EN

# ANNUAL REPORT 2012

BUILDING TEAM SPIRIT TOGETHER

BRD

SOCIETE GENERALE GROUP

# CONTENT

# MESSAGE OF THE CHAIRMAN & CEO

In an adverse economic context, 2012 was a difficult year for BRD, whose financial results were in line with the average of the Romanian banking system. Despite its accounting loss, BRD continues to have a solid balance sheet, with a capital adequacy ratio of 13.9%, which will allow us, after a year of transition, to pursue our future growth.

In 2012, the bases of BRD's sustainable growth were reinforced:

- Operational efficiency has been improved, as demonstrated by the fall of the operating costs and a cost/income ratio of 46.5%, 11% under the average of the Romanian banking system;
- Selective investments have been made to better support our commercial development;
- Risk management has been reinforced, as far as methods, procedures and strategy are concerned

2012 was also marked by commercial success: BRD has kept its leadership in areas like syndicated loans, capital markets operations and private banking, as the awards that were received during last year indicate: "Best Performance in Capital Markets", granted by Piaţa Financiară magazine and "Best Private Bank in Romania" granted by Euromoney Magazine are the best examples.
Our market shares on loans increased and the equipment ratios for our customers – retail and corporate – improved, despite a weak demand for products and services, in a very competitive environment.

Thanks to the trust of its 2.3 million customers, the professionalism of its teams, the dynamism of its network and business lines, BRD approaches 2013 with confidence.
In spite of a weak economic growth, our competitive and innovative offer, coupled with a corporate culture focused on the customer and the quality of service, will allow us to find again the way towards a profitable development.

Philippe LHOTTE

# 1

# PROFILE

# GENERAL INFORMATION ON THE GROUP

## GROUPE SOCIETE GENERALE

Société Générale is one of the largest financial groups in Europe. Based on a diversified universal banking model, the Group combines financial solidity and a sustainable growth strategy with the ambition to be a relational bank, a landmark on the markets where it operates, close to its customers, chosen for the quality and commitment of its teams. 154.000 collaborators in 76 countries accompany 32 million customers worldwide on a daily basis.

The Société Générale teams offer a wide range of services dedicated to individuals, companies and institutions through three axes of activity:

- **The retail bank in France** represented by Société Générale, Credit du Nord and Boursorama;
- **The international retail bank** present in Central and Eastern Europe, Russia, the Mediterranean Basin, the Sub-Saharan Africa, Asia and the overseas territories;
- **The Corporate and investment bank** that has a global expertise in investment, finance and activities on the capital markets.

Société Générale is also a major player in the business of Specialized Financial Services, Insurance, Private Banking, Global Investment Management and Services.

The Company is present in the sustainable development indices FSE4Good and ASPI.
For additional information about the Group, please visit www.societegenerale.com or follow us on twitter @societegenerale.

## BRD - GROUPE SOCIETE GENERALE

BRD is a strong bank that has been present in Romania for over 90 years.
Following the privatization of 1999, the Société Générale Group transformed the bank by successfully implementing the universal banking model currently focused on three major activities:

- **The Retail Bank** serving individuals and liberal professions
- **Corporate & Investment Banking**, with services dedicated to large local companies or the Romanian subsidiaries of international companies
- **Specialized Services** offering finance lease, operating leasing, car fleet management, consumer loans in stores, securities, insurance, pensions etc.

Currently, BRD is the second bank in Romania in terms of assets and one of the major financiers of SMEs, as well as one of the key stakeholders on the corporate banking market in Romania – and a leader of the syndicated loan segment at the end of 2012.

Its 8.800 employees in 915 units across the country are prepared every day to advise 2.3 million customers, both individuals and companies, in their financial operations.

In order to show our commitment to the communities in which we do our business, for over 10 years, we have engaged in actions for supporting the less privileged such as socially vulnerable children and youth. We also reduced the impact of our activity on the environment through the responsible management of resources such as energy, water or paper.

At the end of the year, the Company's financial ratings were as follows:
**Fitch :** Long-term currency debt BBB +
**Moody's** : Long-term currency debt Baa3

# BUSINESS AXES AND KEY FIGURES

IFRS

**The retail bank**

- 2.2 million customers
- 10.7 billion RON in consumer loans
- 6.2 billion RON in house loans
- 16.2 billion RON in deposit value in RON and FX
- 2.2 million cards

**The corporate bank**

- 135.000 customers
- 11.7 billion RON in SME loans
- 6.2 billion RON in loans for large companies
- 15.6 million RON in deposit value in RON and FX

**Specialized services**

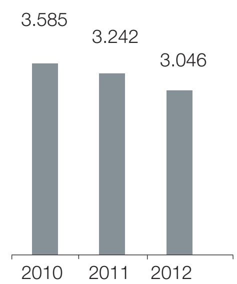
- International operations supported by bank correspondents in more than 100 countries
- Factoring: EUR 1 billion in turnover, the highest achieved so far
- BRD Finance – one of the major companies in the consumer loan market in Romania
- BRD Pensii – RON 274 million assets under management for both mandatory private pensions and private savings pensions
- BRD Asigurări de Viaţă – an underwriting volume of over EUR 14 million
- BRD Sogelease – EUR 88 million in the value of the financed assets
- ALD Automotive – a market share of 17% and a fleet of 7.111 vehicles under management

**The investment bank**

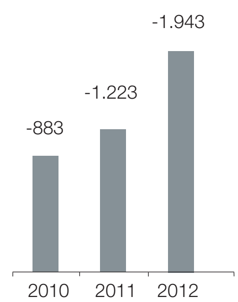
- BRD Corporate Finance – consultancy in privatizations and mergers & acquisitions
- BRD Asset Management – a market share of 8.48%.

GROUP CONSOLIDATED RESULTS

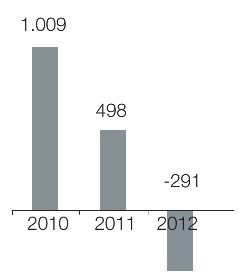
## NET BANKING INCOME (RON million)



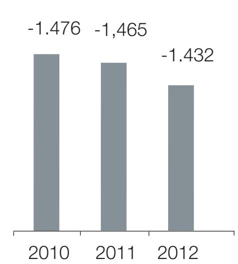

## NET COST OF RISK (RON million)



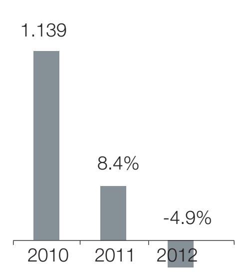

## NET INCOME (RON million)




## COST OF OPERATIONS (RON million)




## ROE (return on equity)



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# CORPORATE GOVERNANCE

# MANAGEMENT AND GOVERNANCE

The corporate governance principles are translated into the regulatory framework of BRD by way of the Articles of Incorporation, the Internal Operating Regulations and other internal regulatory documents governing the organization of the committees established to support the Board of Directors and the executive management, the flow of information, the transactions with related parties and the professional ethics.

BRD - Groupe Société Générale has adopted the unitary system of administration in full compliance with the objectives of good corporate governance, transparency of the relevant corporate information, shareholder protection and the protection of other categories of stakeholders and complies with the principles of effective operation on the banking market.

## BOARD OF DIRECTORS

**Philippe LHOTTE**
Chairman & CEO

**Petre BUNESCU**
Executive member

**Bernardo SANCHEZ - INCERA**
Non-executive member

**Didier ALIX**
Non-executive member

**Sorin Marian COCLITU**
Independent member

**Ioan CUZMAN**
Non-executive member

**ANNE MARION-BOUCHACOURT**
Non-executive member

**Jean-Louis MATTEI**
Non-executive member

**Sorin - Mihai POPA**
Executive member
(until 5 July 2012)

**Dumitru D. POPESCU**
Non-executive member

## THE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors is made up of 11 members, elected by the General Shareholders Meeting, for a 4 years term. The structure of the Board ensures a balance between the executive and the non-executive members so that no individual or small group of individuals might dominate, in general, the decision making process. The Board consists of three executive members and eight non-executive members, including an independent non-executive member.

The year 2012 brought changes to the structure of the Board of Directors, as follows:

- As part of the meeting of 27 April 2012, the Board of Directors approved the appointment of Mr. Petre Bunescu as adinterim Chairman of the Board, with effect from 1 May 2012;
- As part of the meeting of 27 July 2012, the Board of Directors approved the appointment of Mr. Philippe Charles Lhotte as CEO and adinterim Director starting 1 September 2012;
- The General Meeting of Shareholders held on 13 September 2012, approved the appointment of Mr. Philippe Charles Lhotte as Director for a term of 4 years begining with the date of the General Meeting, subject to a prior approval from NBR;
- As part of the meeting of 5 November 2012, the Board of Directors approved the appointment of Mr. Philippe Charles Lhotte as Chairman of the Board of Directors and the termination of the position of adinterim Chairman of the Board of Mr. Petre Bunescu;
- The appearance of a vacant position of Director following the death of Mr. Bogdan Baltazar on 28 December 2012.

## THE AUDIT COMMITTEE

It is made up of three non-executive directors, elected among the members of the Board: Jean-Louis Mattei (Chairman), Dumitru Popescu (member) and Sorin Marian Coclitu (independent member). The Audit Committee assists the Board with recommendations on the strategy and policy of the credit institution in terms of internal control and financial audit.

## THE REMUNERATION COMMITTEE

It aims at developing and overseeing the implementation of the Group remuneration policy. It consists of three non-executive directors, elected among the members of the Board: Jean-Louis Mattei (Chairman), Anne Marion Bouchacourt (member) and Sorin Marian Coclitu (independent member).

## THE RISK MANAGEMENT COMMITTEE

It is chaired by the CEO. Its objectives are to manage big risks, risks with significant impact on the assets and/or reputation of the bank (credit risk, market risk, liquidity risk, operational risk and reputational risk) and risks associated with outsourced activities. The Committee consists of the members of the Board of Directors and officers in charge of the internal structures that play an important part in risk management.

## THE EXECUTIVE MANAGEMENT

The operational management and coordination of the daily activity of the bank is delegated to the managers, by the Board of Directors. The Bank managers are elected by the Board to form the Steering Committee. The Steering Committee consists of the CEO, a Delegated CEO and five Deputy CEOs. The Steering Committee is chaired by the CEO who is also the Chairman of the Board of Directors.

## SHAREHOLDERS' RIGHTS

In order to ensure equal treatment and the full and fair exercise of shareholders' rights, the Bank provides all the relevant information on the General Meeting of Shareholders and the decisions taken by it both via mass media and via the webpage (www.brd.ro). The schedule of financial reporting is also established and published.

## OTHER ELEMENTS OF CORPORATE GOVERNANCE

### CONFLICTS OF INTERESTS

In 2012, no conflicts of interests were identified among the members of the Board of Directors and of the Steering Committee and the Bank's interests.

### OPERATIONS WITH PERSONS IN SPECIAL RELATIONS WITH THE BANK

The power of approval of the loans granted to individuals and legal persons in special relations with the bank belongs to the Board of Directors.

### THE TRANSACTIONS OF INSIDERS

The Bank has applied the rules of ethics for directors, managers and other insiders to avoid violating the legal framework applicable to trading in financial instruments issued by BRD.

THE EXECUTIVE MANAGEMENT

**Philippe LHOTTE**
Chairman & CEO

**Petre BUNESCU**
Deputy CEO

**Claudiu CERCEL-DUCA**
Deputy CEO

**Gabriela GAVRILESCU**
Deputy CEO

**Jean-Luc GRASSET**
Deputy CEO

**Gheorghe MARINEL**
Deputy CEO

**Sorin - Mihai POPA**
Delegated CEO
(until 5 July 2012)

# 4

# IMPORTANT FACTS

## AWARDS

The “Euromoney” award for
**Best Private Banking Services in Romania**

The “NoCash” card industry awards:
**Best selling debit card – MAESTRO**
**Pioneering in the m-payment industry – NFC**
**(Near Field Communication)**

**100.000**
contactless cards

During the last few years, tens of thousands of BRD cards with incorporated **Contactless** technology have been purchased, giving a strong signal that speed and user-friendliness are crucial for consumers in making payments both for diverse shopping and for public transportation. The implementation of the Contactless payment technology for travelling by means of public transportation was presented at the "World Ticketing Conference" in London, where it was acknowledged as a global technological innovation.

## NFC, innovative technology

Last year, we followed the trend of the major international markets and together with Orange we developed a pilot project in Romania to test the **NFC (Near Field Communication)** technology. This innovation, allows any BRD customer who has a current account and an Orange mobile SIM, to make small value payments in record time, at traders with Contactless/PayPass terminal, by using the mobile phone and without requiring any PIN.

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**17.600**
new young customers

**6.000**
packages

**25.000**
cards

2012 marked a premiere for us, as well as for the banking market: we were the first bank in Romania to organize flashmobs to promote a commercial campaign.
**The Rentrée** campaign, dedicated to students, took place at the beginning of the academic year with the purpose of promoting our offer of products and services dedicated to pupils' and students' needs.

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The **"Prima Casa"** (First House) Programme continued being the easiest real estate financing solution on the market; it has grown steadily every year to better serve the needs of the Romanian people. The loans granted by the end of 2012 amounted to EUR 771 M and Prima Casa (I-IV) is still one of our strengths in the mortgage offer.

**29%**
new customers

## Leader on the market of Syndicated Loans

BRD has maintained its leader position on the market of syndicated loans with 9 operations signed in 2012 (out of a total of 13 operations on the Romanian market) valued at EUR 182.6 M, which gave us a 23% market share.

## Trading platform
for Romania and 7 European capital markets

The launch of **ANYMA**, the online trading platform, represents an alternative for active customers to access the Bucharest Stock Exchange, as well as European capital markets (Euronext Paris, Amsterdam, Brussels, London, Frankfurt, Vienna and Zurich). The platform allows the trading of stocks and ETFs listed on the 7 European markets, real time listings, technical analysis and company news and statistics.
A mobile version of the platform will be launched in the near future.

## BRD@ffice RON 52 billion
in transactions

Since 2012, **BRD@ffice**, the internet banking application for companies, has new features, among which: the real-time processing of operations and extention of trading hours. Additionally, users have access to significant discounts for security solutions, offered by ESET NOD32 Antivirus.

## + 400%
the volume of financing in agriculture

In 2012, we tripled the number of APIA certificates and the number of fundings and, we have registered an increase of almost 400% of the volume of financing (over RON 120 M), as compared to the previous year.

## 42,7 MRON
loans

**Through the Kogalniceanu programme** for encouragement and stimulation of the establishment of SMEs, we granted 400 loans totalling RON 42,7 M and won a market share of 19%.

# 5

# SHARES AND DIVIDENDS

## SHARES

The Bank's shares are listed in the 1st category of the Bucharest Stock Exchange and are included in the BET and BET-C indexes.

The closing price for the BRD shares on 28 December 2012, the last trading day of the year 2012, was 8.11 RON/share, down from the last trading day of 2011, when the price was 10.71 RON/share.

At the same time, the market capitalization was RON 5,651.9 million. During 2012, neither the Bank nor its subsidiaries repurchased their own shares.

## DIVIDENDS

Under the Romanian laws and the Articles of Incorporation, the dividends are paid from funds established for this purpose following an approval from the General Shareholders Meeting of within 60 days of the publication of the decision of the General Meeting to approve the dividends in the Official Gazette.

The annual net profit is distributed as dividends according to the decision of the General Shareholders Meeting. The evolution of the volume of approved and distributed dividends is as follows:

| | 2010 | 2011 |
|---|---|---|
| Distributable profit/loss (M RON) | 500.6 | 465.3 |
| Total dividends (M RON) | 125.1 | 116.3 |
| Number of shares (M) | 696.9 | 696.9 |
| Dividend per share (RON), nominal | 0.17957 | 0.16690 |
| Rate of distribution from the distributable profit | 25% | 25% |

Dividend distribution is performed according to the decision of the General Shareholders Meeting based on a proposal from the Board of Directors and depends on the value of the distributable profit and the estimated future need of capitalization of the Bank.

## THE PAYMENT OF THE DIVIDENDS

Dividends are distributed to the shareholders in proportion to their interest in the share capital. The income generated by the dividends is subject to withholding tax.

According to the Articles of Incorporation of the Bank, dividends are paid within a maximum of 3 months from the date of approval of the annual financial statements for the concluded year, in cash or by transfer, as preferred by the shareholder.

Unclaimed dividends have a time bar of 3 years from the payment start date, according to the law. BRD began paying dividends for 2011 on 22 June 2012.

Due to recording a negative result for 2012, no dividends will be distributed in 2013.

# 6

# THE BUSINESS ACTIVITY

# THE UNIVERSAL BANK

2012 was another difficult year for the banking system, especially because of the economic situation. However, BRD continued being a top stakeholder in the Romanian banking system, with market shares recording slight increases compared to 2011.

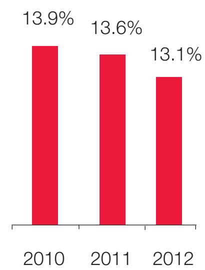
The network of active units continues to be one of the largest networks among the private banks in Romania. BRD units are open in all the areas with potential because we want to meet the diverse banking needs of the communities and to continue promoting the concept of proximity universal bank which we launched in 2004 and have developed steadily. Since then, we have paid particular attention to the operating efficiency of our network which today has 915 units.

Our customer base has evolved in quality although it has decreased numerically. The balance of the deposits and loans shows that BRD has capitalized on the high level of trust it enjoys on the market, although to a modest degree, given the yet low eligible demand for funding. Thus, the total amount of the loans granted in 2012 reached RON 34.8 billion and the total amount of the deposits reached RON 31.7 billion, both on a slight increase compared to 2011, when the loans were at RON 33.5 billion and the deposits at RON 30.2 billion.

Likewise, we witnessed an improvement of the level of equipment (the number of products/customer) compared to 2011, both for individual customers and for companies, mainly due to the savings accounts, house loans and the increase in the degree of penetration through alternative channels. This proves that we have measured up to the needs of our customers through our adapted and competitive offer of products and services.

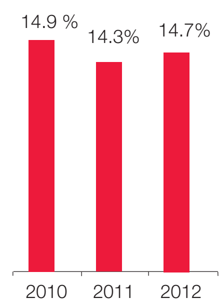
## MARKET SHARES

### TOTAL ASSETS

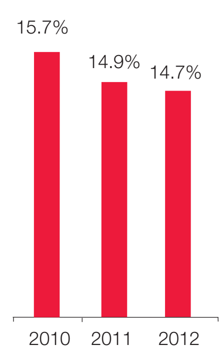



### out of which

### LOANS




### DEPOSITS



# THE RETAIL BANK

On the market of individuals, despite economic difficulties, we have remained close to our customers through business actions designed for each customer segment: top customers, youngsters, seniors or employees.

## RETAIL

In 2012, the still low level of banked population in Romania led to fierce competition between the banks. However, we have major advantages which we used in order to strengthen our leading position and even increase our market share. With this objective in mind, we continued offering loan solutions to our customers and prospective customers both via refinancing campaigns for the loans held by customers with other banks and via promotional offers for consumer loans. In 2012, we became the leader of the real estate loan market through the government programme **“Prima Casa”** (First House), by means of which we granted 20.000 loans worth EUR 346 M.

Last year, we also paid much attention to the **Youth Market** which is a strategic axis of development for us and to which we have dedicated a Rentrée promotional campaign. This campaign generated over 3.5 million views of our online commercials and a spectacular increase in the number of fans on BRD Student Facebook page (40.000). By the end of the campaign, over 25.500 cards and over 6.000 packages had been sold.

Another strategic market in 2012 was that of **Pensioners**, a source of loyal customers, for which, in the fall of last year, we conducted a series of special events during which we recognized and rewarded their loyalty towards the bank. The action was called “The Golden Senior” (in Romanian “Seniorul de aur”) and was held across the country.

## PRIVATE BANKING

BRD is the first bank in Romania to have opened an agency specialized in Private Banking, in 2004, in Bucharest. Later, we opened specialized units in Iasi, Timisoara, Cluj and Sibiu, and thus, over the last 10 years, we have become a leader of this segment in Romania.

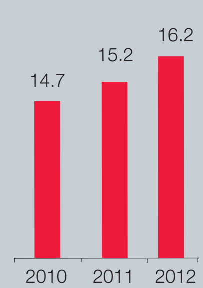
Backed by the expertise of Société Générale, we have built a competitive European offer of private banking services for which, at the end of 2012, we were awarded **”Best Private Banking Services in Romania”** by Euromoney Magazine.

The private banking services involve the customized management of the customer’s assets and the array of products ranges from current and savings accounts, to structured deposits, government bonds and on to investment funds and investment solutions for the capital market, both nationally and internationally. All the products are tailored to suit each customer’s needs, his desired time horizon and the risk profile he is willing to accept.

