Amounts owed to customers			%
On demand deposits	14,062.68	15,077.22	7%
On term deposits	11,979.37	12,597.91	5%
Collateral deposits	1,026.85	975.24	-5%
Other debts, leasing, factoring, cards	202.42	216.01	7%
Total	27,271.32	28,866.38	6%

Customer's deposits increased constantly. An increase of the interest rate for saving instruments can be noticed.

Debts to credit institutions

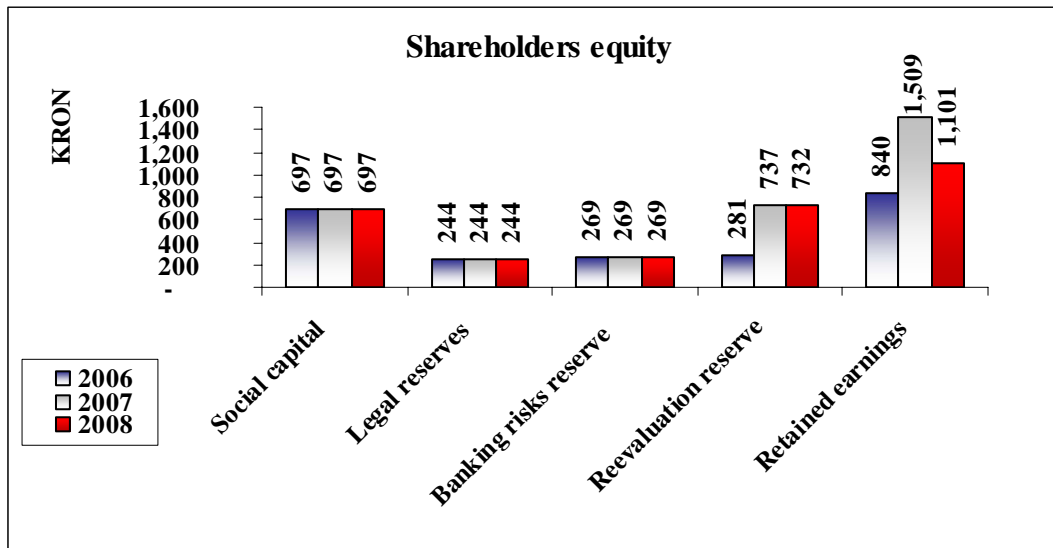
Debts to credit institutions represent 27% of total liabilities, and consist of sight receivables from correspondent accounts, bank deposits, due amounts coming from operations with cheques and cards, term receivables from deposits and financial borrowings from banks.

Security Related Debts

Securities related debts represent 1% of the liabilities and include bonds issued in 2006, as well as deposit certificates.

Shareholders Equity amounts to RON 4,397 million, registering a 27% increase as compared to 2007.

The evolution of the shareholders equity elements for the period 2006-2008 looks as follows:



Financial Results

The net result of the 2008 financial year is RON 1,353 million.

The comparative position of the bank results for the period 2006-2008 is presented below:

	31.12.2006	31.12.2007	31.12.2008	millions RON 2008/2007
Net banking income, out of wich	1,656	2,392	3,323	+39%
- Interest income	837	1,100	1,348	+23%
- Commissions	616	956	1,233	+29%
Operating expenses	-810	- 1,040	- 1,275	+23%
Operating profit	846	1,353	2,048	+51%
Net cost of risk	-83	- 262	- 433	+64%
Gross profit	763	1,091	1,615	+48%
Net profit	656	917	1,353	+48%

The Administrators' report and the financial statements, together with the explanatory notes are attached hereto.

Chairman and CEO

Head of Financial Department

Patrick GELIN

Jean-Pierre TRAN QUAN NAM

TRANSACTIONS WITH PARTIES HAVING SPECIAL RELATIONS WITH THE CREDIT INSTITUTION

Item	2007			2008		
	Group accounts	Associates	Board of directors	Group accounts	Associates	Board of directors
LOANS						
Loans and advances	456,545,567	2,809,566	617,078	534,440,520	63,543,674	5,055
Loans interest	904,060	489	1,481	921,480	5,288	
LIABILITIES						
Credits received	4,191,922,522			3,443,666,874		
Deposits	409,706,619	85,225,826	49,039	7,388,732,916	37,786,990	31,577
Deposits interest	43,146,786	657,882	74	49,286,371	181,713	88
Income interest and net commissions	82,311,351	645,058	19,700	117,240,075	1,464,524	388
Interest and commissions expenses	210,160,302	3,615,654	15,786	392,647,114	1,501,593	1,116
Off balance sheet items						
Contingent liabilities	2,839,377			7,790,907		
Commitments	236,601,167	1,168,412		193,307,947		