BRD – Groupe Société Générale S.A.

INTERIM REPORT

JUNE 30, 2013

BRD – Groupe Société Générale S.A.
INDIVIDUAL STATEMENT OF FINANCIAL POSITION
as of June 30, 2013
(Amounts in thousands RON)

	Note	June 30, 2013	December 31, 2012
ASSETS			
Cash in hand		621,616	990,281
Due from Central Bank		6,151,742	8,392,575
Due from banks	4	1,078,693	368,030
Derivatives and other financial instruments held for trading	5	588,674	535,915
Loans and advances to customers	6	30,395,733	31,477,629
Financial investments available for sale	7	4,668,380	4,549,005
Investments in associates and subsidiares		157,460	157,577
Property, plant and equipment	8	1,015,343	1,066,941
Goodwill	9	50,130	50,130
Intangible assets		79,003	76,262
Other assets	10	159,649	259,714
Total assets		**44,966,423**	**47,924,059**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks		1,117,536	4,215,258
Due to customers		33,256,870	31,892,477
Debt issued and borrowed funds	11	3,423,176	4,791,283
Subordinated debt	12	896,086	892,071
Derivative financial instruments	5	147,016	164,385
Deferred tax liability		128,486	106,975
Other liabilities	13	436,090	354,528
Total liabilities		**39,405,260**	**42,416,977**
Share capital	14	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		46,984	58,536
Reserves from defined pension plan		(16,250)	(16,250)
Retained earnings	15	3,014,807	2,949,174
Total equity		**5,561,163**	**5,507,082**
Total liabilities and equity		**44,966,423**	**47,924,059**

Philippe Lhotte
President and Chief Executive Officer

Petre Bunescu
Deputy Chief Executive Officer

The accompanying notes are an integral part of this interim report

BRD – Groupe Société Générale S.A.
INVIDUAL INCOME STATEMENT
for the six months period ended June 30, 2013
(Amounts in thousands RON)

	Note	Six months ended June 30, 2013	Six months ended June 30, 2012
Interest and similar income	17	1,345,169	1,576,682
Interest and similar expense	18	(493,485)	(643,737)
Net interest income		**851,684**	**932,945**
Fees and commissions, net	19	**366,431**	**376,487**
Foreign exchange gain		139,791	168,780
Gain/ (loss) on derivative and other financial instruments held for trading		36,295	(16,013)
Income from associates		1,476	572
Contribution to Deposit Guarantee Fund	21	(39,492)	(34,242)
Other income	20	4,298	4,075
Operating income		**1,360,484**	**1,432,605**
Personnel expenses	22	(304,890)	(316,035)
Depreciation, amortisation and impairment on tangible	23	(68,832)	(76,120)
Other operating expenses	24	(238,535)	(279,566)
Total operating expenses		**(612,257)**	**(671,721)**
Credit loss expense	25	(659,214)	(714,721)
Profit before income tax		**89,012**	**46,163**
Deferred tax expense		(26,843)	(6,808)
Total income tax		**(26,843)**	**(6,808)**
Profit for the year		**62,169**	**39,354**
Earnings per share (in RON)	31	**0.0892**	**0.0565**

INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
for the six months period ended June 30, 2013
(Amounts in thousands RON)

	Six months ended June 30, 2013	Six months ended June 30, 2012
Profit for the year	**62,169**	**39,354**
Other comprehensive income		
Net gain/(loss) on available-for-sale financial assets	(13,752)	30,651
Income tax relating to components of other comprehensive income	2,200	(72)
Other comprehensive income for the year, net of tax	**(11,552)**	**30,579**
Total comprehensive income for the year, net of tax	**50,617**	**69,933**

BRD – Groupe Société Générale S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
for the six months period ended June 30, 2013
(Amounts in thousands RON)

	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan	Total
December 31, 2011		**2,515,622**	**(15,430)**	**3,389,857**	**(12,816)**	**5,877,233**
Total comprehensive income		-	73,966	(331,176)	-	(257,210)
Shared-based payment transactions		-	-	6,809	-	6,809
Equity dividends		-	-	(116,316)	-	(116,316)
Gain/loss from unrecognized items IAS 19		-	-	-	(3,434)	(3,434)
December 31, 2012		**2,515,622**	**58,536**	**2,949,174**	**(16,250)**	**5,507,082**
Total comprehensive income		-	(11,552)	62,169	-	50,617
Shared-based payment transactions		-	-	3,464	-	3,464
June 30, 2013	14	**2,515,622**	**46,984**	**3,014,807**	**(16,250)**	**5,561,163**