### STRUCTURE OF RETAIL CREDITS AND DEPOSITS

#### RETAIL LOANS (RON BILLION)


#### RETAIL DEPOSITS (RON BILLION)



# THE CORPORATE BANK

The social-political and economical instability of 2012 had a significant impact on the corporate market, especially on SMEs and liberal professionals.

## LIBERAL PROFESSIONALS AND LEGAL PERSONS

Last year, we chose to take a different approach to the market of self-employed professionals, which was translated into a new strategy for the Liberal Professions segment with an unified approach to the customers enrolled in the professional associations, regardless of their form of organization: liberal professional and legal person with a turnover inferior to 300.000 EUR. We made dedicated offers to these customers with a mix between the operational offer, the lending offer and the savings offer and we adapted them to the specific needs of the main sectors: medical, legal and financial.

At the end of the year, this revival and promotion of the offer ensured a 10% increase in the number of customers compared to 2011.

The offer dedicated to legal persons was supplemented in 2012 by the MasterCard Business Credit Card that provides the customer with a credit limit to cover the current needs. The promotion of the card was also supported by a campaign held between October and December.

In terms of the remote banking services, the customers' preference for current operations in the online environment was evidenced by the increasing number of subscribers of the BRD@ffice service by 16% compared to 2011. The value of the 2.9 billion transactions conducted through this service was approximately RON 52 billion, up from the previous year.

## AGRICULTURE AND SMEs

The agricultural and SME sectors were also areas of interest for BRD in 2012 and the range of products and services is constantly developing.

In order to meet the farmers halfway, the bank created loans for both current needs (the agricultural campaign loan, the loan based on "First Silo" certificates of deposit, subsidy pre-financing loans), as well as specific investment loans (including those granted to support projects co-financed from European funds).

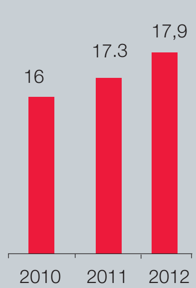
In 2012, agriculture was among the main sectors we supported and the funding in this field and the related food field grew by 20%, primarily due to increased focus on the area of pre-financing of APIA subsidies. The number of certificates attracted by BRD tripled and so did the number of fundings and by the end of the year, we had an increase of almost 400% of the volume of financing – over RON 120 M.

Our interest in the SME sector stood out last year by winning a market share of 19%, which we obtained mainly due to the Kogalniceanu Programme through which we granted 400 loans with a total balance of RON 42.7 M.

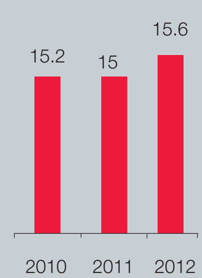
Likewise, since June of 2012, in partnership with the European Bank for Reconstruction and Development, we offered SME customers advantageous financing solutions for supporting energy efficiency and renewable energy projects through the RoSEFF facility.

### STRUCTURE OF CORPORATE LOANS AND DEPOSITS

#### CORPORATE LOANS (RON BILLION)




#### CORPORATE DEPOSITS (RON BILLION)



# THE BANK FOR LARGE COMPANIES

In 2012, BRD continued strengthening its position as the leading partner of large businesses by supporting the development of existing customers, whilst attracting new partners.

During 2012, we maintained our leading position on the syndicated loan market via the 9 operations signed by the end of the year and we also had the privilege to be empowered by GDF Suez Energy Romania to organize and invest an important issue of corporate bonds.

In terms of financing the current activity and/or new investment in the sector of large enterprises, the bank's exposure increased by approximately 10%, with a significant evolution of the off-balance sheet commitments (27% compared to the same period of 2011) and, at the same time, of the loans in the local currency (up by 4%).

The increased exposure comes from operations with customers operating in strategic sectors of the Romanian economy, such as energy, oil and gas, telecommunications and infrastructure, more specifically:

**The energy sector:**
The financing of investments or the current activity through bilateral operations or the organization by BRD of syndicated loans or club deals:

- An investment loan for environmental projects – RON 46 M for 12 years – the share of BRD is 50%;
- The participation by over 50% (about RON 70 M) in a club deal for the rehabilitation of power equipment;
- A club deal for an investment loan for 7 years, in which the share of BRD is EUR 21 M (50%) for a strategic company within the Romanian energy system;
- A short-term loan – RON 465 M – funded by a club deal; the share of BRD is RON 186 M (40% of the total installation).

**The telecommunications sector:**

- Accompanying traditional customers in the procurement notice for the award of telecom licenses by issuing letters of guarantee for significant amounts (approximately EUR 150 M);
- Supporting the current activity by specific short-term loans for one of the great stakeholders within the sector – around EUR 100 M.

**Gas distribution**

- The financing operation "Revolving Reserve Based" for a major stakeholder within the sector, where BRD provided 50% of the funding and also the role of warranty agent, lead arranger, issuing bank and coordinator for the exchange risk hedging operations in an international club deal.

**Constructions and infrastructure**

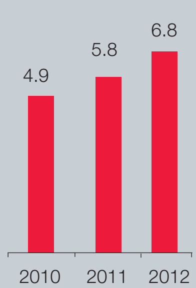
- The funding of an important stakeholder in the project for the construction of the Orastie – Sibiu motorway (the project value is EUR 140 M).

The exposure in other economic sectors has remained rather stable, with adjustments related to the business of the customers affected by the unfavourable economic environment.

The significant increase in the deposits of large enterprises, around 13% compared to the same period of 2011, has enabled maintaining the loan/deposit ratio at a subunit level, for this customer segment.

**TREASURY MANAGEMENT** stood out through the signing of several centralized treasury and cash management agreements with multinational corporations and private companies in Romania.

LARGE COMPANIES LOANS (RON BILLION)




BRD CORPORATE & INVESTMENT BANKING HOLDS 58% OF THE LARGE COMPANIES MARKET

# SPECIALISED SERVICES

The business of the subsidiaries and of specialised services in 2012 remained at a satisfactory level and, the greatest success was recorded by the factoring activity with a turnover reaching the record figure of EUR 1 billion.

## FINANCING FOR INDIVIDUALS

### BRD FINANCE

In 2012, BRD Finance remained one of the leading stakeholders on the consumer loan market in Romania and maintained the fastest lending system with the minimum required documentation as its competitive edge and at the end of 2011, it implemented a set of commitments for responsible and successful lending.

The effects of the difficult macroeconomic environment and the new legal provisions of 2012 on consumer loans were also felt by the activity of BRD Finance. However, in the context of a customer-oriented policy through tailored commercial development, operational optimization and risk strategies, the company managed to achieve its annual goals.

Thus, the commercial strategy of BRD Finance focused on strengthening existing partnerships with key market retailers (Carrefour, Real, Altex, Domo, Ikea, eMag etc.) and the major car dealers, through a dynamic and flexible approach in terms of supporting their sales activity, by offering a range of value added products to the end customers: credit cards, loans for durable goods, personal loans and car loans.

The other important techniques for enhancing the company's performance in 2012 also targeted the area of improvement of the internal flows and work processes through efficiency enhancing programmes and continuous monitoring of the needs of the end customer, as identified by conducting regular customer satisfaction assessment surveys.

## LEASING

### BRD SOGELEASE

At the end of 2012, the leasing subsidiary recorded an increase in the value of the financed goods of 17% compared to the same period of 2011, at a level of EUR 87.8 M and with 1.896 lease agreements.

These results have led to strengthening the market position of BRD Sogelease. Thus, the subsidiary recorded a market share of 10.7% and ranked second in the top leasing companies affiliated to the banking system.

The structure of BRD Sogelease's portfolio of 31 December 2012 included: cars (36%), commercial vehicles (26%), construction equipment (21%), industrial, agricultural and medical equipment (15%), IT and office equipment (1%), real estate (1%).

During 2012, the efforts of the leasing team focused on diversifying the offer and services granted to customers, on strengthening existing partnerships and on providing an advantageous domestic currency funding alternative.

BRD Sogelease continued prioritising the communication with the customers in its portfolio by upgrading the services and through effective dialogue with them. In 2012, it launched a quarterly business newsletter, followed in September by a new service (E-factur@) in partnership with Transfond. This premiere on the Romanian leasing market, ensures the electronic issue, delivery and archiving of the invoices related to the lease agreement. The project has won the e-partnership award as part of the e-Finance Gala of 2012.

In 2012 the cross-selling synergy with BRD Group continued, especially with BRD Finance. Together, we managed to develop partnership relations with the major car dealers present in Romania, through a number of 48 cooperation agreements (the main marketed brands: Peugeot, Opel, Chevrolet, Toyota). It was a successful collaboration which recorded a total of EUR 5.95 M in financed goods.

In late May 2012, BRD Sogelease obtained the SRAC re-certification for contract-based lending (finance lease), and for implementing and maintaining a quality management system according to the requirements of the ISO 9001:2008 standard, valid until 2015.

# LIFE INSURANCE

## BRD ASIGURĂRI DE VIAŢĂ

In 2012, BRD Asigurări de Viaţă continued its efforts to expand the product portfolio and to optimize and develop its offer. The commercial activity was focused mainly on attracting new customers and retaining existing ones. The commercial offer was adapted to the market conditions to provide tailored solutions, suitable for all the categories of customers.

As regards the corporate sector, the main aspects worth emphasizing are:

- Enhancing the flexibility and adapting to the economic conditions;
- Maintaining a qualitative commercial approach and pursue the strategy of accompanying our own products with the products offered by BRD Group.

BRD Asigurări de Viaţă ranked 7th at the end of 2012 in the top 22 life insurance companies on the market, and, last year, it recorded a volume of underwritings of over EUR 14 M, which translates into an increase of 36% in terms of the turnover compared to the previous year.

The Company concluded 2012 with a portfolio of nearly 470.000 customers, 47% more than in the same period of the previous year, as the only company in the TOP 10, within the life insurance segment, to record an increase in business.

# PRIVATE PENSION MANAGEMENT

## BRD PENSII

The 2012 priorities were maintaining the quality of the existing portfolio and attracting new customers.

BRD Pensii continued organizing local and national commercial campaigns in collaboration with BRD in order to retain and activate the customers portfolio. The sale of private pensions – Pillar II and Pillar III through BRD – led once again to the increase in the number of customers both for the Bank and for BRD Pensii, to the increase in the degree of equipment and long-term loyalty.

Less than four years after its launch, the BRD Medio Savings Pension Fund recorded a market share of 4% and 11.679 participants, ranking 6th among the 11 private savings pension funds on the market.

In 2012, BRD Pensions Privately Managed Pension Fund, recorded a market share of 3.6%, up from the previous year and has 203.453 participants.

BRD Pensii currently manages the savings of over 215.053 customers and assets worth approximately EUR 274 M for both mandatory private pensions, and voluntary savings pensions.

# FACTORING

The year 2012 was a new success for the factoring business of the bank, both in terms of the volumes and generated revenues. The turnover grew significantly, by 20% compared to the previous year, at a record level of over EUR 1 billion. It is the largest turnover from factoring operations we have achieved so far. Additionally, the net banking income rose by 33% compared to the previous year.

In the structure of the turnover, domestic factoring operations still have an important share, about 64%, while international factoring operations were at 22%. “Reverse factoring” operations continued to grow and, in 2012, their share increased to 13% of the total turnover.

As regards the structure of the portfolio according to the types of operations – with recourse or without recourse – the important share of factoring operations without recourse stands out, i.e. 76%, and the bank customers are interested in covering the risk of default in the case of both internal and external borrowers, given the uncertain economic environment.

As a reconfirmation of the quality of the factoring services, in 2012, we came 2nd in the top of import & export factors within the Factors Chain International organization (FCI) which is also the best position in the FCI hierarchy of a Romanian Factor.

# OPERATIONAL LEASING AND CAR FLEET MANAGEMENT

## ALD AUTOMOTIVE

ALD Automotive is one of the most important operational leasing and fleet management companies in Romania.
At the end of 2012, the company had a market share of 17% and managed a total fleet of 7.111 vehicles.

Last year, ALD Automotive managed 84% of its total fleet of vehicles in full service operational leasing and the remaining 16% were contracted in a fleet management system.

The customer portfolio increased by 7% in 2012, and represented 252 companies in various fields such as banking, IT&C, telecommunications, FMCG, pharmaceutics, energy etc.

The sale of used cars returned at the end of the contrat is promoted under the ALD Carmarket brand and, in 2012, the company sold 1.500 used vehicles, including 1.388 through the online closed bidding platform: www.aldcarmarket.ro.

In 2012, ALD Automotive ranked as first operational leasing company in Romania for the second consecutive year in the “Major Companies in Romania” top by doingbusiness.ro, based on a methodology established by Ernst & Young.

# INVESTMENT BANKING

## MARKET OPERATIONS AND BROKERAGE

In a difficult year in terms of macroeconomic conditions, the Financial Markets Department overall managed to generate a relatively constant net banking product, as compared to the previous year.

The main positive trend was recorded by the trading activity, as the Net Banking Product (NBP) of the government bond trading portfolio and the interest rate were significantly higher than during the previous year.

The macroeconomic and market background led to a decrease in the overall result of the activity of treasury product distribution flows. While the current foreign currency transactions recorded a result comparable to the previous year, the NBP associated with market risk hedging solutions (exchange rate, interest, the price of the goods) decreased compared to 2011 mainly due to the non-recurrence of certain customers and the decrease in the number of structured finance transactions. At the same time, the distribution of investment products to customers made progress, mainly for government bonds, with a significant growth potential for the future. The brokerage activities on the capital markets placed BRD second in the top brokers authorized by the Bucharest Stock Exchange in terms of the total traded amounts. Also important was the increase in the volumes brokered on behalf of customers on foreign exchange markets.

## SECURITIES

At the end of 2012, we held a global market share (deposit/custody) of 41% and two positions in the ranking of the prestigious specialty publication Global Custodian, for the categories of “Cross-Border/Non-Affiliated Commended” and “Domestic Top Rated”. These ratings are the recognition of the quality of service and attention we pay to the relationship with both local and international customers.

Our activity on this market has grown and diversified thanks to the expertise of the Société Générale Group – the second custodian bank in Europe and the sixth in the world with a network of correspondents covering over 85 countries.

Likewise, during 2012, we consolidated our leading position in the custody/deposit business on the Romanian market, according to the criterion of the assets under custody/deposit.

The expertise in the field and the outstanding results obtained over time have secured us a place in the debates held by regulatory companies in the process of development of the secondary legislation. We became a member and partner of the RONUG (the Romanian National User Group) and RONMPG (Romanian National Market Practice Group) projects covering the alignment and harmonization of practices on the domestic capital market with international standards.

FATCA (Foreign Account Tax Compliance Act) was another project involving the Securities Division in 2012 and it is to be implemented from 2014.

## ASSET MANAGEMENT

### BRD ASSET MANAGEMENT

The subsidiary ranks third on the investment fund market, holding a portfolio of six open investment funds (UCITS) and a market share at the end of 2012 of 8.48%.

The Simfonia 1 Fund saw a significant increase of 118.15% of its net assets. Simfonia 1 remains one of the most important market funds in Romania, with net assets of RON 425.673 M.

The BRD Obligatiuni Fund saw a growth in its assets of almost 104.43% and a positive performance of 5.11%, and the investments focused on the bond and fixed income instrument market.

In late 2012, as a result of the positive developments on the global capital and financial markets, the Actiuni Europa Regional Fund recorded a significant percentage of 20.07%, resulting in an increase of the assets of 118.81%.

The Diverso Europa Regional Fund aims at making investments up to 50% in shares listed on markets in the region or equity securities of UCITS and/or other undertakings for collective investment investing mainly in stock. At the end of 2012, the fund recorded a positive performance of 13.78%, and the percentage of increase of the net assets was 113.53%.

As a fund denominated in euros, BRD Eurofond implements a policy of prudent asset diversification among the different categories and its assets are invested on markets considered as having low risk, such as currency and fixed income instruments. During 2012, it recorded a performance of 4.67% in Euro terms and net assets of RON 262.647 M (EUR 59.305 M). The increase of 124.01% is the largest of all the funds under management.

The Index Europa Regional Fund had a performance of 22.85%, driven by the positive evolution of the capital and financial market. The percentage of increase of the net assets was 117.42% and its value at the end of the year was RON 2,424.5 M.

## CONSULTANCY SERVICES

### BRD CORPORATE FINANCE

During 2012, BRD Corporate Finance participated in six Merger & Acquisition operations out of which two were successfully completed: the sale of Suceava Mondeco by an international player, for which BRD CoFi was the advisor to the seller and the taking-over of certain assets and brands by Tymbark Maspex from a Romanian company, for which BRD CoFi was the advisor to the buyer.

As regards the activity on the capital markets, BRD was the leader of the consortium chosen by the Romanian Government as an intermediary for the initial offer for the sale of 10% of the shares and the listing of Hidroelectrica, alongside Société Générale, Citi and Intercapital.

Likewise, BRD CoFi was part of the team that brokered the investment for the first Romanian corporate bond issue of GDF Suez Energy Romania, worth RON 250 M.

Although no high short-term interest may be noticed among international investors regarding Romania, BRD Corporate Finance will continue to pursue the sale and purchase opportunities, in close coordination with Société Générale teams to strengthen the positioning on the local and international market of mergers & acquisitions. However, the local market promises a steady development in the near future, taking into account the interest of local companies, subsidiaries of large international companies and municipalities in alternative financing solutions through the capital market – bond issues or listing at the stock exchange.

# 7

# RISK MANAGEMENT

# CONSOLIDATING RISK CULTURE

Within BRD, the Board of Directors determines the strategic directions in terms of risk management.
Nonetheless, the responsibility for implementing the risk policies belongs to all bank entities.

The Central Risk Control Department coordinates risk management and is directly responsible for monitoring and managing the credit risks (country risk, concentration risk and residual risk), market risks and operational risks. Other departments, such as Finance (paying attention to the structural and liquidity risk), the Legal and Compliance Departments are also involved in risk management and the commercial departments bear responsibility for knowing their clients and for following the evolution of loans in the portfolios they manage.

The year 2012 was marked by significant structural adaptations.
We have taken steps to strengthen the risk culture in the bank and improve and strictly implement the internal risk control mechanisms. Governance has also improved and the approval circuits have been reviewed. RISK structures are present at every level of validation of the files and the Network risk controllers have been subordinated to the HQ Risk Department.

In terms of the control in granting loans, a series of strict methods of analysis was set to better know our customers and their financial situations.

Likewise, new scoring methods were implemented and the device of assessment of the security interests in real property upon granting loans was reinforced the same as the periodic reassessment of these values; sensitive exposures are subject to closer monitoring.

Additionally, we have developed a number of tracking systems that allow us a more careful risk management and, where appropriate, the faster implementation of strategic adjustments.

Another major issue for us in 2012 was implementing a new provisioning methodology for the commercial customers. This new methodology aims at better reflecting the value of assignment of collaterals, depending on the situation of the defaulting customers and market constraints.

At the end of 2012, the net value of the risk related to the change in methodology was EUR 106 M.

# 8

# HUMAN RESOURCES

# A NEW LEADERSHIP MODEL

## KEY FIGURES

- 8.800 employees within BRD (the Bank and Société Générale Group entities in Romania, including the newly established subsidiary Société Générale European Business Services);
- 621 new employees within the BRD Group;
- 7.7% total turnover, out of which 4.4% voluntary turnover;
- 97% of the staff attended at least one training course;
- 24 hours/employee is the average duration of training/employee.

In 2012, the Human Resource Department implemented various optimization and efficiency enhancing projects, as well as human capital development projects, according to Ambition 2015, the Société Générale strategic plan.

Our Human Resource projects and actions were in line with the strategic directions of the company and were aimed at supporting the business and the employees' development.

## ACTIVITY OPTIMIZATION AND COST CONTROL

2012 meant the reorganization of the Human Resource Department, materialized in the implementation of a new operating model focused on three pillars: HR Business Partners, the Expertise Centre and Société Generale European Business Services.

Also, our Human Resources Department continued providing support and consultancy for numerous internal reorganization projects such as the establishment of the 5th Regional Customer Service Centre, the reorganization of the IT activity, the reorganization of non-performing loans activity, the implementation of a new core banking system and various reorganizations of structures within the Headquarters.

## CAREER MANAGEMENT

Last year, we continued the Human Resources meetings with the employees, thus reaching 77% of the total Group employees, except those held for various internal reorganization projects. During these meetings, we pursued the same objectives of assessment of each person's potential and of tracking and developing of their careers, as we do every year.
Internal mobility reflected the adaptability of the organisation to the requirements of the macroeconomic context. Through the internal mobility policy, we encouraged both the performance and the development of employees' potential. These two criterias were also at the basis of internal promotions.

## PROMOTING A NEW LEADERSHIP MODEL

During the past year, numerous training activities were conducted with a focus on management in order to promote an organizational culture based on performance. Thus, in 2012, a total of 1.500 employees in management positions were trained.

The training programmes were aimed at supporting the business through a comprehensive cross-cutting approch and included: promotion of risk culture, financial analysis tools and communication and negotiation techniques.

Furthermore, as regards the policy on the salary package, we continued rewarding both collective and individual performance in a manner adapted to the economical context.

The motivation and recognition of efficient employees are still a major focus in the Human Resources strategy.

In order to ensure efficient organizational culture based on team spirit, in 2012, a new motivational project, "Super Colleague", was launched.
The "BRD Badge Matters" project (in Romanian: Legitimatia BRD Conteaza) that offers discounts to BRD employees continued its development and reached 305 partners, 18% up from the previous year.

# 9

# CORPORATE RESPONSIBILITY

# CORPORATE RESPONSIBILITY

We are a bank that implements the principles of corporate responsibility. We do that both in our activity & businesslines and in the management of the environmental impact, through responsible management of the banker profession and the resources we use in our activity.

## RESPONSIBILITY IN THE LINES OF BUSINESS

**Equator Principles**

BRD has implemented the Equator Principles since 2008. This commitment undertaken by the Société Générale Group provides for the assessment of the social and environmental risks of projects over USD 10 M. In 2012, BRD analyzed 5 files amounting to EUR 141.4 M according to the methodology of the Equator Pact.

**Green Financing**

The category of green financing includes the financing for renewable energy (wind, solar, geothermal, photovoltaic, biomass energy, etc.), cogeneration, alternative fuels and waste or polluting emission treatment.
In 2012, BRD granted EUR 146.395 M* for green financing, compared to 2011, when the financing was EUR 76.9 M*
(*figures verified by Ernst & Young Paris).

## RESPONSIBILITY TOWARDS THE COMMUNITY

**EDUCATION AND SOLIDARITY**

Education is one of the most powerful tools of reducing poverty and social inequalities.
Through community involvement programmes, we aim at facilitating and improving children's and young people's access to education and at reducing illiteracy, supporting young people's integration in active life and supporting talents.

**Mechanisms of sustainable involvement of our employees, customers and partners**

- Through our internal employee donation programme, 1,500 employees donate on a monthly basis various amounts that are doubled by the bank at the end of the year. In 2012 we financed 14 education and labour market insertion programmes for 2,700 children and young people;
- We are a partner for the direct debit donations programme developed by the Association for Community Relations.

**SPORTS**

Whether it is tennis, football or cycling, confirmed athletes or young talents, we reaffirm our involvement in promoting sports in Romania, and the most representative partnerships are BRD Nastase Tiriac Trophy, Hagi Academy and the Romanian Cycling Tour.

**CULTURE**

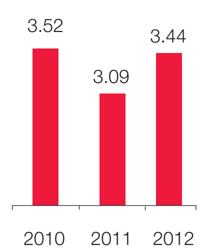
At BRD, in the exhibition space on the ground floor of our headquarters, we regularly organize exhibitions of famous or young Romanian artists. Likewise, we support cultural and academic events. One of the most important partnerships is with the Princess Margarita of Romania Foundation for supporting the Young Talents programme. 28 young artists received scholarships and access to creative camps, competitions abroad, mentoring and promotion programmes.

## ENVIRONMENTAL RESPONSIBILITY

The responsibility to protect the environment goes beyond mandatory legal issues, and it is a voluntary commitment of the bank through which we intend to fully neutralize the CO2 emissions resulting from our activities.
In 2012, for the second year, we purchased carbon certificates, thus neutralizing the CO2 footprint of the company.

The evolution of the CO2 emission indicator/employee for the past three years is as follows:

### CO2 EMISSIONS/EMPLOYEE (TONE)




**Mechanisms of sustainable involvement of our employees, customers and partners**

For the collection and recycling of waste resulting from Electrical and Electronic Equipment, we have developed partnerships with "Ateliere fara frontiere" and Recolamp associations. Thus, in 2012, we collected 20 tons of EEE waste (33.5 tons in 2011 ).
The IT equipment that could have been reconditioned was donated via "Ateliere fara frontiere" to associations and schools.

# 10

# FINANCIAL REPORT

To the Shareholders and Board of Directors of
BRD – Groupe Societe Generale S.A

## INDEPENDENT AUDITOR'S REPORT

**Raport asupra situatiilor financiare**

1. We have audited the accompanying consolidated and unconsolidated financial statements of BRD – Groupe Societe Generale S.A., ("the Bank") which comprise the consolidated and unconsolidated statement of financial position as at 31 December 2012, and the consolidated and unconsolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

2.Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

6. In our opinion, the consolidated and unconsolidated financial statements give a true and fair view of the consolidated and unconsolidated financial position of BRD – Groupe Societe Generale S.A. as of 31 December 2012, and its consolidated and unconsolidated financial performance and its consolidated and unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

In accordance with the Order of the National Bank of Romania no. 27/2010, article no. 40 point e) and article no. 16.1 point e) we have read the administrators' report attached to the consolidated and unconsolidated financial statements. The administrators' report on consolidated and unconsolidated financial statements is not a part of the financial statements. In the administrators' report on consolidated and unconsolidated financial statements we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated and unconsolidated financial statements.

**Petr Pruner, Audit Partner**

Registered with the Financial Auditors' Chamber of Romania under no. 4147/11.01.2012

On the behalf of:
**DELOITTE AUDIT S.R.L.**
DELOITTE AUDIT S.R.L.
Registered with the Financial Auditors' Chamber of Romania
under no.25/25.06.2001

Bucharest, Romania
14 March 2013

## CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Note | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| **ACTIVE** | | | | | |
| Cash in hand | 5 | 990,291 | 662,194 | 990,281 | 662,171 |
| Due from Central Bank | 6 | 8,393,494 | 8,743,127 | 8,392,575 | 8,741,778 |
| Due from banks | 7 | 394,461 | 1,035,020 | 368,030 | 995,384 |
| Derivatives and other financial instruments held for trading | 8 | 534,955 | 313,788 | 535,915 | 316,478 |
| Loans and advances to customers | 9 | 31,709,480 | 31,833,109 | 31,477,629 | 31,529,114 |
| Financial lease receivables | 10 | 661,339 | 732,665 | - | - |
| Financial investments available for sale | | | | | |
| Investments in associates | 11 | 4,549,005 | 4,877,014 | 4,549,005 | 4,876,866 |
| and subsidiares | 12 | 112,045 | 95,427 | 157,577 | 153,412 |
| Property, plant and equipment | 13 | 1,084,894 | 1,180,794 | 1,066,941 | 1,150,743 |
| Goodwill | 14 | 50,130 | 50,130 | 50,130 | 50,130 |
| Intangible assets | 15 | 85,400 | 94,451 | 76,262 | 89,647 |
| Other assets | 16 | 325,096 | 261,352 | 259,714 | 190,031 |
| **Total assets** | | **48,890,590** | **49,879,071** | **47,924,059** | **48,750,998** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Due to banks | 17 | 4,215,258 | 4,269,030 | 4,215,258 | 4,269,030 |
| Due to customers | 18 | 31,785,717 | 30,217,852 | 31,892,477 | 30,303,484 |
| Debt issued and borrowed funds | 19 | 5,557,607 | 7,716,276 | 4,791,283 | 6,793,165 |
| Subordinated debt | 20 | 892,071 | 874,161 | 892,071 | 874,161 |
| Derivative financial instruments | 8 | 164,385 | 170,812 | 164,385 | 170,812 |
| Current tax liability | | 1,923 | 19,731 | - | 16,867 |
| Deferred tax liability | 21 | 115,478 | 148,089 | 106,975 | 145,812 |
| Other liabilities | 22 | 395,857 | 374,724 | 338,089 | 287,430 |
| **Total liabilities** | | **43,128,297** | **43,790,675** | **42,400,538** | **42,860,761** |
| Share capital | 23 | 2,515,622 | 2,515,622 | 2,515,622 | 2,515,622 |
| Reserves from revaluation of available for sale assets | | 58,536 | (15,430) | 58,536 | (15,430) |
| Retained earnings | 24 | 3,136,373 | 3,544,633 | 2,949,363 | 3,390,045 |
| Non-controlling interest | | 51,762 | 43,571 | - | - |
| **Total equity** | | **5,762,293** | **6,088,396** | **5,523,521** | **5,890,237** |
| **Total liabilities and equity** | | **48,890,590** | **49,879,071** | **47,924,059** | **48,750,998** |

**The financial statements have been authorized by the Group's management on March 14, 2013 and are signed on the Group's behalf by:**

**Philippe Lhotte**
**President and Chief Executive Officer**

**Petre Bunescu**
**Deputy Chief Executive Officer**

*(Amounts in thousands RON)*

## CONSOLIDATED AND INVIDUAL INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | **Note** | **2012** | **2011** | **2012** | **2011** |
| Interest and similar income | 25 | 3,184,381 | 3,459,685 | 3,062,078 | 3,314,034 |
| Interest and similar expense | 26 | (1,238,320) | (1,280,761) | (1,206,235) | (1,239,430) |
| **Net interest income** | | **1,946,061** | **2,178,923** | **1,855,843** | **2,074,604** |
| **Fees and commissions, net** | 27 | **792,042** | **768,145** | **773,459** | **752,720** |
| Foreign exchange gain | 28 | 326,733 | 238,210 | 325,415 | 238,437 |
| Gain on derivative and other financial instruments held for trading | | 15,925 | 93,839 | 16,373 | 93,839 |
| Income from associates | 29 | 17,223 | 19,598 | 4,771 | 2,408 |
| Contribution to Deposit Guarantee Fund | 31 | (68,503) | (68,090) | (68,503) | (68,090) |
| Other income | 30 | 16,101 | 11,416 | 4,863 | 6,171 |
| **Operating income** | | **3,045,581** | **3,242,041** | **2,912,221** | **3,100,089** |
| Personnel expenses | 32 | (672,524) | (708,160) | (635,903) | (669,278) |
| Depreciation, amortisation and impairment on tangible asset | 33 | (161,826) | (146,025) | (157,552) | (141,462) |
| Other operating expenses | 34 | (597,718) | (610,518) | (559,697) | (572,902) |
| **Total operating expenses** | | **(1,432,068)** | **(1,464,703)** | **(1,353,152)** | **(1,383,642)** |
| Credit loss expense | 34 | (1,942,980) | (1,222,501) | (1,937,418) | (1,198,976) |
| **Profit/(loss) before income tax** | | **(329,467)** | **554,837** | **(378,349)** | **(517,471)** |
| Current income tax expense | 21 | (1,970) | (99,602) | - | 517,471 |
| Deferred tax (expense)/income | 21 | 40,873 | 43,251 | 47,173 | 48,644 |
| **Total income tax** | | **38,903** | **(56,351)** | **47,173** | **(48,094)** |
| **Profit/(loss) for the year** | | **(290,564)** | **498,486** | **(331,176)** | **469,377** |
| Profit attributable to non-controlling interests parent | | (8,190) | (2,207) | - | - |
| | | (298,754) | 496,279 | (331,176) | 469,377 |
| **Earnings per share (in RON)** | 41 | **(0.4287)** | **0.7121** | **(0.4752)** | **0.6735** |

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

## CONSOLIDATED AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Profit for the year** | **(290,564)** | **498,486** | **(331,176)** | **469,377** |
| **Other comprehensive income** | | | | |
| Net gain/(loss) on available-for-sale financial assets | 82,228 | (41,859) | 82,302 | (38,555) |
| Income tax relating to components of other comprehensive income | (8,262) | 1,825 | (8,336) | 1,339 |
| **Other comprehensive income for the year, net of tax** | **73,966** | **(40,034)** | **73,966** | **(37,216)** |
| **Total comprehensive income for the year, net of tax** | **(216,598)** | **458,452** | **(257,210)** | **432,161** |
| Attributable to: | | | | |
| Equity holders of the parent | (224,788) | 456,245 | (257,210) | 432,161 |
| Non-controlling interest | 8,190 | 2,207 | - | - |

## CONSOLIDATED AND INDIVIDUAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012

**Group**

| | Note | Issued capital | Reserves from revaluation of available for sale assets | Retained earnings | Minority interest | Total |
|---|---|---|---|---|---|---|
| **December 31, 2010** | | **2,515,622** | **24,604** | **3,167,476** | **41,365** | **5,749,067** |
| Total comprehensive income | | - | (40,034) | 496,279 | 2,206 | 458,451 |
| Shared-based payment | | - | - | 6,025 | - | 6,025 |
| Equity dividends | | - | - | (125,147) | - | (125,147) |
| **December 31, 2011** | | **2,515,622** | **(15,430)** | **3,544,633** | **43,571** | **6,088,396** |
| Total comprehensive income | | - | (73,966) | (298,754) | 8,191 | (216,597) |
| Shared-based payment | | - | - | 6,809 | - | 6,809 |
| Equity dividends | | - | - | (116,316) | - | (116,316) |
| **December 31, 2012** | 23 | **2,515,622** | **58,536** | **3,136,373** | **51,762** | **5,762,293** |

**Bank**

| | Note | Issued capital | Reserves from revaluation of available for sale assets | Retained earnings | Total |
|---|---|---|---|---|---|
| **December 31, 2010** | | **2,515,622** | **21,786** | **3,039,790** | **5,577,198** |
| Total comprehensive income | | - | (37,216) | 469,377 | 432,161 |
| Shared-based payment | | - | - | 6,025 | 6,025 |
| Equity dividends | | - | - | (125,147) | (125,147) |
| **December 31, 2011** | | **2,515,622** | **(15,430)** | **3,390,045** | **5,890,237** |
| Total comprehensive income | | - | 73,966 | (331,176) | (257,210) |
| Shared-based payment | | - | - | 6,809 | 6,809 |
| Equity dividends | | - | - | (116,316) | (116,316) |
| **December 31, 2012** | 23 | **2,515,622** | **58,536** | **2,949,363** | **5,523,521** |

*(Amounts in thousands RON)*

## CONSOLIDATED AND INDIVIDUAL STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Note | 2012 | 2011 | 2012 | 2011 |
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | **(329,467)** | **554,837** | **(378,349)** | **517,471** |
| *Adjustments for non-cash items* | | | | | |
| Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets | | 161,826 | 146,025 | 157,552 | 141,462 |
| Share based payment | | 6,809 | 6,025 | 809 | 6,025 |
| (Gain) from investment revaluation | | (12,453) | (17,190) | - | (5,793) |
| Net expenses from impairment of loans and from provisions | 36 | 2,007,362 | 1,262,823 | 1,988,760 | 1,221,563 |
| Income tax paid | | (99,583) | (59,702) | (96,766) | (57,318) |
| **Operating profit before changes in operating assets and liabilities** | | **1,734,494** | **1,892,818** | **1,678,006** | **1,823,410** |
| **Changes in operating assets and liabilities** | | | | | |
| Current account with NBR | | 349,634 | (210,180) | 686,631 | (210,476) |
| Accounts and deposits with banks | | 97,684 | (113,633) | 124,113 | (113,633) |
| Available for sale securities | | 401,975 | (835,539) | 401,827 | (881,730) |
| Loans | | (1,865,990) | (843,547) | (1,922,335) | (857,235) |
| Lease receivables | | 71,326 | 139,156 | - | - |
| Other assets | | (244,038) | (60,519) | (241,946) | (200,838) |
| Due to banks | | (53,772) | 2,392,404 | (53,772) | 2,392,404 |
| Due to customers | | 1,567,867 | 193,204 | 1,588,993 | 202,194 |
| Other liabilities | | 45,619 | 20,738 | 71,814 | 15,924 |
| **Total changes in operating assets and liabilities** | | **370,305** | **1,471,441** | **317,898** | **1,243,717** |
| **Cash flow from operating activities** | | **2,104,799** | **3,364,259** | **1,995,904** | **3,067,127** |
| **Investing activities** | | | | | |
| Acquisition of equity investments | | (4,165) | - | (4,165) | - |
| Proceeds from equity investments | | - | - | - | 5,984 |
| Acquisition of tangible and intangible assets | | (68,255) | (148,209) | (67,450) | (139,128) |
| Proceeds from sale of tangible and intangible assets | | 11,380 | 1,687 | 2,329 | 1,687 |
| **Cash flow from investing activities** | | **(61,040)** | **(146,522)** | **(69,286)** | **(131,457)** |
| **Financing activities** | | | | | |
| (Decrease) in borrowings | | (2,140,759) | (2,782,582) | (1,983,972) | (2,500,513) |
| Dividends paid | | (117,777) | (125,145) | (117,777) | (125,145) |
| **Net cash from financing activities** | | **(2,258,536)** | **(2,907,727)** | **(2,101,749)** | **(2,625,658)** |

continued total at page 45

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

## CONSOLIDATED AND INDIVIDUAL STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Note | 2012 | 2011 | 2012 | 2011 |
| **Net movements in cash and cash equivalents** | | **(214,777)** | **310,010** | **(175,131)** | **310,012** |
| **Cash and cash equivalents at beginning of the period** | 36 | **1,336,933** | **1,026,923** | **1,297,274** | **987,262** |
| **Cash and cash equivalents at the end of the period** | 36 | **1,122,156** | **1,336,933** | **1,122,143** | **1,297,274** |

| **Operational cash flows from interest and dividends** | **2012** | **2011** | **2012** | **2011** |
|---|---|---|---|---|
| Interest paid | 1,243,157 | 1,310,363 | 1,201,307 | 1,213,249 |
| Interest received | 2,998,341 | 3,098,808 | 2,879,059 | 2,947,214 |
| Dividends received | 5,202 | 2,787 | 5,202 | 2,787 |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 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 915 units throughout the country (December 31, 2011: 937).

The average number of employees of the Group during 2012 was 8,627 (2011: 9,046), and the number of employees of the Group as of the year-end was 8,496 (December 31, 2011: 8,747).

The average number of employees of the Bank during 2012 was 8,123 (2011: 8,491), and the number of employees of the Bank as of the year-end was 7,992 (December 31, 2011: 8,245).

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

The shareholding structure of the Bank is as follows:

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Societe Generale France | 60.17% | 60.17% |
| SIF Banat Crisana | 4.63% | 4.66% |
| SIF Oltenia | 4.17% | 4.64% |
| SIF Muntenia | 4.15% | 4.15% |
| Fondul Proprietatea | 3.64% | 3.64% |
| SIF Transilvania | 3.36% | 3.77% |
| SIF Moldova | 2.32% | 3.28% |
| Other shareholders | 17.56 | 15.69% |
| **Total** | **100.00%** | **100.00%** |


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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 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, 2012 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU").

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, 2012. 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, 2011: 99.98%), BRD Finance IFN S.A (49% ownership, 2011: 49%, control through the power to govern the financial and operating policies of the entity under various agreements), BRD Corporate Finance SRL (100% ownership, 2011: 100 %) and BRD Asset Management SAI SA (99.98% ownership, 2011: 99.95%). All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

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

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

Acquisition of minority interests are accounted for so that the difference between the consideration and the fair value of the share of the net assets aquired is recognised as goodwill. Any negative difference between the cost of aquisition and the fair values of the identifiable net assets acquired (i.e. a loss on acquisition) is recognised directly in the income statement in the year of aquisition. The Bank is accounting the investments in subsidiaries and associates in the individual financial statement at cost less potential impairment.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 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 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.

**- Amendments to 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 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.

**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 Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.
The Group 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 Group in the period of initial application, except for IFRS 9 as its effects can be material.

**- IFRS 9 "Financial Instruments"** published by IASB on 12 November 2009. On 28 September 2010 IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. Standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method
to be used, replacing the many different impairment methods in IAS 39. The new requirements on accounting for financial liabilities address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value. The IASB decided to maintain the existing amortised cost measurement for most liabilities, limiting change to that required to address the own credit problem. With the new requirements, an entity choosing to measure a liability at fair value will
present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income section of the income statement, rather than within profit or loss.

**- IFRS 10 "Consolidated Financial Statements"** published by IASB on 12 May 2011. IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation — Special Purpose Entities by introducing 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 1) power over the investee; 2)
exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

**- IFRS 11 *"Joint Arrangements"*** published by IASB on 12 May 2011. IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 2. Basis of preparation (continued)

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

removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

**- IFRS 12** ***"Disclosures of Involvement with Other Entities"*** published by IASB on 12 May 2011. IFRS 12 will require enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

**- IFRS 13** ***"Fair Value Measurement"*** published by IASB on 12 May 2011. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

**- Amendments to IAS 12** ***"Income Taxes" - Deferred Tax: Recovery of Underlying Assets*** published by IASB on 20 December 2010. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be through sale.