BRD – Groupe Société Générale S.A.
INDIVIDUAL STATEMENT OF CASH FLOWS
for the six months period ended June 30, 2013
(Amounts in thousands RON)

	Note	Six months ended June 30, 2013	Six months ended June 30, 2012
Cash flows from operating activities			
Profit before tax		**89,012**	**46,162**
Adjustments for non-cash items			
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets		68,832	76,120
Share based payment		3,464	3,115
Net expenses from impairment of loans and from provisions	26	709,369	721,817
Income tax paid		(26,784)	(51,344)
Operating profit before changes in operating assets and liabilities		**843,893**	**795,870**
Changes in operating assets and liabilities			
Current account with NBR		2,240,833	886,592
Accounts and deposits with banks		(101,404)	65,515
Available for sale securities		(130,927)	245,879
Loans		418,912	(1,326,863)
Other assets		20,464	(259,803)
Due to banks		(3,097,722)	(1,709,247)
Due to customers		1,364,393	2,657,768
Other liabilities		66,175	42,460
Total changes in operating assets and liabilities		**780,724**	**602,301**
Cash flow from operating activities		**1,624,617**	**1,398,171**
Investing activities			
Acquisition of equity investments		-	(4,125)
Proceeds from equity investments		117	-
Acquisition of tangible and intangible assets		(20,017)	(35,596)
Proceeds from sale of tangible and intangible assets		42	541
Cash flow from investing activities		**(19,858)**	**(39,180)**
Financing activities			
(Decrease) in borrowings		(1,364,092)	(1,866,153)
Dividends paid		(73)	(107,417)
Net cash from financing activities		**(1,364,165)**	**(1,973,570)**
Net movements in cash and cash equivalents		**240,594**	**(614,579)**
Cash and cash equivalents at beginning of the period	26	**1,122,143**	**1,297,274**
Cash and cash equivalents at the end of the period	26	**1,362,737**	**682,695**

Operational cash flows from interest and dividends

	Six months ended June 30, 2013	Six months ended June 30, 2012
Interest paid	481,846	622,801
Interest received	1,202,497	1,515,800
Dividends received	1,476	572

(Amounts in thousands RON)

1. Corporate information

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

BRD offers a wide range of banking and financial services to corporates and individuals, as allowed by law.

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

The Bank has 889 units throughout the country (December 31, 2012: 915).

The average number of employees of the Bank during 2013 was 7,884 (2012: 8,210), and the number of employees of the Bank as of the period-end was 7,815 (December 31, 2012: 7,992).

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:

	June 30, 2013	December 31, 2012
Societe Generale France	60.17%	60.17%
SIF Banat Crisana	4.63%	4.63%
SIF Muntenia	4.02%	4.15%
SIF Transilvania	4.00%	3.36%
Fondul Proprietatea	3.64%	3.64%
SIF Oltenia	3.43%	4.17%
SIF Moldova	2.28%	2.32%
Other shareholders	17.83%	17.56%
Total	**100.00%**	**100.00%**

2. Basis of preparation

a) Basis of preparation

The financial statements were prepared in accordance with National Bank of Romania *Order no 27/2010 for approval of Accounting Regulations in accordance with International Financial Reporting Standards applicable to credit institutions* and in accordance with Romanian National Securities Commission Regulation no 1/2006 on issuers and operations with securities and Article 3 from Romanian National Securities Commission Regulation no 1/2008.

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 individual financial statements are presented in Romanian lei ("RON"), which is the Bank's functional and presentation currency, rounded to the nearest thousand, except when otherwise indicated. The 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) 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 this interim report. The application of these new and revised IFRSs, except for IAS 19 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.

- **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 IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters published by IASB on 20 December 2010.** The first amendment replaces references to a fixed date of "1 January 2004" with "the date of transition to IFRSs", thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs 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 e 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.

2. Basis of preparation (continued)

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

- **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 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 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, be through sale.

- **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.