**- Amendments to IAS 1** ***"Presentation of financial statements"-Presentation of Items of Other Comprehensive Income*** published by IASB on 16 June 2011. The amendments require companies preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

**- Amendments to IAS 19** ***"Employee Benefits" - Improvements to the Accounting for Post-employment Benefits*** published by IASB on 16 June 2011. The amendments make important improvements by: (1) eliminating an option to defer the recognition of gains and losses, known as the "corridor method", improving comparability and faithfulness of presentation; (2) streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations; (3) enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

**- IAS 27** ***"Separate Financial Statements" (revised in 2011)*** As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Bank does not present separate financial statements.

- IAS 28 "Investments in Associates and Joint Ventures" (revised in 2011). As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosures of Interests on Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 2. Basis of preparation (continued)

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

**- Amendments to 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.

**e) Standards and Interpretations issued by IASB but not yet adopted by the EU**

**- Amendments to IFRS 9 *"Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" - Mandatory Effective Date and Transition Disclosures*** published by IASB on 16 December 2011. Amendments defer the mandatory effective date from 1 January 2013 to 1 January 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply
IFRS 9 prior to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

**- Amendments to IFRS 1 *"First-time Adoption of IFRS"*** – eliminates the need for companies adopting IFRS for the first time to restate the recognition transactions that occurred before the date of transition to IFRS and provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

**- Amendments to IFRS 1 *"First-time Adoption of IFRS" - Government Loans*** published by IASB on 13 March 2012. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" in 2008.

**- Amendments to 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.

**- Amendments to IFRS 1 *"First-time Adoption of IFRS"*** This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

**- IAS 1 Presentation of Financial Statements**
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

**- IAS 16 Property Plant and Equipment**
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 2. Basis of preparation (continued)

### e) Standards and Interpretations issued by IASB but not yet adopted by the EU

**- IAS 32 Financial Instruments, Presentation**
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

**- IAS 34 Interim Financial Reporting**
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

**f) 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 Group's management has made an assessment of the Group'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.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 2. Basis of preparation (continued)

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

*Impairment of available-for-sale investments*
The Group reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

*Impairment of goodwill*
The Group determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2012 was 50,130 (December 31, 2011: 50,130).

*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 22.

**g) Segment information**

An operating segment is a component of the Group:
- That engages in business activity from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and asset its performance, and;
- For which distinct financial information is available;

The Group's segment reporting is based on the following operating segments: Individuals, Professionals, Very small enterprises, SMEs, Large corporate.


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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 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, 2012 and 2011 were as follows:

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| RON/ USD | 3.3575 | 3.3393 |
| RON/ EUR | 4.4287 | 4.3197 |

**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.

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 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.


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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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

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

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

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

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

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

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

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

**i) Tangible assets**

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

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

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

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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

### i) Tangible assets (continued)

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 the financial position is not amortized any longer and is reviewed for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

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, 2012 and 2011 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.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

### n) Derivative financial instruments (continued)

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' or interbank 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.


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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

### t) Recognition of income and expenses (continued)

*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 Group's best estimate of the number of equity

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

### u) Employee benefits (continued)

*Share–based payment transactions (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.

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, 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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 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/ (loss) 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, 2012 and 2011 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 Group'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.


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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

### ac) Financial guarantees (continued)

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.

**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.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 4. Segment information

The operating segments used for management purposes are based on products, services and customer type and size, as follows:

- Individuals – The Group provides individual customers with a range of banking products such as: saving and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities etc
- Professionals – The Group provides professionals customers with a range of banking products such as: saving and deposits taking, loans and other credit facilities; professionals include freelancers, liberal professions and companies with annual turnover below EUR 0.1 million.
- Very small enterprises – The Group provides very small enterprises with a range of banking products such as: saving and deposits taking, loans and other credit facilities. Very small enterprises companies are companies with annual turnover between EUR 0.1 million and EUR 3 million
- SMEs - The Group provides SMEs with a range of banking products such as: saving and deposits taking, loans and other credit facilities. SMEs are companies with annual turnover between EUR 3 million and EUR 50 million.
- Large corporate - within corporate banking the Bank provides corporate customers with a range of banking products and services, including lending and deposit taking, provides cash-management, investment advices, financial planning, securities business, project and structured finance transaction, syndicated loans and asset backed transactions. The large corporate customers are the customers managed by Corporate and Investment Banking Division and/or corporate customers with annual turnover higher than 50 million EUR

The Executive Committee monitors the activity of each operating segment separately for the purpose of making decisions about resource allocation and performance assessment.

The process of income and expenses allocation by segment is currently under review. Therefore, for the years ended December 31, 2012 and 2011 the Bank presents segment information only for the major statement of financial position items.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 4. Segment information (continued)

| Bank | Individuals | Professionals | Very small entities | SMEs | Large corporates | Total |
|---|---|---|---|---|---|---|
| **December 31, 2012** | | | | | | |
| Loans, gross | 16,914,379 | 1,436,516 | 5,282,868 | 5,523,003 | 6,233,138 | **35,389,905** |
| Loans impairment | (672,024) | (593,743) | (1,486,273) | (759,524) | (400,712) | **(3,912,276)** |
| Loans and advances to customers | 16,242,355 | 842,773 | 3,796,595 | 4,763,480 | 5,832,426 | **31,477,629** |
| Due to customers | 16,274,883 | 1,043,377 | 2,638,012 | 4,066,545 | 7,869,659 | **31,892,477** |
| **December 31, 2011** | | | | | | |
| Loans, gross | 16,297,556 | 998,908 | 5,622,238 | 5,234,266 | 5,774,272 | **33,927,239** |
| Loans impairment | (389,098) | (389,098) | (898,845) | (583,641) | (137,445) | **(2,398,125)** |
| Loans and advances to customers | 15,908,459 | 609,810 | 4,723,393 | 4,650,625 | 5,636,827 | **31,529,114** |
| Due to customers | 15,278,170 | 870,293 | 2,963,910 | 4,247,411 | 6,943,699 | **30,303,484** |

| Group | Individuals | Professionals | Very small entities | SMEs | Mari Clienti | Total |
|---|---|---|---|---|---|---|
| **December 31, 2012** | | | | | | |
| Loans, gross | 17,276,198 | 1,436,516 | 5,282,868 | 5,523,003 | 6,163,215 | **35,681,800** |
| Loans impairment | (732,068) | (593,743) | (1,486,273) | (759,524) | (400,712) | **(3,972,320)** |
| Loans and advances to customers | 16,544,130 | 842,773 | 3,796,595 | 4,763,480 | 5,762,502 | **31,709,480** |
| Due to customers | 16,274,883 | 1,043,377 | 2,638,012 | 4,066,545 | 7,762,899 | **31,785,717** |
| **December 31, 2012** | | | | | | |
| Loans, gross | 16,691,573 | 998,908 | 5,622,238 | 5,234,266 | 5,768,507 | **34,315,492** |
| Loans impairment | (473,355) | (389,098) | (898,845) | (583,641) | (137,445) | **(2,482,383)** |
| Loans and advances to customers | 16,218,218 | 609,810 | 4,723,393 | 4,650,625 | 5,631,063 | **31,833,109** |
| Due to customers | 15,278,170 | 870,293 | 2,963,910 | 4,247,411 | 6,858,067 | **30,217,852** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 5. Cash in hand

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Cash in vaults | 714,340 | 414,241 | 714,330 | 414,218 |
| Cash in ATM | 275,951 | 247,953 | 275,951 | 247,953 |
| **Total** | **990,291** | **662,194** | **990,281** | **662,171** |

## 6. Due from Central Bank

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Current accounts | 8,393,493 | 8,743,127 | 8,392,575 | 8,741,778 |
| **Total** | **8,393,493** | **8,743,127** | **8,392,575** | **8,741,778** |

The Group has maintained the minimum compulsory reserve amount with the Central Bank as of December 31, 2011 and December 31, 2012.

## 7. Due from banks

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Deposits at Romanian banks | 30,030 | 440,188 | 30,030 | 440,188 |
| Deposits at foreign banks | 210,217 | 299,241 | 183,786 | 259,605 |
| Current accounts at Romanian banks | 10,002 | 60,405 | 10,002 | 60,405 |
| Current accounts at foreign banks | 144,212 | 235,186 | 144,212 | 235,186 |
| **Total** | **394,461** | **1,035,020** | **368,030** | **995,384** |

As of December 31, 2012 amounts due from banks include exposures to SG Group amounting 268,313 (December 31, 2011 exposures of 350,872).


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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 8. Derivative financial instruments

**Group**

| | December 31, 2012 | | |
|---|---|---|---|
| | **Assets** | **Liabilities** | **Notional** |
| Interest rate swaps | 15,076 | 87,871 | 2,683,406 |
| Currency swaps | 119,286 | 25,434 | 6,403,008 |
| Forward foreign exchange contracts | 8,513 | 29,382 | 1,656,246 |
| Currency options | 21,698 | 21,698 | 3,600,425 |
| **Total derivatives** | **164,573** | **164,385** | **14,343,085** |
| Financial instruments held for trading | 370,382 | - | 370,313 |
| **Total** | **534,955** | **164,385** | **14,713,398** |

| | December 31, 2011 | | |
|---|---|---|---|
| | **Assets** | **Liabilities** | **Notional** |
| Interest rate swaps | 6,040 | 97,259 | 2,437,932 |
| Currency swaps | 41,163 | 25,987 | 6,305,263 |
| Forward foreign exchange contracts | 22,160 | 16,199 | 1,710,711 |
| Currency options | 31,368 | 31,367 | 4,692,817 |
| **Total derivatives** | **100,731** | **170,812** | **15,146,723** |
| Financial instruments held for trading | 213,057 | - | 217,040 |
| **Total** | **313,788** | **170,812** | **15,363,764** |

**Bank**

| | December 31, 2012 | | |
|---|---|---|---|
| | **Assets** | **Liabilities** | **Notional** |
| Interest rate swaps | 16,036 | 87,871 | 2,714,407 |
| Currency swaps | 119,286 | 25,434 | 6,403,008 |
| Forward foreign exchange contracts | 8,514 | 29,382 | 1,656,246 |
| Currency options | 21,698 | 21,698 | 3,600,425 |
| **Total derivatives** | **165,533** | **164,385** | **14,374,086** |
| Financial instruments held for trading | 370,382 | - | 370,313 |
| **Total** | **535,915** | **164,385** | **14,744,399** |

| | December 31, 2011 | | |
|---|---|---|---|
| | **Assets** | **Liabilities** | **Notional** |
| Interest rate swaps | 8,731 | 97,259 | 2,538,796 |
| Currency swaps | 41,163 | 25,987 | 6,305,263 |
| Forward foreign exchange contracts | 22,160 | 16,199 | 1,710,711 |
| Currency options | 31,367 | 31,367 | 4,692,817 |
| **Total derivatives** | **103,421** | **170,812** | **15,247,587** |
| Financial instruments held for trading | 213,057 | - | 217,040 |
| **Total** | **316,478** | **170,812** | **15,464,628** |

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 variable rate and to pay a fixed rate.

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 8. Derivative financial instruments (continued)

The initial amount of the hedged item was 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%. In 2012 the amount was reduced to 118,4 million EUR with the interest terms remaining unchanged.

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%.

Both hedging relationships were effective throughout the reporting period.

*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.

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 9. Loans and advances to customers

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Loans, gross | 35,681,800 | 34,315,492 | 35,389,905 | 33,927,239 |
| Loans impairment | (3,972,320) | (2,482,383) | (3,912,276) | (2,398,125) |
| **Total** | **31,709,480** | **31,833,109** | **31,477,629** | **31,529,114** |

### The loans structure is the following:

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Working capital loans | 9,653,908 | 9,236,286 | 9,723,831 | 9,302,255 |
| Loans for equipment | 7,686,106 | 7,488,372 | 7,686,106 | 7,488,372 |
| Trade activities financing | 854,510 | 567,187 | 854,510 | 567,187 |
| Acquisition of real estate, including mortgage for individuals | 6,242,518 | 4,722,784 | 6,242,518 | 4,722,784 |
| Consumer loans | 10,236,470 | 11,195,032 | 9,874,652 | 10,740,810 |
| Other | 1,008,288 | 1,105,831 | 1,008,288 | 1,105,831 |
| **Total** | **35,681,800** | **34,315,492** | **35,389,905** | **33,927,239** |

As of December 31, 2012, balances relating to factoring, both for Group and Bank, amount to 778,020 (December 31, 2011: 558,447) and those relating to discounting 61,415 (December 31, 2011: 36,719).

As of December 31, 2012 the amortized cost of loans granted to the 20 largest corporate clients of the Group (groups of connected borrowers) amounts to 2,355,687 (December 31, 2011:2,212,634) and to 2,398,130 (December 31, 2011: 2,277,003) 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 3,622,559 (December 31, 2011:3,080,222) and to 3,702,600 (December 31, 2011: 3,091,008) for the Bank.

### Impairment allowance for loans

**Group**

| | Collective impairment | Specific impairment | Total |
|---|---|---|---|
| **Balance as of December 31, 2010** | **192,231** | **1,459,183** | **1,651,414** |
| Net provision expenses | (70,218) | 883,116 | 812,898 |
| Foreign exchange losses | (545) | 18,616 | 18,071 |
| **Balance as of December 31, 2011** | **121,468** | **2,360,915** | **2,482,383** |
| Net provision expenses/ (income) | 18,463 | 1,369,700 | 1,388,163 |
| Foreign exchange losses/ (gains) | (25,613) | 127,387 | 101,774 |
| **Balance as of December 31, 2012** | **114,318** | **3,858,002** | **3,972,320** |

**Bank**

| | Collective impairment | Specific impairment | Total |
|---|---|---|---|
| **Balance as of December 31, 2010** | **192,231** | **1,328,083** | **1,520,314** |
| Net provision expenses | (70,218) | 929,958 | 859,740 |
| Foreign exchange losses | (545) | 18,616 | 18,071 |
| **Balance as of December 31, 2011** | **121,468** | **2,276,657** | **2,398,125** |
| Net provision expenses/ (income) | 18,463 | 1,393,915 | 1,412,378 |
| Foreign exchange losses/ (gains) | (25,613) | 127,387 | 101,774 |
| **Balance as of December 31, 2012** | **114,318** | **3,797,959** | **3,912,276** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

The value of loans individually determined to be impaired for the Group is 7,608,700 (December 31, 2011:5,762,671), while for the Bank is 7,533,825 (December 31, 2011:5,677,862).

The increase in provisions as of 31 December 2012 compared to 31 December 2011 reflects the increase of impaired loans as a result of deteriorated macroeconomic environment and the impact of a new methodology for provisioning corporate customers. The new methodology is intended to better reflect the recoverability of the collateral, taking into consideration the situation of the defaulted customers and the market constraints.

## 10. Lease receivables

**Group**

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Gross investment in finance lease:** | | |
| Maturity under 1 year | 293,430 | 362,699 |
| Maturity between 1 and 5 years | 437,722 | 455,776 |
| Maturity higher than 5 years | 51,839 | 70,755 |
| | **782,991** | **889,230** |
| **Unearned finance income** | (79,111) | (114,722) |
| **Net investment in finance lease** | **703,879** | **774,508** |
| **Net investment in finance lease:** | | |
| Maturity under 1 year | 259,354 | 310,176 |
| Maturity between 1 and 5 years | 397,946 | 403,295 |
| Maturity higher than 5 years | 46,579 | 61,037 |
| | **703,879** | **774,508** |

**Group**

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Net investment in the lease | 703,879 | 774,508 |
| Accumulated allowance for uncollectible minimum lease payments receivable | (42,541) | (41,843) |
| **Total** | **661,339** | **732,665** |

The fair value of leased objects relating to financial lease receivables individually determined to be impaired as at December 31, 2012 amounts to 79,540 (December 31, 2011: 95,610 ). The amounts are capped to the gross exposure level.



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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 11. Financial assets available for sale

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Treasury notes | 4,380,302 | 4,709,048 | 4,380,302 | 4,709,049 |
| Equity investments | 11,219 | 11,708 | 11,219 | 11,559 |
| Other securities | 157,484 | 156,258 | 157,484 | 156,258 |
| **Total** | **4,549,005** | **4,877,014** | **4,549,005** | **4,876,866** |

*Treasury notes*

Treasury notes consist of interest bearing bonds issued by the Romanian State, rated as BB+ by Standard&Poors. As of December 31, 2012 treasury notes amounting to 2,361,773 with a maturity of 7 days have been pledged to NBR (2011: 494,564 with a maturity of 8 days) 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 and Bank holds funds units in:

| 2012 | Unit value | No of units | Market value |
|---|---|---|---|
| Simfonia | 34 | 443,129 | 15,000 |
| Concerto | 141 | 90,353 | 12,753 |
| Diverso | 132 | 175,730 | 23,242 |
| Actiuni | 124 | 116,238 | 14,355 |
| Index | 108 | 21,794 | 2,347 |

| 2011 | Unit value | No of units | Market value |
|---|---|---|---|
| Simfonia | 32 | 443,129 | 14,202 |
| Concerto | 134 | 90,353 | 12,086 |
| Diverso | 116 | 175,730 | 20,427 |
| Actiuni | 103 | 116,238 | 11,956 |
| Index | 88 | 21,794 | 1,910 |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 12. Investments in subsidiaries and associates

**Group**

| Associates | Field of activity | % | December 31, 2011 | Additions/ Reclassifica-tions | D isposals | Increase / (decrease) in net assets | December 31, 2012 |
|---|---|---|---|---|---|---|---|
| ALD Automotive | Operational leasing | 20.00% | 16,672 | - | - | 6,381 | 23,053 |
| Mobiasbanca Groupe Societe Generale S.A. | Financial institution | 20.00% | 41,554 | - | - | 5,365 | 46,919 |
| BRD Asigurari de Viata SA | Insurance | 49.00% | 11,734 | 4,165 | - | 721 | 16,620 |
| Fondul de Garantare a Creditului Rural | Loans guarantee | 33.33% | 12,803 | - | - | 131 | 12,934 |
| Biroul de Credit SA | Financial institution | 18.85% | 3,234 | - | - | 208 | 3,442 |
| BRD Fond de Pensii S.A. | Pension fund management | 49.00% | 8,822 | - | - | (498) | 8,324 |
| BRD Sogelease Asset Rental SRL | Operational leasing | 20.00% | 608 | - | - | 145 | 753 |
| | | | **95,427** | **4,164** | | **12,453** | **112,045** |

**Group**

| Associates | Domeniul de activitate | % | December 31, 2011 | Additions/ Reclassifica-tions | Disposals | Increase / (decrease) in net assets | December 31, 2012 |
|---|---|---|---|---|---|---|---|
| ALD Automotive | Leasing operational | 20.00% | 12,528 | - | - | 4,114 | 16,672 |
| Mobiasbanca Groupe Societe Generale S.A. | Institutie financiara | 20.00% | 32,970 | - | - | 8,584 | 41,554 |
| BRD Asigurari de Viata SA | Asigurari | 49.00% | 10,099 | - | - | 1,635 | 11,734 |
| Fondul de Garantare a Creditului Rural | Garantarea creditelor | 33.33% | 9,889 | - | - | 2,914 | 12,803 |
| Biroul de Credit SA | Leasing operational | 18.85% | 2,874 | - | - | 360 | 3,234 |
| BRD Fond de Pensii S.A. | Gestionare fond de pensii | 49.00% | 9,547 | - | - | (725) | 8,822 |
| BRD Sogelease Asset Rental SRL | Leasing operational | 20.00% | 330 | - | - | 278 | 608 |
| | | | **78,237** | - | - | **17,190** | **95,427** |

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*
*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

**Bank**

| | Field of activity | % | December 31, 2011 | Additions/ Reclassifica-tions | D isposals | December 31, 2012 |
|---|---|---|---|---|---|---|
| ALD Automotive | Operational leasing | 20.00% | 11,873 | - | - | 11,873 |
| Mobiasbanca Groupe Societe Generale S.A. | Financial institution | 20.00% | 29,017 | - | - | 29,017 |
| BRD Asigurari de Viata SA | Insurance | 49.00% | 13,532 | 4,165 | - | 17,697 |
| Fondul Roman de Garantare a Creditului Rural | Loans guarantee | 33.33% | 14,220 | - | - | 14,220 |
| Biroul de Credit SA | Financial institution | 18.85% | 779 | - | - | 779 |
| BRD Fond de Pensii S.A. | Pension fund management | 49.00% | 14,690 | - | - | 14,690 |
| **Associates** | | | **84,111** | **4,165** | **-** | **88,276** |
| 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% | 4,321 | - | - | 4,321 |
| BRD Corporate Finance SRL | Business and managament | 100.00% | 403 | - | - | 403 |
| **Subsdiaries** | | | **69,301** | - | - | **69,301** |
| **Total Associates and Subsidiaries** | | | **153,412** | **4,165** | **-** | **157,577** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

**Bank**

| | Field of activity | % | december 31, 2010 | Additions/ Reclassifi-cations | Disposals | december 31, 2011 |
|---|---|---|---|---|---|---|
| ALD Automotive | Operational leasing | 20.00% | 11,873 | - | - | 11,873 |
| 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 Roman de Garantare a Creditului Rural | Loans guarantee | 33.33% | 14,220 | - | - | 14,220 |
| Biroul de Credit SA | Financial institution | 18.85% | 779 | - | - | 779 |
| BRD Fond de Pensii S.A. | Pension fund management | 49.00% | 14,690 | - | - | 14,690 |
| **Associates** | | | **84,111** | **-** | **-** | **84,111** |
| 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 | 99.95% | 2,321 | 2,000 | - | 4,321 |
| BRD Corporate Finance SRL | Business and management consultancy | 100.00% | 403 | - | - | 403 |
| **Subsdiaries** | | | **69,452** | **2,000** | **2,151** | **69,301** |
| **Total Associates and Subsidiaries** | | | **153,563** | **2,000** | **2,151** | **153,412** |

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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

The subsidiaries and associate summary of financial position and income statement as at December 31, 2012 are as follows:

| **Associates** | **Address** | **Total assets** | **Total liabilities** | **Net assets** | **Share-holders interest** | **Net profit/ (loss)** |
|---|---|---|---|---|---|---|
| ALD Automotive | 1-7, Ion Mihalache Street, Bucharest | 291,883 | 169,865 | 122,018 | 71,293 | 33,318 |
| Mobiasbanca Groupe Societe Generale S.A. | 81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova | 986,325 | 752,527 | 233,798 | 104,803 | 14,861 |
| BRD Asigurari de Viata SA | 64 Blvd. Unirii Bl. K4, sector 3, Bucharest | 90,182 | 56,081 | 34,101 | 36,464 | 3,603 |
| Fondul de Garantare a Creditului Rural | 5 Occidentului Street, Bucharest | 1,739,193 | 1,701,571 | 37,622 | 20,297 | 11,693 |
| Biroul de Credit S.A. | 15 Calea Victoriei, Bucharest | 18,713 | 835 | 17,878 | 6,711 | 4,027 |
| BRD Fond de Pensii S.A. | 64 Unirii Blvd, Bucharest | 16,766 | 758 | 16,008 | 23,212 | (16,168) |
| BRD Sogelease Asset Rental SRL | 1-7, Ion Mihalache Street, Bucharest | 82,231 | 78,363 | 3,868 | 1,318 | (479) |

| **Subsdiaries** | **Address** | **Total assets** | **Total liabilities** | **Net assets** | **Partea actionarilor majoritari** | **Net profit/ (loss)** |
|---|---|---|---|---|---|---|
| BRD Sogelease IFN SA | 1-7, Ion Mihalache Street, Bucharest | 828,247 | 650,004 | 178,244 | 177,113 | 11,803 |
| BRD Finance Credite de Consum IFN SA | 1-7, Ion Mihalache Street, Bucharest | 459,209 | 357,714 | 101,495 | 104,914 | 16,060 |
| BRD Asset Management SAI SA | 1-3, Clucerul Udricani Street, Bucharest | 11,441 | 393 | 11,048 | 11,047 | 2,421 |
| BRD Corporate Finance SRL | 1-7, Ion Mihalache Street, Bucharest | 857 | 224 | 633 | 633 | 62 |

The amounts for the subsidiaries and associates are not audited.

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 13. Property, plant and equipment

**Group**

| | Land & Buildings | Investment properties | Office equipments | Materials and other assets | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| **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** |
| Transfers and additions | 60,410 | 1,247 | 26,405 | 61,177 | (39,835) | 109,405 |
| Disposals | (11,924) | - | (10,643) | (62,072) | (15,661) | (100,300) |
| **as of December 31, 2012** | **1,320,158** | **40,369** | **243,086** | **564,621** | **23,411** | **2,191,644** |
| **Depreciation and impairment:** | | | | | | |
| **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)** |
| Depreciation and impairment | (58,032) | (650) | (27,881) | (43,546) | - | (130,109) |
| Disposals | 6,935 | - | 10,474 | 7,333 | - | 24,742 |
| Transfers | 1,826 | (1,464) | - | - | - | 362 |
| **as of December 31, 2012** | **(496,788)** | **(20,554)** | **(200,570)** | **(388,838)** | **-** | **(1,106,750)** |
| **Net book value:** | | | | | | |
| **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** |
| **as of December 31, 2012** | **823,370** | **19,814** | **42,516** | **175,783** | **23,411** | **1,084,894** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

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

**Bank**

| | Land & Buildings | Investment properties | Office equipments | Materials and other assets | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| **as of December 31, 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** |
| Transfers and additions | 60,410 | 1,247 | 25,968 | 20,214 | (40,360) | 67,479 |
| Disposals | (11,910) | - | (10,326) | (8,894) | (15,661) | (46,791) |
| **as of December 31, 2012** | **1,310,382** | **40,369** | **233,495** | **546,128** | **22,886** | **2,153,259** |
| **Depreciation and impairment:** | | | | | | |
| **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 | (18,441) | (5,080) | (138,742) | - | (46,343) |
| **as of December 31, 2011** | **(444,482)** | **(18,441)** | **(174,279)** | **(344,628)** | **-** | **(981,829)** |
| Depreciation and impairment | (57,692) | (650) | (27,331) | (43,464) | - | (129,137) |
| Disposals | 6,935 | - | 10,095 | 7,255 | - | 24,286 |
| Transfers | 1,826 | (1,464) | - | - | - | 362 |
| **as of December 31, 2012** | **(493,413)** | **(20,555)** | **(191,514)** | **(380,837)** | **-** | **1,086,319)** |
| **Net book value:** | | | | | | |
| **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** |
| **as of December 31, 2012** | **816,969** | **19,813** | **41,981** | **165,291** | **22,886** | **1,066,941** |

The investment properties have a fair value of 25,988 as at December 31, 2012 (December 31, 2011: 22,976)

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 14. 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 2012 there was no impairment of the goodwill.

## 15. Intangible assets

The balance of the intangible assets as of December 31, 2012 and 2011 represents mainly software.

| | Group | Bank |
|---|---|---|
| **Cost:** | | |
| **as of December 31, 2010** | **242,673** | **225,204** |
| Additions | 24,464 | 20,514 |
| **as of December 31, 2011** | **267,137** | **245,718** |
| Additions | 23,316 | 20,436 |
| Disposals | (465) | (465) |
| **as of December 31, 2012** | **289,987** | **265,688** |
| **Amortizare:** | | |
| **as of December 31, 2010** | **(145,012)** | **(135,557)** |
| Amortization expense | (27,674) | (25,270) |
| Transfers | - | - |
| **as of December 31, 2011** | **(172,686)** | **(160,827)** |
| Amortization expense | (32,366) | (29,065) |
| Disposals | 465 | 465 |
| **as of December 31, 2012** | **(204,587)** | **(189,426)** |
| **Net book value:** | | |
| **as of December 31, 2010** | **97,661** | **89,647** |
| **as of December 31, 2011** | **94,451** | **84,891** |
| **as of December 31, 2012** | **85,400** | **76,262** |

## 16. Other assets

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Advances to suppliers | 29,063 | 19,983 | - | - |
| Sundry debtors | 172,060 | 150,512 | 166,612 | 139,936 |
| Materials and consumables | 19,316 | 31,533 | 790 | 1,061 |
| Miscellaneous assets | 104,656 | 59,324 | 92,312 | 49,034 |
| **Total** | **325,096** | **261,352** | **259,714** | **190,031** |

The sundry debtors balances are presented net of an impairment allowance, at Group level, of 37,978 (December 31, 2011: 59,228) and at Bank level of 36,645 (December 31, 2011: 59,228) related to amounts under litigation.
Miscellaneous assets include an amount of 74,092 as at December 31, 2012 which refers to income tax deferred payments (2011: -).

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 17. Due to banks

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Demand deposits | 863,136 | 701,124 | 863,136 | 701,124 |
| Term deposits | 3,352,121 | 3,567,906 | 3,352,121 | 3,567,906 |
| **Total** | **4,215,258** | **4,269,030** | **4,215,258** | **4,269,030** |

## 18. Due to customers

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Demand deposits | 14,074,782 | 12,532,513 | 14,104,403 | 12,563,598 |
| Term deposits | 17,710,935 | 17,685,339 | 17,788,074 | 17,739,886 |
| **Total** | **31,785,717** | **30,217,852** | **31,892,477** | **30,303,484** |

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

## 19. Debt issued and borrowed funds

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Borrowings from related parties | 5,045,112 | 6,841,105 | 4,302,988 | 5,929,204 |
| Borrowings from international financial institutions | 494,458 | 589,803 | 427,654 | 529,598 |
| Borrowings from other institutions | 2,573 | 263,960 | 2,573 | 263,960 |
| Other borrowings | 15,464 | 21,408 | 58,068 | 70,403 |
| **Total** | **5,557,607** | **7,716,276** | **4,791,283** | **6,793,165** |

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

## 20. Subordinated debt

Subordinated debt is in amount of EUR 200,000,000, RON 885,740,000 equivalent (2011: EUR 200,000,000, RON 863,940,000 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 6,331,429 (2011: RON 10,221,430) .

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

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 21. Taxation

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

The deferred tax liability/asset is reconciled as follows:

| Group | December 31, 2012 | | |
|---|---|---|---|
| | **Temporary differences** | **Consolidated Statement of Financial Position** | **Consolidated Income Statement** |
| *Deferred tax liability* | | | |
| Loans and advances to customers | (1,103,386) | (176,542) | (5,281) |
| Investments and other securities | (97,508) | (15,601) | (2,826) |
| Tangible and intangible assets | (22,333) | (3,573) | (7,212) |
| **Total** | **(1,223,227)** | **(195,717)** | **(15,319)** |
| *Deferred tax asset* | | | |
| Provisions and other liabilitiesi | 501,489 | 80,238 | 56,192 |
| **Total** | **501,489** | **80,238** | **56,192** |
| **Taxable items** | **(721,738)** | **(115,478)** | |
| **Deferred tax income** | | | **40,873** |

| Bank | December 31, 2012 | | |
|---|---|---|---|
| | **Temporary differences** | **Individual Statement of Financial Position** | **Individual Income Statement** |
| *Deferred tax liability* | | | |
| Loans and advances to customers | (1,103,386) | (176,542) | (5,282) |
| Investments and other securities | (69,686) | (11,150) | (5) |
| Tangible and intangible assets | (22,333) | (3,573) | (7,211) |
| **Total** | **(1,195,405)** | **(191,265)** | **(12,498)** |
| *Deferred tax asset* | | | |
| Provisions and other liabilitiesi | 526,811 | 84,290 | 59,671 |
| **Total** | **526,811** | **84,290** | **59,671** |
| **Taxable items** | **(668,595)** | **(106,975)** | |
| **Deferred tax income** | | | **47,173** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 21. Taxation (continued)

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

| Bank | December 31, 2011 | | |
|---|---|---|---|
| | **Temporary differences** | **Individual Statement of Financial Position** | **Individual Income Statement** |
| *Deferred tax liability* | | | |
| Loans and advances to customers | (1,070,384) | (171,261) | 144 |
| Investments and other securities | (17,547) | (2,808) | 2,544 |
| **Total** | **(1,087,931)** | **(174,069)** | **2,688** |
| *Deferred tax asset* | | | |
| Tangible and intangible assets | 22,744 | 3,638 | 37,343 |
| Provisions and other liabilities | 153,867 | 24,619 | 8,612 |
| **Total** | **176,611** | **28,257** | **45,955** |
| **Taxable items** | **(911,320)** | **(145,812)** | |
| **Deferred tax income** | | | **48,643** |

*(Amounts in thousands RON)*

## NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

### 21. Taxation (continued)

Movement in deferred tax is as follows:

| | Group | Bank |
|---|---|---|
| **Deferred tax liability, net as of December 31, 2010** | **(193,164)** | **(195,793)** |
| Deferred tax recognized in other comprehensive income | 1,825 | 1,339 |
| Net deferred tax income | 43,251 | 48,643 |
| **Deferred tax liability, net as of December 31, 2011** | **(148,089)** | **(145,812)** |
| Deferred tax recognized in other comprehensive income | (8,262) | (8,336) |
| Net deferred tax income | 40,873 | 47,173 |
| **Deferred tax liability, net as of December 31, 2012** | **(115,478)** | **(106,975)** |

### Reconciliation of total tax charge

| **Reconciliation of total tax charge** | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Gross profit /(loss) (before income tax)** | **(329,467)** | **554,836** | **(378,349)** | **517,470** |
| Income tax (16%) | (52,715) | 88,774 | (60,536) | 82,795 |
| Fiscal credit | (174) | (7,515) | - | (7,515) |
| Non-deductible elements | 51,826 | 22,121 | 48,016 | 14,216 |
| Non-taxable elements | (37,841) | (47,029) | (34,653) | (41,403) |
| **Income tax expense (income) at effective tax rate** | **(38,903)** | **56,351** | **(47,173)** | **48,094** |
| Effective tax rate | 11.8% | 10.2% | 12.5% | 9.3% |

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.



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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 22. Other liabilities

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Sundry creditors | 90,723 | 110,777 | 70,253 | 63,400 |
| Other payables to State budget | 37,421 | 51,494 | 36,322 | 49,773 |
| Deferred income | 14,510 | 18,419 | 14,510 | 18,419 |
| Payables to employees | 125,899 | 129,959 | 92,634 | 91,896 |
| Dividends payable | 610 | 2,072 | 610 | 2,072 |
| Financial guarantee contracts | 105,595 | 58,647 | 105,595 | 58,647 |
| Provisions | 21,099 | 3,356 | 18,164 | 3,224 |
| **Total** | **395,857** | **374,724** | **338,089** | **287,430** |

Payables to employees include, among other, gross bonuses relating to 2012 profit, amounting to 30,197 (2011: 38,400) and post-employment benefits amounting to 55,161 (2011: 48,258). Provisions are related to legal claims and penalties and the increase compared with prior year is mostly due to the provision for the litigation with the Competition Council registered in 2012 in amount of 15,000.

The movement in provisions is as follows:

**Group**

| | | |
|---|---|---|
| **Carrying value as of December 31,2010** | **3,005** | **3,333** |
| Additional expenses | 482 | |
| Reversals of provisions | (131) | |
| **Carrying value as of December 31,2011** | **3,356** | |
| Additional expenses | 20,099 | |
| Reversals of provisions | (2,356) | |
| **Carrying value as of December 31,2012** | **21,099** | |

**Bank**

| | |
|---|---|
| **Carrying value as of December 31,2010** | **3,005** |
| Additional expenses | 350 |
| Reversals of provisions | (131) |
| **Carrying value as of December 31,2011** | **3,224** |
| Additional expenses | 17,296 |
| Reversals of provisions | (2,356) |
| **Carrying value as of December 31,2012** | **18,164** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 22.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**

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Current service cost | 4,027 | 6,153 |
| Interest cost on benefit obligation | 3,148 | 2,698 |
| Actuarial losses recognized during the year | 513 | 1,085 |
| Past service cost | 20 | 20 |
| Net benefit expense | **7,707** | **9,956** |

**Movement in defined benefits obligations**

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Opening defined benefit obligation** | **48,258** | **39,116** |
| Total service cost | 4,047 | 6,173 |
| Benefits paid | (805) | (814) |
| Interest cost on benefit obligation | 3,148 | 2,698 |
| Actuarial losses recognized during the year | 513 | 1,085 |
| **Closing defined benefit obligation** | **55,161** | **48,258** |

**Main actuarial assumptions**

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Discount rate | 3.20% | 5.00% |
| Inflation rate | 1.90% | 1.90% |
| Average salary increase rate (0-4 years) | 2.90% | 2.90% |
| Average salary increase rate (over 5 years) | 3.90% | 3.90% |
| Average remaining working period (years) | 13.53 | 17.33 |

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Defined benefit obligation | 55,161 | 48,258 |
| Experience adjustment on plan liabilities | (3,186) | (836) |



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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 23. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2011: 696,901). Included in the share capital there is an amount of 1,818,721 (2011: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of December 31, 2012 represents 696,901,518 (2011: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2011: RON 1).

During 2012 and 2011, the Bank did not buy back any of its own shares.

## 24. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2011: 513,515) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

## 25. Interest income

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Interest on loans | 2,827,668 | 3,055,112 | 2,707,638 | 2,912,350 |
| Interest on deposit with banks | 86,177 | 133,723 | 83,904 | 130,835 |
| Interest on treasury notes | 270,536 | 270,849 | 270,536 | 270,849 |
| **Total** | **3,184,381** | **3,459,685** | **3,062,078** | **3,314,034** |

The interest income on loans includes for Bank, the accrued interest on net (after impairment allowance) impaired loans in amount of 375,466 (2011: 183,614).

## 26. Interest expense

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Interest on term deposits | 793,396 | 728,985 | 797,632 | 733,657 |
| Interest on demand deposits | 278,442 | 318,574 | 234,238 | 264,526 |
| Interest on borrowings | 166,482 | 233,202 | 174,365 | 241,247 |
| **Total** | **1,238,320** | **1,280,761** | **1,206,235** | **1,239,430** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 27. Fees and commissions, net

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Commission revenue from processing of transactions | 895,829 | 862,680 | 876,058 | 845,638 |
| Other commission revenue | 82,200 | 93,225 | 80,196 | 91,375 |
| Commission expense | (185,987) | (187,760) | (182,795) | (184,293) |
| **Net commission revenue** | **792,042** | **768,145** | **773,459** | **752,720** |

## 28. Foreign exchange gain

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Foreign exchange income | 10,364,115 | 9,782,207 | 10,278,868 | 9,653,938 |
| Foreign exchange expenses | (10,037,382) | (9,543,997) | (9,953,453) | (9,415,501) |
| **Total** | **326,733** | **238,210** | **325,415** | **238,437** |

## 29. Income from associates

| | Group | | Bank | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Share of increase/(decrease) in net assets from associates | 12,452 | 17,190 | - | - |
| Dividends from associates | 4,771 | 2,408 | 4,771 | 2,408 |
| **Total** | **17,223** | **19,598** | **4,771** | **2,408** |

## 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 2,256 (2011: 2,161).

## 31. Contribution to Deposit Guarantee Fund

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



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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 32. Salaries and related expenses

| | Group | | Bank | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Salaries | 466,253 | 471,697 | 438,718 | 442,541 |
| Social security | 134,547 | 128,657 | 128,030 | 120,952 |
| | 34,695 | 38,372 | 34,695 | 38,372 |
| Bonuses Post-employment benefits (see note 22) | 2,503 | 9,158 | 2,503 | 9,158 |
| Other | 34,526 | 60,277 | 31,958 | 58,257 |
| **Total** | **672,524** | **708,160** | **635,903** | **669,278** |

Employee expenses for share - based payment transactions are included in line Other salaries and related expenses in amount of 6,809, both for the Group and Bank for 2012 (2011: 6,025).

### 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 >10% presence in the group until 31/03/2015 | 4 years and 5 months |
| shares granted to all employees of the group at 02/11/2010 | 24 | improvement of customer satisfaction between 2010 and 2013 presence in the group until 31/03/2016 | 5 years and 5 months |
| **Total shares** | **40** | | |

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, 2012 | **529** | **635,501** |
| Granted during the period | | |
| - exercise date 31/03/2015 | 153 | 113,600 |
| - exercise date 31/03/2016 | 147 | 170,400 |
| **Outstanding as at December 31, 2012** | **829** | **919,501** |

| | 2012 | 2011 |
|---|---|---|
| Shares granted in 2010 | 1,070 | 1,070 |
| Shares granted in 2011 | 6,025 | 6,025 |
| Shares granted in 2012 | 6,809 | - |
| Total expense recognised as personnel expense | **13,904** | **7,095** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 32. Salaries and related expenses (continued)

The shares outstanding as at December 31, 2012 have an exercise price of 153 RON (those with an exercise date as at March 31, 2015) and of 147 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.

## 33. Depreciation and amortization expense

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Depreciation and impairment (see Note 13) | 129,460 | 118,350 | 128,487 | 116,192 |
| Amortisation (see Note 15) | 32,366 | 27,674 | 29,065 | 25,270 |
| **Total** | **161,826** | **146,025** | **157,552** | **141,462** |

The difference between the amount presented in note 13 and the amount presented in note 33 represents depreciation of investment property in total amount of 650.

## 34. Other operating expense

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Administrative expenses | 497,315 | 510,049 | 464,714 | 481,536 |
| Publicity and sponsorships | 29,234 | 40,528 | 28,869 | 39,969 |
| Other expenses | 71,169 | 59,941 | 66,115 | 51,397 |
| **Total** | **597,718** | **610,518** | **559,697** | **572,902** |

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.

## 35. Costul net al riscului

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Net impairment allowance for loans | 1,388,163 | 812,898 | 1,412,378 | 859,740 |
| Net impairment allowance for sundry debtors | 20,225 | 5,809 | 23,714 | 6,318 |
| Net impairment allowance for financial leases | 8,622 | 15,300 | - | - |
| Income from recoveries of derecognized receivables | (46,639) | (31,151) | (36,402) | (22,369) |
| Write-offs of bad debts | 526,757 | 370,795 | 491,876 | 306,435 |
| Financial guarantee contracts | 45,852 | 48,850 | 45,852 | 48,852 |
| **Total** | **1,942,980** | **1,222,501** | **1,937,418** | **1,198,976** |



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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 36. 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, 2012 | December 31, 2011 |
|---|---|---|
| Cash in hand (see note 5) | 990,291 | 662,194 |
| Current accounts and deposits with banks | 131,864 | 674,739 |
| **Total** | **1,122,156** | **1,336,933** |

**Bank**

| | 31 decembrie 2012 | December 31, 2011 |
|---|---|---|
| Cash in hand (see note 5) | 990,281 | 662,171 |
| Current accounts and deposits with banks | 131,862 | 635,103 |
| **Total** | **1,222,143** | **1,297,274** |

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, 2012 | December 31, 2011 |
|---|---|---|
| Net impairment allowance for loans | 1,388,163 | 812,898 |
| Net impairment allowance for sundry debtors | 20,225 | 5,809 |
| Net impairment allowance for financial leases | 8,622 | 15,300 |
| Write-offs expenses | 526,757 | 370,794 |
| Financial guarantee contracts | 45,852 | 48,850 |
| Net movement in other provisions | 17,743 | 9,172 |
| **Total** | **2,007,362** | **1,262,823** |

**Bank**

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Net impairment allowance for loans | 1,412,378 | 859,740 |
| Net impairment allowance for sundry debtors | 23,714 | 6,318 |
| Write-offs expenses | 491,876 | 306,435 |
| Financial guarantee contracts | 45,852 | 48,852 |
| Net movement in other provisions | 14,940 | 219 |
| **Total** | **1,988,760** | **1,221,564** |

*(Amounts in thousands RON)*

# NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 37. Capital commitments

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Tangible non-current assets | 5,358 | 15,354 | 5,358 | 15,354 |
| Intangible non-current assets | 465 | 729 | 465 | 729 |
| Services | 26,989 | 50,122 | 26,989 | 50,122 |
| **Total** | **32,813** | **66,205** | **32,813** | **66,205** |

The line Services 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:

| | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Parent | Other SG entities | Subsi-diaries | Associ-ates | Parent | Other SG entities | Subsi-diaries | Associ-ates |
| ***Assets*** | **397,770** | **11,570** | **132,409** | **11,331** | **431,863** | **3,538** | **117,615** | **-** |
| Nostro accounts | 52,411 | 7,622 | - | - | 25,144 | 1,168 | - | - |
| Deposits | 86,973 | 3,948 | - | - | 166,187 | 2,370 | - | - |
| Loans | 164,646 | - | 131,449 | 11,331 | 182,940 | - | 114,925 | - |
| Derivative financial instruments | 93,741 | - | 960 | - | 57,592 | - | 2,691 | - |
| ***Liabilities*** | **5,608,763** | **10,139** | **157,342** | **62,331** | **9,452,286** | **35,371** | **188,988** | **29,296** |
| Loro accounts | 34 | 10,139 | - | - | 846 | 4,413 | - | - |
| Deposits | 285,434 | 30,958 | 114,739 | 62,331 | 2,552,539 | 30,958 | 131,554 | 29,296 |
| Borrowings | 4,302,988 | - | - | - | 5,923,947 | - | 5,765 | - |
| Subordinated borrowings | 892,071 | - | - | - | 874,161 | - | - | |
| Lease payable | - | - | 42,603 | - | - | - | 48,978 | |
| Derivative financial instruments | 128,235 | - | - | - | 100,793 | - | 2,691 | - |
| ***Commitments*** | **9,847,813** | **1,078** | **31,001** | **2,214** | **10,164,948** | **36,338** | **185,142** | **11,651** |
| Letters of guarantee given | 1,495,118 | 2,540 | 135,697 | 8,003 | 1,596,458 | 18,169 | 84,277 | 6,310 |
| Letters of guarantee received | 446,636 | 1,078 | - | 1,639 | 375,157 | 18,169 | - | 1,324 |
| Notional amount of foreign exchange transactions | 7,221,888 | - | - | - | 6,048,711 | - | - | - |
| Notional amount of interest | | | - | - | | | | |
| rate derivatives | 2,179,290 | - | 31,001 | 576 | 2,144,623 | - | 100,865 | 4,017 |
| ***Income statement*** | **143,868** | **86,514** | **17,741** | **2,579** | **199,352** | **90,988** | **27,733** | **1,267** |
| Interest and commision revenues | 15,620 | 133 | 12,153 | 551 | 15,118 | 127 | 14,297 | 254 |
| Interest and commission expense | 65,199 | 85,765 | 5,588 | 2,029 | 69,550 | 90,174 | 11,492 | 1,013 |
| Net (loss) on interest rate derivatives | (26,589) | - | - | - | (21,688) | - | - | - |
| Net gain/(loss) on foreign exchange derivatives | 3,506 | - | - | - | 64,344 | 102 | - | - |
| Other income | 8,711 | - | - | - | 23,917 | - | 1,234 | - |
| Other expenses | 77,422 | 617 | - | - | 48,111 | 585 | 710 | - |

The interest expenses include an amount of 6,331 (2011: 10,221) relating to subordinated loans. As of December 31, 2012, the Board of Directors and Managing Committee members own 304,530 shares (2011: 329,530). The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 8,023 (2011: 6,576). The advances and loans granted by the Group to key management personnel were in amount of 1,121 (2011: 1,426)



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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 39. Contingencies

As of December 31, 2012 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 9,767 (2011: 16,733). 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.

## 40. Earnings per share

| | Group | | Bank | |
|---|---|---|---|---|
| | **December 31, 2012** | **December 31, 2011** | **December 31, 2012** | **December 31, 2011** |
| *Ordinary shares on the market* | 696,901,518 | 696,901,518 | 696,901,518 | 696,901,518 |
| *Profit attributable to parent company shareholders* | (298,754) | 496,279 | (331,176) | 469,377 |
| *Earnings per share (in RON)* | (0.4287) | 0.7121 | (0.4752) | 0.6735 |

## 41. Dividends on ordinary shares

| | Group | | Bank | |
|---|---|---|---|---|
| | **December 31, 2012** | **December 31, 2011** | **December 31, 2012** | **December 31, 2011** |
| *Declared and paid during the year* | | | | |
| Dividends for 2011: 0.16690 (2010: 0.17957) | 115,706 | 123,076 | 115,706 | 123,076 |
| *Proposed for approval at AGM* | | | | |
| Dividends for 2012: 0 (2011:0.16690) | - | 116,316 | - | 116,316 |

## 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 9, 10 and 37).

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.

The Group regards the following Eurozone countries as higher risk: Portugal, Italy, Ireland, Greece and Spain.
The Group has assessed its sovereign and corporate net exposure to these countries not to exceed 1% of its total assets (31 December 2011: less than 1%). The Group believes this exposure is not impaired as at 31 December 2012 and 31 December 2011.

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.1 Credit risk (continued)

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

| Group | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| Due from Central Bank | 8,393,494 | 8,743,127 |
| Due from banks | 394,461 | 1,035,020 |
| Derivatives and other financial instruments held for trading | 534,955 | 313,788 |
| Loans, gross | 35,681,800 | 34,315,492 |
| Impairment reserve for loans | (3,972,320) | (2,482,383) |
| Loans and advances to customers | 31,709,480 | 31,833,109 |
| Financial lease receivables | 661,339 | 732,665 |
| Financial investments available for sale | 4,549,005 | 4,877,014 |
| Investments in associates and subsidiares | 112,045 | 95,427 |
| Other assets | 53,953 | 67,511 |
| **Total in balance sheet** | **46,408,731** | **47,697,661** |
| | | |
| Letters of guarantee granted | 7,665,046 | 7,106,928 |
| Financing commitments granted | 4,232,509 | 4,224,903 |
| **Total commitments granted** | **11,897,555** | **11,331,831** |
| | | |
| **Total credit risk exposure** | **58,306,287** | **59,029,492** |

| Bank | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| Due from Central Bank | 8,392,575 | 8,741,778 |
| Due from banks | 368,030 | 995,384 |
| Derivatives and other financial instruments held for trading | 535,915 | 316,478 |
| Loans, gross | 35,389,905 | 33,927,239 |
| Impairment reserve for loans | (3,912,276) | (2,398,125) |
| Loans and advances to customers | 31,477,629 | 31,529,114 |
| Financial lease receivables | - | - |
| Financial investments available for sale | 4,549,005 | 4,876,826 |
| Investments in associates and subsidiares | 157,577 | 153,452 |
| Other assets | 48,505 | 36,950 |
| **Total in balance sheet** | **45,529,236** | **46,649,982** |
| | | |
| Letters of guarantee granted | 7,898,833 | 7,191,162 |
| Financing commitments granted | 4,227,102 | 4,272,428 |
| **Total commitments granted** | **12,125,935** | **11,463,590** |
| | | |
| **Total credit risk exposure** | **57,655,171** | **58,113,572** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.1 Credit risk (continued)

Analysis of due from banks by credit rating

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| AA | 5,412 | 7,196 | 5,412 | 7,196 |
| A | 281,648 | 364,117 | 255,217 | 324,481 |
| BBB | 11,615 | 400,886 | 11,615 | 400,886 |
| BB | 31,374 | 95,669 | 31,374 | 95,669 |
| B | 3 | - | 3 | - |
| No rated* | 64,409 | 167,152 | 64,409 | 167,152 |
| **Total** | **394,461** | **1,035,020** | **368,030** | **995,384** |

*short term exposures, mainly amounts in settlement

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:

**Sector analysis**

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Manufacturing | 10.8% | 10.4% | 10.8% | 10.3% |
| Food industry | 2.9% | 3.1% | 2.8% | 3.0% |
| Transportation and other services | 10.0% | 10.0% | 10.0% | 9.8% |
| Trade Agriculture | 14.4% | 15.3% | 14.6% | 15.1% |
| Constructions | 2.0% | 1.7% | 2.0% | 1.6% |
| Individuals | 7.0% | 6.8% | 7.1% | 6.8% |
| Other | 48.3% | 48.5% | 48.1% | 49.1% |
| | 4.7% | 4.2% | 4.7% | 4.2% |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

Loans to individuals include mortgage loans, consumer loans and overdrafts. During the normal course of business the Group sells loans for which the entity does not retain a 'continuing involvement'.

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

**Group**

| **December 31, 2012** | ≤ 30 days | 31-60 days | 61-90 days | ≥ 91 days | Total |
|---|---|---|---|---|---|
| Corporate lending | 882,441 | 217,466 | 170,374 | 2,725 | 1,273,007 |
| Small business lending | 188,253 | 77,815 | 57,400 | 3,859 | 327,327 |
| Consumer lending | 1,983,219 | 443,388 | 234,462 | 25,655 | 2,686,725 |
| Residential mortgages | 574,764 | 175,530 | 70,141 | 1,202 | 821,637 |
| **Total** | **3,628,677** | **914,199** | **532,377** | **33,442** | **5,108,695** |

**Group**

| **December 31, 2011** | ≤ 30 days | 31-60 days | 61-90 days | ≥ 91 days | Total |
|---|---|---|---|---|---|
| Corporate lending | 1,117,551 | 188,418 | 253,636 | 10,143 | 1,569,748 |
| Small business lending | 174,966 | 64,403 | 70,219 | 1,216 | 310,804 |
| Consumer lending | 1,647,260 | 374,580 | 247,153 | 13,190 | 2,282,183 |
| Residential mortgages | 298,765 | 83,536 | 76,597 | 943 | 459,841 |
| **Total** | **3,238,542** | **710,937** | **647,605** | **25,492** | **4,622,576** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.1 Credit risk (continued)

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

**Bank**

| December 31, 2012 | ≤ 30 days | 31-60 days | 61-90 days | ≥ 91 days | Total |
|---|---|---|---|---|---|
| Corporate lending | 882,441 | 217,466 | 170,374 | 2,725 | 1,273,007 |
| Small business lending | 188,253 | 77,815 | 57,400 | 3,859 | 327,327 |
| Consumer lending | 1,983,219 | 443,388 | 234,462 | 25,655 | 2,686,725 |
| Residential mortgages | 574,764 | 175,530 | 70,141 | 1,202 | 821,637 |
| **Total** | **3,583,712** | **914,199** | **532,377** | **33,442** | **5,063,730** |

**Bank**

| December 31, 2011 | ≤ 30 days | 31-60 days | 61-90 days | ≥ 91 days | Total |
|---|---|---|---|---|---|
| Corporate lending | 1,177,754 | 188,418 | 253,636 | 10,143 | 1,629,952 |
| Small business lending | 174,966 | 64,403 | 70,219 | 1,216 | 310,804 |
| Consumer lending | 1,288,424 | 366,734 | 244,425 | 13,190 | 1,912,773 |
| Residential mortgages | 298,765 | 83,536 | 76,597 | 943 | 459,841 |
| **Total** | **2,939,910** | **703,091** | **644,877** | **25,492** | **4,313,369** |

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

**Group**

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Corporate lending | 563,361 | 785,661 |
| Small business lending | 125,824 | 148,393 |
| Consumer lending | 344,131 | 341,021 |
| Residential mortgages | 49,876 | 14,764 |
| **Total** | **1,083,193** | **1,289,839** |

**Bank**

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Corporate lending | 563,361 | 785,661 |
| Small business lending | 125,824 | 148,393 |
| Consumer lending | 344,131 | 340,646 |
| Residential mortgages | 49,876 | 14,764 |
| **Total** | **1,083,193** | **1,289,464** |


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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.1 Credit risk (continued)

**Analysis of collateral coverage**

**Group**

**December 31, 2012**

| | Overdue but not impaired loans | Covered by collaterals & guarantees | Loans neither impaired nor past due | Covered by collaterals & guarantees |
|---|---|---|---|---|
| Corporate lending | 1,273,007 | 867,521 | 9,436,114 | 4,905,280 |
| Retail lending | 3,835,689 | 2,059,923 | 13,528,290 | 8,216,150 |
| **Total** | **5,108,695** | **2,927,444** | **22,964,405** | **13,121,430** |

**December 31, 2011**

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

**Bank**

**December 31, 2012**

| | Overdue but not impaired loans | Covered by collaterals & guarantees | Loans neither impaired nor past due | Covered by collaterals & guarantees |
|---|---|---|---|---|
| Corporate lending | 1,273,007 | 867,521 | 9,567,162 | 4,905,280 |
| Retail lending | 3,790,723 | 2,059,923 | 13,225,187 | 8,216,150 |
| **Total** | **5,063,730** | **2,927,444** | **22,792,350** | **13,121,430** |

**December 31, 2011**

| | Overdue but not impaired loans | Covered by collaterals & guarantees | Loans neither impaired nor past due | Covered by collaterals & guarantees |
|---|---|---|---|---|
| Corporate lending | 1,629,952 | 1,138,278 | 10,018,449 | 5,461,766 |
| Retail lending | 2,683,417 | 1,467,946 | 13,943,779 | 6,115,900 |
| **Total** | **4,313,369** | **2,606,224** | **23,962,228** | **11,577,666** |

As of December 31, 2012 the carrying value of repossessed assets is 214 (December 31, 2011: 214), 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, 2012 amounts to 4,128,012 (December 31, 2011: 3,354,285). The collaterals and guarantees are capped to the gross exposure level.

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.1 Credit risk (continued)

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

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Very good | 291,478 | 45,353 | 422,526 | 51,117 |
| Good | 132,660 | 72,922 | 132,660 | 72,922 |
| Rather good | 140,368 | 464,017 | 140,368 | 464,017 |
| Acceptable | 8,154,878 | 8,738,006 | 8,154,878 | 8,738,006 |
| Performing but sensitive | 534,587 | 514,974 | 534,587 | 514,974 |
| Sensitive - credit risk not acceptable | 182,143 | 177,412 | 182,143 | 177,412 |
| **Total** | **9,436,114** | **10,012,684** | **9,567,162** | **10,018,449** |

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

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

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

**Ageing analysis of past due but not impaired lease receivables for Group**

**December 31, 2012**

| | ≤30 days | 31-60 days | 61-90 days | ≥ 91 days | Total |
|---|---|---|---|---|---|
| Corporate lending | 50,283 | 12,968 | 10,981 | 4,717 | 78,948 |
| Retail lending | 22,337 | 13,077 | 5,636 | 1,175 | 42,225 |
| **Total** | **72,621** | **26,046** | **16,616** | **5,892** | **121,173** |

**December 31, 2011**

| | ≤30 days | 31-60 days | 61-90 days | ≥ 91 days | Total |
|---|---|---|---|---|---|
| Corporate lending | 78,926 | 22,056 | 19,095 | 5,698 | 125,775 |
| Retail lending | 14,977 | 11,023 | 11,202 | 14,835 | 52,036 |
| **Total** | **93,903** | **33,079** | **30,297** | **20,533** | **177,811** |



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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.1 Credit risk (continued)

**Analysis of collateral coverage for Group**

**December 31, 2012**

| | Overdue but not impaired | Covered by collaterals & guarantees | Neither impaired nor past due | Covered by collaterals & guarantees |
|---|---|---|---|---|
| Corporate lending | 78,948 | 69,084 | 344,862 | 328,808 |
| Retail lending | 42,225 | 40,076 | 112,664 | 113,728 |
| | **121,173** | **109,160** | **457,526** | **442,536** |

**December 31, 2011**

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

**Analysis of neither impaired nor past due corporate lease receivables by credit rating for Group**

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Good | 67 | 1,006 |
| Rather good | 41,343 | 2,217 |
| Acceptable | 287,313 | 300,969 |
| Performing but sensitive | 15,955 | 19,858 |
| Sensitive - credit risk not acceptable | 184 | 990 |
| **Total** | **344,862** | **325,040** |

**Guarantees and credit commitments**

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

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

| | Group | | Bank | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Letters of guarantee granted | 7,665,046 | 7,106,928 | 7,898,833 | 7,191,162 |
| Financing commitments grante | 4,232,509 | 4,224,903 | 4,227,102 | 4,272,428 |
| **Total commitments granted** | **11,897,555** | **11,331,831** | **12,125,935** | **11,463,590** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 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 an 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.

| 2012 | 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 | (51,678) | 3,202 | +5 | (54,110) | 3,202 |
| Other | +5 | 1,778 | - | +5 | 1,730 | - |

| 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 | - |

(Amounts in thousands RON)

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 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, 2012 | | | | December 31, 2012 | | | |
| **ASSETS** | **Total** | **RON** | **EUR** | **Other** | **Total** | **RON** | **EUR** | **Other** |
| Cash in hand | 990,291 | 808,600 | 137,511 | 44,180 | 990,281 | 808,590 | 137,511 | 44,180 |
| Due from Central Bank | 8,393,494 | 3,294,764 | 5,098,729 | - | 8,392,575 | 3,293,845 | 5,098,729 | - |
| Due from banks | 394,461 | 282,698 | 86,899 | 24,8 64 | 368,030 | 256,267 | 86,899 | 24,864 |
| Derivatives and other financial instruments held for trading | 534,955 | 499,614 | 35,341 | - | 535,915 | 500,574 | 35,341 | - |
| Loans and advances to customers | 31,709,480 | 13,823,773 | 17,256,911 | 628,796 | 31,477,629 | 13,589,091 | 17,259,742 | 628,796 |
| Financial lease receivables | 661,339 | 103,767 | 556,596 | 976 | - | - | - | - |
| Financial assets available for sale | 4,549,005 | 3,496,817 | 1,049,129 | 3,060 | 4,549,005 | 3,496,818 | 1,049,128 | 3,060 |
| Investments in associates and subsidiares | 112,045 | 77,427 | - | 34,618 | 157,577 | 122,959 | - | 34,618 |
| Goodwill | 50,130 | 50,130 | - | - | 50,130 | 50,130 | - | - |
| Non current assets and other assets | 1,495,390 | 1,416,890 | 70,016 | 8,484 | 1,402,917 | 1,324,417 | 70,016 | 8,484 |
| **Total active** | **48,890,590** | **23,854,480** | **24,291,132** | **744,978** | **47,924,059** | **23,442,690** | **23,737,366** | **744,002** |
| | | | | | | | | |
| **LIABILITIES** | | | | | | | | |
| Due to banks | 4,215,258 | 3,338,523 | 432,876 | 443,859 | 4,215,258 | 3,338,523 | 432,876 | 443,859 |
| Due to customers | 31,785,717 | 17,513,833 | 12,134,392 | 2,137,492 | 31,892,477 | 17,619,707 | 12,135,278 | 2,137,492 |
| Debt issued and borrowed funds | 5,557,607 | 278,350 | 5,279,258 | - | 4,791,283 | 18,038 | 4,773,245 | - |
| Subordinated debt | 892,071 | - | 892,071 | - | 892,071 | - | 892,071 | - |
| Derivative financial | | | | | | | | - |
| instruments | 164,385 | 84,617 | 79,768 | - | 164,385 | 84,617 | 79,768 | - |
| Current tax liability | 1,923 | 1,923 | - | - | - | - | - | - |
| Deffered tax liability | 115,478 | 115,478 | - | - | 106,975 | 106,975 | - | - |
| Other liabilities | 395,857 | 295,577 | 96,034 | 4,246 | 338,089 | 237,809 | 96,034 | 4,246 |
| Shareholders' equity | 5,762,293 | 5,762,293 | - | - | 5,523,521 | 5,523,521 | - | - |
| **Total liabilities and shareholders' equity** | **48,890,590** | **27,390,594** | **18,914,399** | **2,585,597** | **47,924,059** | **26,929,190** | **18,409,272** | **2,585,597** |
| Position | | **(3,536,114)** | **5,376,732** | **(1,840,619)** | | **(3,486,499)** | **5,328,095** | **(1,841,595)** |
| Position off BS | | 3,481,928 | (5,361,174) | 1,879,245 | | 3,481,928 | (5,361,174) | 1,879,245 |
| Position total | | **(54,186)** | **15,559** | **38,626** | | **(4,571)** | **(33,079)** | **37,650** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.2 Market risk (continued)

| | Group | | | | Bank | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2011 | | | | December 31, 2011 | | | |
| **ASSETS** | **Total** | **RON** | **EUR** | **Other** | **Total** | **RON** | **EUR** | **Other** |
| Cash in hand | 662,194 | 523,315 | 103,412 | 35,467 | 662,171 | 523,292 | 103,412 | 35,467 |
| Due from Central Bank | 8,743,127 | 3,743,317 | 4,999,810 | - | 8,741,778 | 3,741,968 | 4,999,810 | - |
| Due from banks | 1,035,020 | 790,574 | 171,516 | 72,930 | 995,384 | 750,938 | 171,516 | 72,930 |
| Derivatives and other financial instruments held for trading | 313,788 | 313,788 | - | - | 316,478 | 316,478 | - | - |
| Loans and advances to customers | 31,859,329 | 14,186,274 | 16,972,301 | 700,754 | 31,555,334 | 13,831,717 | 17,020,859 | 702,758 |
| Financial lease receivables | 732,665 | 4,694 | 725,969 | 2,002 | - | - | - | - |
| Financial assets available for sale | 4,877,014 | 2,990,300 | 1,849,835 | 36,879 | 4,876,826 | 2,990,113 | 1,849,834 | 36,879 |
| Investments in associates and subsidiares | 95,427 | 95,427 | - | - | 153,452 | 153,452 | - | - |
| Goodwill | 50,130 | 50,130 | - | - | 50,130 | 50,130 | - | - |
| Non current assets and other assets | 1,536,597 | 1,352,180 | 153,454 | 4,743 | 1,425,665 | 1,315,454 | 106,907 | 3,304 |
| **Total active** | **49,879,071** | **24,049,999** | **24,976,298** | **852,775** | **48,750,998** | **23,647,321** | **24,252,338** | **851,338** |
| **LIABILITIES** | | | | | | | | |
| Due to banks | 4,269,029 | 1,253,525 | 2,882,490 | 133,014 | 4,269,029 | 1,253,525 | 2,882,490 | 133,014 |
| Due to customers | 30,217,852 | 18,615,126 | 10,134,417 | 1,468,309 | 30,303,484 | 18,700,758 | 10,134,417 | 1,468,309 |
| Debt issued and | 7,716,276 | 307,041 | 7,407,939 | - | 6,793,165 | 25,129 | 6,768,036 | - |
| borrowed funds | 874,161 | - | 874,161 | - | 874,161 | - | 874,161 | - |
| Subordinated debt | | | | | | | | |
| Derivative financial instruments | 170,811 | 103,705 | 67,107 | - | 170,812 | 103,705 | 67,107 | - |
| Current tax liability | 19,731 | 19,731 | - | - | 16,867 | 16,867 | - | - |
| Deffered tax liability | 148,089 | 148,089 | - | - | 145,812 | 145,812 | - | - |
| Other liabilities | 374,725 | 345,146 | 19,769 | 9,809 | 287,430 | 257,852 | 19,769 | 9,809 |
| Shareholders' equity | 6,088,396 | 6,088,396 | - | - | 5,890,237 | 5,890,237 | - | - |
| **Total liabilities and shareholders' equity** | **49,879,071** | **26,880,761** | **21,387,178** | **1,611,132** | **48,750,998** | **26,393,887** | **20,745,980** | **1,611,132** |
| Position | | **(2,830,761)** | **3,590,415** | **(759,653)** | | **(2,746,566)** | **3,506,359** | **(759,794)** |
| Position off BS | | 2,384,235 | (3,204,491) | 820,256 | | 2,384,235 | (3,204,491) | 820,256 |
| Position total | | **(446,526)** | **385,924** | **60,603** | | **(362,331)** | **301,868** | **60,462** |

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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.2 Market risk (continued)

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

**Group**

**December 31, 2012**

| Change in interest rate (b.p) | Effect on profit before tax | Effect on equity |
|---|---|---|
| 100 | 13,676 | 8,408 |
| (100) | (13,676) | (8,408) |

**31 decembrie 2011**

| Change in interest rate (b.p) | Effect on profit before tax | Effect on equity |
|---|---|---|
| 100 | (17,266) | 9,621 |
| (100) | 17,266 | (9,621) |

**Bank**

**December 31, 2012**

| Change in interest rate (b.p) | Effect on profit before tax | Effect on equity |
|---|---|---|
| 100 | 13,392 | 8,408 |
| (100) | (13,392) | (8,408) |

**31 decembrie 2011**

| Change in interest rate (b.p) | Effect on profit before tax | Effect on equity |
|---|---|---|
| 100 | (14,054) | 9,621 |
| (100) | 14,054 | (9,621) |

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

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.2 Market risk (continued)

**Group**

| December 31, 2012 | 0-1 months | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash in hand | 990,291 | - | - | - | - | 990,291 |
| Due from Central Bank | 8,393,494 | - | - | - | - | 8,393,494 |
| Due from banks | 199,650 | 5,059 | 54,882 | 61,694 | 73,176 | 394,461 |
| Derivatives and other financial instruments held for trading | 534,955 | - | - | - | - | 534,955 |
| Loans and advances to customers | 9,991,810 | 12,936,543 | 2,919,525 | 5,336,551 | 525,050 | 31,709,480 |
| Financial lease receivables | 104,296 | 48,993 | 388,430 | 117,938 | 1,682 | 661,339 |
| Financial assets available for sale | 248,689 | 467,539 | 773,047 | 3,059,730 | - | 4,549,005 |
| Investments in associates and subsidiares | - | - | - | - | 112,045 | 112,045 |
| Goodwill | - | - | - | - | 50,130 | 50,130 |
| Non current assets and other assets | - | 325,096 | - | - | 1,170,294 | 1,495,390 |
| **Total assets** | **20,463,186** | **13,783,230** | **4,135,884** | **8,575,913** | **1,932,376** | **48,890,590** |
| **Liabilities** | | | | | | |
| Due to banks | 4,082,396 | - | 110,718 | - | 22,144 | 4,215,258 |
| Due to customers | 18,049,207 | 3,778,752 | 4,874,399 | 4,199,012 | 884,347 | 31,785,717 |
| Debt issued and borrowed funds | 4,921,082 | 419,293 | 169,966 | 47,266 | - | 5,557,607 |
| Subordinated debt | 6,331 | - | 885,740 | - | - | 892,071 |
| Derivative financial instruments | 164,385 | - | - | - | - | 164,385 |
| Current tax liability | - | - | 1,923 | - | - | 1,923 |
| Deffered tax liability | 8,129 | 11,168 | 39,145 | 63,088 | (6,053) | 115,478 |
| Other liabilities | 395,247 | 610 | - | - | - | 395,857 |
| **Total liabilities** | **27,626,778** | **4,209,824** | **6,081,891** | **4,309,366** | **900,438** | **43,128,297** |
| **Total shareholders' equity** | **-** | **-** | **-** | **-** | **5,762,293** | |
| **Net position** | **(7,163,592)** | **9,573,406** | **(1,946,007)** | **4,266,547** | **(4,730,355)** | |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.2 Market risk (continued)

**Group**

| **December 31, 2011** | **0-1 months** | **1-3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash in hand | 662,194 | - | - | - | - | 662,194 |
| Due from Central Bank | 8,743,127 | - | - | - | - | 8,743,127 |
| Due from banks | 798,498 | 72 | 101,580 | 30,847 | 104,023 | 1,035,020 |
| Derivatives and other financial instruments held for trading | 313,788 | - | - | - | - | 313,788 |
| Loans and advances to customers | 13,148,284 | 11,076,267 | 2,367,258 | 4,471,336 | 780,785 | 31,859,329 |
| Financial lease receivables | 93,364 | 62,629 | 421,795 | 154,876 | - | 732,664 |
| Financial assets available for sale | 239,891 | 35,620 | 1,911,712 | 2,434,955 | 254,837 | 4,877,014 |
| Investments in associates and subsidiares | - | - | - | - | 95,427 | 95,427 |
| Goodwill | - | - | - | - | 50,130 | 50,130 |
| Non current assets and other assets | - | 235,133 | - | - | 1,301,464 | 1,510,378 |
| **Total assets** | **23,988,326** | **11,418,842** | **4,804,295** | **7,095,697** | **2,561,090** | **49,879,071** |
| **Liabilities** | | | | | | |
| Due to banks | 4,053,045 | - | 21,599 | 86,394 | 107,993 | 4,269,030 |
| Due to customers | 22,448,938 | 4,388,415 | 2,407,810 | 855,141 | 135,101 | 30,217,852 |
| Debt issued and borrowed funds | 1,191,634 | 5,777,458 | 171,353 | 567,800 | 8,030 | 7,716,275 |
| Subordinated debt | 874,161 | - | - | - | - | 874,161 |
| Derivative financial instruments | 170,812 | - | - | - | - | 170,812 |
| Current tax liability | - | - | 19,731 | - | - | 19,731 |
| Deffered tax liability | 11,763 | 10,252 | 31,713 | 56,837 | 37,524 | 148,089 |
| Other liabilities | 372,653 | 2,072 | - | - | - | 374,724 |
| **Total liabilities** | **29,123,008** | **10,178,196** | **2,652,206** | **1,548,618** | **288,648** | **43,790,675** |
| **Total shareholders' equity** | - | - | - | - | **6,088,396** | |
| **Net position** | **(5,134,682)** | **1,231,524** | **2,150,140** | **5,543,396** | **(3,790,379)** | |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.2 Market risk (continued)

**Bank**

| December 31, 2012 | 0-1 months | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash in hand | 990,281 | - | - | - | - | 990,281 |
| Due from Central Bank | 8,392,575 | - | - | - | - | 8,392,575 |
| Due from banks | 198,325 | 5,059 | 54,882 | 36,588 | 73,176 | 368,030 |
| Derivatives and other financial instruments held for trading | 535,915 | - | - | - | - | 535,915 |
| Loans and advances to customers | 10,078,946 | 12,934,909 | 2,905,770 | 5,075,292 | 482,713 | 31,477,629 |
| Financial assets available for sale | 248,688 | 467,540 | 773,047 | 3,059,730 | - | 4,549,005 |
| Investments in associates and subsidiares | - | - | - | - | 157,577 | 157,577 |
| Goodwill | - | - | - | - | 50,130 | 50,130 |
| Non current assets and other assets | - | 259,714 | - | - | 1,143,203 | 1,402,917 |
| **Total assets** | **20,444,729** | **13,667,222** | **3,733,699** | **8,171,610** | **1,906,799** | **47,924,059** |
| **Liabilities** | | | | | | |
| Due to banks | 4,082,397 | - | 110,718 | - | 22,144 | 4,215,258 |
| Due to customers | 18,111,225 | 3,779,379 | 4,877,092 | 4,238,951 | 885,829 | 31,892,477 |
| Debt issued and borrowed funds | 4,444,043 | 331,972 | 8,107 | 7,161 | - | 4,791,283 |
| Subordinated debt | 6,331 | - | 885,740 | - | - | 892,071 |
| Derivative financial instruments | 164,385 | - | - | - | - | 164,385 |
| Current tax liability | - | - | - | - | - | - |
| Deffered tax liability | 8,203 | 11,292 | 38,826 | 62,297 | (13,643) | 106,975 |
| Other liabilities | 337,479 | 610 | - | - | - | 338,089 |
| **Total liabilities** | **27,154,065** | **4,123,253** | **5,920,483** | **4,308,409** | **894,329** | **42,400,538** |
| **Total shareholders' equity** | **-** | **-** | **-** | **-** | **5,523,521** | |
| **Net position** | **(6,709,335)** | **9,543,969** | **(2,186,784)** | **3,863,201** | **(4,511,050)** | |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.2 Market risk (continued)

**Bank**

| December 31, 2011 | 0-1 months | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash in hand | 662,171 | - | - | - | - | 662,171 |
| Due from Central Bank | 8,741,778 | - | - | - | - | 8,741,778 |
| Due from banks | 758,862 | 72 | 101,580 | 30,847 | 104,023 | 995,384 |
| Derivatives and other financial instruments held for trading | 316,478 | - | - | - | - | 316,478 |
| Loans and advances to customers | 13,137,859 | 11,106,882 | 2,345,223 | 4,217,121 | 722,029 | 31,529,114 |
| Financial assets available for sale | 239,930 | 35,620 | 1,911,712 | 2,499,130 | 190,474 | 4,876,866 |
| Investments in associates and subsidiares | - | - | - | - | 153,412 | 153,412 |
| Goodwill | - | - | - | - | 50,130 | 50,130 |
| Non current assets and other assets | - | 163,810 | - | - | 1,261,855 | 1,425,665 |
| **Total assets** | **23,857,078** | **11,306,383** | **4,358,515** | **6,747,098** | **2,481,923** | **48,750,998** |
| **Liabilities** | | | | | | |
| Due to banks | 4,053,045 | - | 21,599 | 86,394 | 107,993 | 4,269,030 |
| Due to customers | 22,489,464 | 4,400,968 | 2,407,810 | 855,141 | 150,101 | 30,303,484 |
| Debt issued and borrowed funds | 1,044,648 | 5,252,933 | 11,796 | 483,105 | 682 | 6,793,165 |
| Subordinated debt | 874,161 | - | - | - | - | 874,161 |
| Derivative financial instruments | 170,812 | - | - | - | - | 170,812 |
| Current tax liability | - | - | 16,867 | - | - | 16,867 |
| Deffered tax liability | 11,976 | 10,343 | 31,979 | 56,135 | 35,379 | 145,812 |
| Other liabilities | 285,358 | 2,072 | - | - | - | 287,430 |
| **Total liabilities** | **28,929,465** | **9,860,703** | **2,468,452** | **1,394,381** | **207,760** | **42,860,761** |
| **Total shareholders' equity** | **-** | **-** | **-** | **-** | **5,890,237** | |
| **Net position** | **(5,072,387)** | **1,445,681** | **1,890,063** | **5,352,717** | **(3,616,074)** | |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 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, 2012 and 2011 is as follows:

**Group**

| December 31, 2012 | Total | 0-1 months | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Without defined maturity |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash in hand | 990,291 | 990,291 | - | - | - | - | - |
| Due from Central Bank | 8,393,494 | 8,393,494 | - | - | - | - | - |
| Due from banks | 394,461 | 186,649 | 5,000 | 10,983 | 118,653 | 73,176 | - |
| Derivatives and other financial instruments held for trading | 534,955 | 534,955 | - | - | - | - | - |
| Loans and advances to customers | 31,709,480 | 1,460,149 | 2,006,005 | 7,898,866 | 11,331,567 | 9,012,894 | - |
| Financial lease receivables | 661,339 | 104,296 | 48,993 | 388,430 | 117,938 | 1,682 | - |
| Financial assets available for sale | 4,549,005 | 248,688 | 378,682 | 775,904 | 3,078,269 | 67,463 | - |
| Investments in associates and subsidiares | 112,045 | - | - | - | - | - | 112,045 |
| Goodwill | 50,130 | - | - | - | - | - | 50,130 |
| Non current assets and other assets | 1,495,390 | - | 325,096 | - | - | - | 1,170,294 |
| **Total assets** | **48,890,590** | **11,918,522** | **2,763,775** | **9,074,182** | **14,646,428** | **9,155,215** | **1,332,468** |
| **LIABILITIES** | | | | | | | |
| Due to banks | 4,215,258 | 3,905,248 | - | 155,005 | 110,718 | 44,287 | - |
| Due to customers | 31,785,717 | 18,049,207 | 3,778,752 | 4,874,399 | 4,199,012 | 884,347 | - |
| Debt issued and borrowed funds | 5,557,607 | 115,943 | 1,463,489 | 2,304,944 | 1,673,231 | - | - |
| Subordinated debt | 892,071 | 6,331 | - | 442,870 | - | 442,870 | - |
| Derivative financial instruments | 164,385 | 164,385 | - | - | - | - | - |
| Current tax liability | 1,923 | - | - | 1,923 | - | - | - |
| Deffered tax liability | 115,478 | 8,129 | 11,168 | 39,145 | 63,088 | 20,395 | (26,448) |
| Other liabilities | 395,857 | 395,246 | 610 | - | - | - | - |
| **Shareholders' equity** | **43,128,297** | **22,644,489** | **5,254,019** | **7,818,287** | **6,046,049** | **1,391,899** | **(26,448)** |
| **Total shareholders equity** | **5,762,293** | **-** | **-** | **-** | **-** | **-** | **5,762,293** |
| **Gap** | | **(10,725,967)** | **(2,490,244)** | **1,255,895** | **8,600,378** | **7,763,316** | **(4,403,376)** |
| **Cumulative gap** | | **(10,725,967)** | **(13,216,211)** | **(11,960,318)** | **(3,359,939)** | **4,403,376** | **-** |


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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.3 Liquidity risk (continued) Group

**Group**

| **December 31, 2011** | **Total** | **0-1 months** | **1-3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Without defined maturity** |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash in hand | 662,194 | 662,194 | - | - | - | - | - |
| Due from Central Bank | 8,743,127 | 8,743,127 | - | - | - | - | - |
| Due from banks | 1,035,020 | 798,498 | - | 30,847 | 101,652 | 104,023 | - |
| Derivatives and other financial instruments held for trading | 313,788 | 313,788 | - | - | - | - | - |
| Loans and advances to customers | 31,833,109 | 4,046,476 | 1,905,508 | 7,175,598 | 10,564,566 | 8,140,961 | - |
| 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 and subsidiares | 95,427 | - | - | - | - | - | 95,427 |
| Goodwill | 50,130 | - | - | - | - | - | 50,130 |
| Non current assets and other assets | 1,536,597 | - | 235,133 | - | - | - | 1,301,464 |
| **Total assets** | **49,879,071** | **14,897,337** | **2,238,890** | **9,539,953** | **13,256,049** | **8,499,821** | **1,447,021** |
| **LIABILITIES** | | | | | | | |
| Due to banks | 4,269,030 | 4,053,045 | - | 21,599 | 86,394 | 107,993 | - |
| Due to customers | 30,217,852 | 22,448,938 | 4,388,415 | 2,407,810 | 837,588 | 135,101 | - |
| Debt issued and borrowed funds | 7,716,276 | 68,830 | 474,852 | 6,076,853 | 1,087,710 | 8,030 | - |
| Subordinated debt | 874,161 | 10,221 | - | - | 863,940 | - | - |
| Derivative financial instruments | 170,812 | 170,812 | - | - | - | - | - |
| Current tax liability | 19,731 | - | - | 19,731 | - | - | - |
| Deffered tax liability | 148,089 | 11,763 | 10,252 | 31,713 | 56,837 | 19,672 | 17,852 |
| Other liabilities | 374,724 | 372,652 | 2,072 | - | - | - | - |
| **Shareholders' equity** | **43,790,675** | **27,136,261** | **4,875,591** | **8,557,706** | **2,932,469** | **270,796** | **17,852** |
| **Total shareholders equity** | **6,088,396** | **-** | **-** | **-** | **-** | **-** | **6,088,396** |
| **Gap** | | **(12,238,924)** | **(2,636,701)** | **982,247** | **10,323,580** | **8,229,025** | **(4,659,227)** |
| **Cumulative gap** | | **(12,238,924)** | **(14,875,625)** | **(13,893,378)** | **(3,569,798)** | **4,659,226** | **-** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.3 Liquidity risk (continued)

**Bank**

| December 31, 2012 | Total | 0-1 months | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Without defined maturity |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash in hand | 990,281 | 990,281 | - | - | - | - | - |
| Due from Central Bank | 8,392,575 | 8,392,575 | - | - | - | - | - |
| Due from banks | 368,030 | 185,324 | 5,000 | 10,983 | 93,547 | 73,176 | - |
| Derivatives and other financial instruments held for trading | 535,915 | 535,915 | - | - | - | - | - |
| Loans and advances to customers | 31,477,629 | 1,462,814 | 2,013,299 | 7,917,484 | 11,107,664 | 8,976,368 | - |
| Financial lease receivables | - | - | - | - | - | - | - |
| Financial assets available for sale | 4,549,005 | 248,688 | 378,682 | 775,904 | 3,078,269 | 67,463 | - |
| Investments in associates and subsidiares | 157,577 | - | - | - | - | - | 157,577 |
| Goodwill | 50,130 | - | - | - | - | - | 50,130 |
| Non current assets and other assets | 1,402,917 | - | 259,714 | - | - | - | 1,143,203 |
| **Total assets** | **47,924,059** | **11,815,596** | **2,656,694** | **8,704,370** | **14,279,481** | **9,117,007** | **1,350,910** |
| **LIABILITIES** | | | | | | | |
| Due to banks | 4,215,258 | 3,905,248 | - | 155,005 | 110,718 | 44,287 | - |
| Due to customers | 31,892,477 | 18,111,225 | 3,779,379 | 4,877,092 | 4,238,951 | 885,829 | - |
| Debt issued and | 4,791,283 | 15,343 | 1,442,598 | 1,700,215 | 1,633,126 | - | - |
| borrowed funds | 892,071 | 6,331 | - | 442,870 | - | 442,870 | - |
| Subordinated debt | 164,385 | 164,385 | - | - | - | - | - |
| Derivative financial instruments | - | - | - | - | - | - | - |
| Current tax liability | | | | | | | |
| Deffered tax liability | 106,976 | 8,204 | 11,292 | 38,826 | 62,297 | 20,340 | (33,983) |
| Other liabilities | 338,089 | 337,479 | 610 | - | - | - | - |
| **Shareholders' equity** | **42,400,539** | **22,548,216** | **5,233,879** | **7,214,009** | **6,045,092** | **1,393,326** | **(33,983)** |
| **Total shareholders equity** | **5,523,521** | **-** | **-** | **-** | **-** | **-** | **5,523,521** |
| **Gap** | | **(10,732,620)** | **(2,577,185)** | **1,490,361** | **8,234,389** | **7,723,681** | **(4,138,627)** |
| **Cumulative gap** | | **(10,732,620)** | **(13,309,804)** | **(11,819,443)** | **(3,585,055)** | **4,138,626** | **-** |


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

## NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

### 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 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash in hand | 662,171 | 662,171 | - | - | - | - | - |
| Due from Central Bank | 8,741,778 | 8,741,778 | - | - | - | - | - |
| Due from banks | 995,384 | 796,521 | - | 18,294 | 89,099 | 91,470 | - |
| Derivatives and other financial instruments held for trading | 316,478 | 316,478 | - | - | - | - | - |
| Loans and advances to customers | 31,529,114 | 4,046,950 | 1,904,179 | 7,155,934 | 10,334,347 | 8,087,704 | - |
| Financial assets available for sale | 4,876,866 | 239,930 | 35,620 | 1,911,710 | 2,499,130 | 190,476 | - |
| Investments in associates and subsidiares | 153,412 | - | - | - | - | - | 153,412 |
| Goodwill | 50,130 | - | - | - | - | - | 50,130 |
| Non current assets and other assets | 1,425,665 | - | 163,810 | - | - | - | 1,261,855 |
| **Total assets** | **48,750,998** | **14,803,828** | **2,103,610** | **9,085,938** | **12,922,576** | **8,369,650** | **1,465,397** |
| **LIABILITIES** | | | | | | | |
| Due to banks | 4,269,030 | 4,053,045 | - | 21,599 | 86,394 | 107,993 | - |
| Due to customers | 30,303,484 | 22,489,464 | 4,400,968 | 2,407,810 | 855,141 | 150,101 | - |
| Debt issued and borrowed funds | 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 | - | - | | - | - | - |
| Deffered tax liability | | | | | | | |
| Other liabilities | 145,812 | 11,976 | 10,343 | 16,867 | 56,135 | 19,572 | 15,807 |
| | 287,430 | 285,358 | 2,072 | 31,979 | - | - | - |
| **Total liabilities** | **42,860,761** | **26,977,722** | **4,912,847** | **7,914,827** | **2,761,210** | **278,347** | **15,807** |
| **Total shareholders equity** | **5,890,237** | **-** | **-** | **-** | **-** | **-** | **5,890,237** |
| **Gap** | | **(12,173,894)** | **(2,809,238)** | **1,171,111** | **10,161,366** | **8,091,302** | **(4,440,647)** |
| **Cumulative gap** | | **(12,173,894)** | **(14,983,132)** | **(13,812,021)** | **(3,650,655)** | **4,440,647** | **-** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 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.

**Grup**

| **December 31, 2012** | **Total** | **0-1 months** | **1-3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Without defined maturity** |
|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | |
| Due to banks | 4,240,269 | 3,903,917 | 379 | 158,665 | 123,128 | 54,181 | - |
| Due to customers | 32,017,843 | 17,985,584 | 3,847,321 | 5,024,099 | 4,257,718 | 903,121 | - |
| Debt issued and borrowed funds | 5,695,632 | 114,109 | 1,468,019 | 2,370,950 | 1,742,554 | 0 | - |
| Subordinated debt | 906,807 | 7,033 | - | 447,902 | 451,872 | - | - |
| Derivative financial | | | | | | | - |
| instruments | 109,867 | 31,882 | (2,253) | 84,644 | (15,554) | 11,149 | - |
| Current tax liability | 1,923 | - | - | 1,923 | - | - | - |
| Deffered tax liability | 115,478 | 8,129 | 11,168 | 39,145 | 63,088 | 20,395 | (26,448) |
| Other liabilities except for fair values of derivatives | 395,857 | 395,247 | 610 | - | - | - | - |
| Letters of guarantee granted | 7,665,046 | 7,665,046 | - | - | - | - | - |
| **Total liabilities** | **51,148,722** | **30,110,947** | **5,325,244** | **8,127,328** | **6,622,806** | **988,846** | **(26,448)** |

| **December 31, 2011** | **Total** | **0-1 months** | **1-3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Without defined maturity** |
|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | |
| Due to banks | 4,312,956 | 4,055,193 | 992 | 26,448 | 106,049 | 124,275 | - |
| Due to customers | 30,577,790 | 22,515,171 | 4,452,588 | 2,522,741 | 912,190 | 175,099 | - |
| Debt issued and borrowed funds | 7,841,663 | 71,571 | 485,071 | 6,176,286 | 1,100,766 | 7,968 | - |
| Subordinated debt | 927,375 | 11,304 | - | 10,896 | 905,175 | - | - |
| Derivative financial | | | | | | | - |
| instruments | (16,550) | 12,309 | 188 | 31,523 | (60,733) | 163 | - |
| Current tax liability | 19,731 | - | - | 19,731 | - | - | - |
| Deffered tax liability | 148,089 | 11,763 | 10,252 | 31,713 | 56,837 | 19,672 | 17,852 |
| Other liabilities except for fair values of derivatives | 374,723 | 372,652 | 2,071 | - | - | - | - |
| Letters of guarantee granted | 7,106,928 | 7,106,928 | - | - | - | - | - |
| **Total liabilities** | **51,189,471** | **34,041,105** | **4,963,715** | **8,819,338** | **3,037,838** | **309,624** | **17,852** |

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 42.Risk management (continued)

### 42.3 Liquidity risk (continued)

**Bank**

| **December 31, 2012** | **Total** | **0-1 months** | **1-3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Without defined maturity** |
|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | |
| Due to banks | 4,240,269 | 3,903,917 | 379 | 158,665 | 123,128 | 54,181 | - |
| Due to customers | 32,022,729 | 17,985,584 | 3,847,321 | 5,024,099 | 4,260,220 | 905,316 | - |
| Debt issued and borrowed funds | 5,695,632 | 114,109 | 1,468,019 | 2,370,950 | 1,742,554 | 0 | - |
| Subordinated debt | 906,807 | 7,033 | - | 447,902 | 451,872 | - | - |
| Derivative financial instruments | 110,838 | 31,882 | (1,724) | 85,093 | (15,554) | 11,149 | - - |
| Current tax liability | - | - | - | - | - | - | - |
| Deffered tax liability | 106,975 | 8,204 | 11,168 | 38,826 | 62,297 | 20,395 | (33,984) |
| Other liabilities except for fair values of derivatives | 338,089 | 337,479 | 610 | - | - | - | - |
| Letters of guarantee granted | 7,898,833 | 7,898,833 | - | - | - | - | - |
| **Total liabilities** | **51,320,172** | **30,287,189** | **5,325,928** | **8,125,535** | **6,624,519** | **990,986** | **(33,984)** |

| **December 31, 2011** | **Total** | **0-1 months** | **1-3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Without defined maturity** |
|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | |
| Due to banks | 4,312,956 | 4,055,193 | 992 | 26,448 | 106,049 | 124,275 | - |
| Due to customers | 30,663,422 | 22,515,171 | 4,465,141 | 2,522,741 | 929,743 | 190,099 | - |
| Debt issued and borrowed funds | 6,914,288 | 9,338 | 457,077 | 5,526,795 | 920,397 | 682 | - |
| Subordinated debt | 927,375 | 11,304 | - | 10,896 | 905,175 | - | - |
| Derivative financial instruments | (13,854) | 12,309 | 644 | 32,377 | (59,347) | 163 | - - |
| Current tax liability | 16,867 | - | - | 16,867 | - | - | - |
| Deffered tax liability | 145,811 | 11,976 | 10,343 | 31,979 | 56,135 | 19,572 | 15,806 |
| Other liabilities except for fair values of derivatives | 287,430 | 285,358 | 2,072 | - | - | - | - |
| Letters of guarantee granted | 7,191,162 | 7,191,162 | - | - | - | - | - |
| **Total liabilities** | **50,342,224** | **34,029,104** | **4,936,269** | **8,168,103** | **2,858,152** | **334,791** | **15,806** |

## 43. Capital management

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

For the periods ending December 31, 2012 and December 31, 2011, the adequacy of the Group's capital has been monitored using the local regulations that are based on the European Directive 2006/48/49/EC (Basel II). During 2011 and 2010 the Group has complied in full with these requirements.

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 44. 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:

| | **Group** | | | | **Bank** | | | |
|---|---|---|---|---|---|---|---|---|
| | **December 31, 2012** | | | | **December 31, 2012** | | | |
| | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | | | | | |
| Derivative financial instruments | | | | | | | | |
| Interest rate swaps | - | 15,076 | - | 15,076 | - | 16,036 | - | 16,036 |
| Currency swaps | - | 119,286 | - | 119,286 | - | 119,286 | - | 119,286 |
| Forward foreign exchange contracts | - | 8,513 | - | 8,513 | - | 8,514 | - | 8,514 |
| Currency options | - | 21,698 | - | 21,698 | - | 21,698 | - | 21,698 |
| | **-** | **164,573** | **-** | **164,573** | **-** | **165,533** | **-** | **165,533** |
| Financial assets available for sale | | | | | | | | |
| Treasury notes | - | 4,380,302 | - | 4,380,302 | - | 4,380,302 | - | 4,380,302 |
| Equity investments | 3,060 | - | 8,160 | 11,219 | 3,060 | - | 8,160 | 11,219 |
| Other securities | 157,484 | - | - | 157,484 | 157,484 | - | - | 157,484 |
| | **160,543** | **4,380,302** | **8,160** | **5,549,005** | **160,543** | **4,380,302** | **8,160** | **4,549,005** |
| Financial instruments held for trading | 370,382 | - | - | - | 370,382 | - | - | 370,382 |
| **Total** | **530,925** | **4,544,874** | **8,160** | **5,083,960** | **530,925** | **4,545,835** | **8,160** | **5,084,920** |
| **Financial liabilities** | | | | | | | | |
| Derivative financial instruments | | | | | | | | |
| Interest rate swaps | - | 87,871 | - | 87,871 | - | 87,871 | - | 87,871 |
| Currency swaps | - | 25,434 | - | 25,434 | - | 25,434 | - | 25,434 |
| Forward foreign exchange contracts | - | 29,382 | - | 29,382 | - | 29,382 | - | 29,382 |
| Currency options | - | 21,698 | - | 21,698 | - | 21,698 | - | 21,698 |
| **Total** | **-** | **164,385** | **-** | **164,385** | **-** | **164,385** | **-** | **164,385** |



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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 44.Fair value (continued)

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

**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.

*(Amounts in thousands RON)*

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 44.Fair value (continued)

***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.


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

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

## 44.Fair value (continued)

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

| | Group | | | | Bank | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2012 | | December 31, 2011 | | December 31, 2012 | | December 31, 2011 | |
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| **Financial assets** | | | | | | | | |
| Cash in hand | 990,291 | 990,291 | 662,194 | 662,194 | 990,281 | 990,281 | 662,171 | 662,171 |
| Due from Central Bank | 8,393,494 | 8,393,494 | 8,743,127 | 8,743,127 | 8,392,575 | 8,392,575 | 8,741,778 | 8,741,778 |
| Due from banks | 394,461 | 394,461 | 1,035,020 | 1,035,020 | 368,030 | 368,030 | 995,384 | 995,384 |
| Loans and advances to customers | 31,709,480 | 31,984,729 | 31,833,109 | 32,028,088 | 31,477,629 | 31,477,629 | 31,529,114 | 31,759,332 |
| Financial lease receivables | 661,339 | 590,245 | 732,665 | 687,796 | - | - | - | - |
| **Total** | **42,149,065** | **42,353,220** | **43,006,115** | **43,156,225** | **41,954,667** | **41,213,271** | **41,928,447** | **42,158,665** |
| **Financial liabilities** | | | | | | | | |
| Due to banks | 4,215,258 | 4,215,258 | 4,269,030 | 4,269,030 | 4,215,258 | 4,215,258 | 4,269,030 | 4,269,030 |
| Due to customers | 31,785,717 | 31,790,238 | 30,217,852 | 30,207,134 | 31,892,477 | 31,790,238 | 30,303,484 | 30,292,733 |
| Debt issued and borrowed funds | 5,557,607 | 5,555,421 | 7,716,276 | 7,716,276 | 4,791,283 | 4,789,398 | 6,793,165 | 6,833,187 |
| Subordinated debt | 892,071 | 892,306 | 874,161 | 874,161 | 892,071 | 892,306 | 874,161 | 873,664 |
| **Total** | **42,450,653** | **42,453,222** | **43,077,319** | **43,111,565** | **41,791,089** | **41,687,199** | **42,239,840** | **42,268,614** |

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.

*(Amounts in thousands RON)*

# 11

# CONTACTS

# HEAD OFFICE

BRD Tower, Av. Ion Mihalache 1-7, postal code 011171, Bucharest, Romania
Tel: (+40) 021-301.61.00
Fax: (+40) 021-301.66.36
Email: comunicare@brd.ro; www.brd.ro

VOCALIS: 0800 803 803
(Toll free number in the Romtelecom network)
+4021-302.61.61 (normal rate number)
*bank (*22622) – normal rate number in the Orange and Vodafone networks
vocalis@brd.ro
Hours: 7 a.m – 10 p.m. Monday to Sunday

**GENERAL SECRETARIAT**
Tel: 021-301.61.21
Fax: 021-301.61.22

**General Secretary**
Flavia POPA
flavia.popa@brd.ro

# SUBSIDIARIES

**BRD Finance**
Bernard HISTE –CEO
tel: +4021.200.81.00
fax: +4021.200.81.92

**BRD Sogelease**
**BRD Sogelease Asset Rental**
Vorles MORLOT – CEO
tel: +4021.301.41.23
fax: +4021.301.41.04

**ALD Automotive**
Shane DOWLING – CEO
tel: +4021.301.49.77
fax: +4021.301.49.99

**BRD Pensii**
Rozaura STĂNESCU – CEO
tel: +4 021.408.29.00
fax: +4021. 408.29.20

**BRD Asigurări de Viaţă**
Yann LOUARN – CEO
tel: +4021.408.29.29
fax: +4021.408.29.19

**BRD Corporate Finance**
Bogdan ILIESCU – CEO
tel: +4021.301.41.40
fax: +4021.301.41.45

**BRD Asset Management**
Dan NICU – CEO
tel: +4021.327.22.28
fax: +4021.327.14.10

# BRD NETWORK

**Corporate Clients Subsidiary, Bucharest**
Dorin SAVU – General Manager
tel: 021-301.40.00
fax: 021-301.40.04

**Group Academiei, Bucharest**
Liliana GROZA – General Manager
tel: 021-305.69.00/01
fax: 021-305.69.99

**Group Dorobanţi, Bucharest**
Petronel CHIVA– General Manager
tel: 021-208.65.65
fax: 021-208.65.47

**Group Unirea, Bucharest**
Marius CALIŢOIU – General Manager
tel: 021-320.98.36-40
fax: 021-320.98.41/42

**Group Nord Est, Bucharest**
Marius MARINESCU – General Manager
tel: 021-200.59.00
fax: 021-200.59.25

**Group Baia Mare**
Petrică VANŢ – General Manager
tel: 0262-217.465
fax: 0262-217.442

**Group Braşov**
Sorin GĂITAN – General Manager
tel: 0268-301.106
fax: 0268-301.107

**Group Cluj**
Petru PETRUŢ– General Manager
tel: 0264-405.110
fax: 0264-598.222

**Groupe Iaşi**
Dumitru VIRTU – General Manager
tel: 0232-213.050
fax: 0232-211.341

**Groupe Piatra Neamţ**
Lucian LAZĂR – General Manager
tel: 0233-214.494
fax: 0233-213.950

**Groupe Constanţa**
Gigi CARATAŞ – General Manager
tel: 0241-508.604
fax: 0241-613.233

**Group Craiova**
Radu NEAGOE –General Manager
tel: 0251-410.970
fax: 0251-406.358

**Group Drobeta Turnu Severin**
Bogdan NICULESCU – General Manager
tel: 0252-316.074
fax: 0252-313.570

**Group Galaţi**
Gigi CARATAŞ – General Manager
tel: 0236-307.800
fax: 0236-418.097

**Group Piteşti**
George CAVAL – General Manager
tel: 0248-218.503
fax: 0248-221.273

**Group Ploieşti**
Cristian DOBRE – General Manager
tel: 0244-595.606
fax: 0244-595.605

**Group Sibiu**
Patric POPOVICI – General Manager
tel: 0269-202.600
fax: 0269-217.690

**Group Timişoara**
Petru NEGRU – General Manager
tel: 0256-302.089
fax: 0256-302.092

**Group Târgu Mureş**
Kalman BARTHA – General Manager
tel: 0265-207.410
fax:  0265-261.058

**Group Valahia**
Claudiu CĂLIN – General Manager
tel: 021-319.00.41/2
fax: 021-317.00.06

HEADQUARTERS

1-7 Ion Mihalache Boulevard, sector 1, Bucharest
011171, Romania
Phone: (+40) 021-301.61.00
Fax: (+40) 021-301.66.36
e-mail: comunicare@brd.ro
www.brd.ro

VOCALIS
07h00 - 22h00  Monday to Sunday
0800 803 803
+4021-302.61.61
*banca (*22622)
vocalis@brd.ro