- **Amendments to various standards "Improvements to IFRSs (2012)" published by IASB on 17 May 2012.** Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) Repeated application of IFRS 1, (ii) Borrowing costs under IFRS 1, (iii) Clarification of the requirements for comparative information, (iv) classification of servicing equipment, (v) tax effect of distribution to holders of equity instruments, (vi) Interim financial reporting and segment information for total assets and liabilities.

c) Standards and Interpretations that are issued by IASB and adopted by the EU but have not yet come into effect

Standards issued but not yet effective up to the date of issuance of the bank's financial statements are listed below. This listing is of standards and interpretations issued, which the bank reasonably expects to be applicable at a future date. The bank intends to adopt those standards when they become effective.

2. Basis of preparation (continued)

c) Standards and Interpretations that are issued by IASB and adopted by the EU but have not yet come into effect (continued)

The Bank anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the bank in the period of initial application, except for IFRS 9 as its effects can be material.

- **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 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 Interests in 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.

- **IAS 27 "Separate Financial Statements" (revised in 2011) published by IASB on 12 May 2011.** The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10.

- **IAS 28 "Investments in Associates and Joint Ventures" (revised in 2011) published by IASB on 12 May 2011.** IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance published by IASB on 28 June 2012.** The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, by "limiting the requirement to provide adjusted comparative information to only the preceding comparative period". Also, amendments were made to IFRS 11 and IFRS 12 to eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

2. Basis of preparation (continued)

c) Standards and Interpretations that are issued by IASB and adopted by the EU 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.

d) Standards and Interpretations that are issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretation, which were not endorsed for use as at the date of this interim report:

- **IFRS 9 "Financial Instruments"** published by IASB on 12 November 2009. On 28 October 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.

- **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 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – Investment Entities** published by IASB on 31 October 2012. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

2. Basis of preparation (continued)

d) Standards and Interpretations that are issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets published by IASB on 29 May 2013.** These narrow-scope amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets. Current amendments clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

e) Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management is required to use its judgments and make estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

Going concern
The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the interim report continues 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 33.

Impairment losses on loans and receivables
The Bank 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 Bank 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, restructuring of loans.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Impairment of available-for-sale investments
The Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 June 30, 2013 was 50,130 (December 31, 2012: 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 13.

In the current year, the Bank has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact of 16,250 thousands RON on the amounts recognised in other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The Bank has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

f) Segment information

An operating segment is a component of the Bank:

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

(Amounts in thousands RON)

3. Segment information

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

- Individuals – The Bank 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 Bank 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 Bank 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 Bank 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 periods ended June 30, 2013 and December 31, 2012 the Bank presents segment information only for the major statement of financial position items.

Bank	Individuals	Professionals	Very small entities	SMEs	Large corporates	Total
June 30, 2013						
Loans, gross	17,258,668	1,454,648	5,112,291	5,316,546	5,707,546	**34,849,700**
Loans impairment	(785,317)	(659,962)	(1,625,768)	(987,523)	(395,397)	**(4,453,967)**
Loans and advances to customers	16,473,351	794,687	3,486,523	4,329,023	5,312,149	**30,395,733**
Due to customers	16,235,555	1,025,129	2,347,421	4,746,815	8,901,949	**33,256,870**
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**

(Amounts in thousands RON)

4. Due from banks

	June 30, 2013	December 31, 2012
Deposits at Romanian banks	241,366	30,030
Deposits at foreign banks	499,851	183,786
Current accounts at Romanian banks	142	10,002
Current accounts at foreign banks	337,334	144,212
Total	**1,078,693**	**368,030**

5. Derivative financial instruments

	June 30, 2013		
	Assets	Liabilities	Notional
Interest rate swaps	10,061	91,744	3,525,428
Currency swaps	118,038	28,832	6,007,283
Forward foreign exchange contracts	20,476	10,555	1,685,846
Options	15,427	15,885	2,584,507
Total derivatives	**164,002**	**147,016**	**13,803,065**
Financial instruments held for trading	424,672	-	408,078
Total	**588,674**	**147,016**	**14,211,144**

	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**

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

a) On 6 May 2011, the Bank purchased a 3 year fixed rate bond; as a result the Bank 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. 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 Bank purchased a 4 year fixed rate bond; as a result the Bank 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.

5. Derivative financial instruments (continued)

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 Bank with other financial institutions in which the Bank 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 Bank 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 Bank purchases and sells options in the over-the-counter markets. Options purchased by the Bank provide the Bank 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 Bank 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 Bank provide the purchaser the opportunity to purchase from or sell to the Bank the underlying asset at an agreed-upon value either on or before the expiration of the option.

(Amounts in thousands RON)

6. Loans and advances to customers

	June 30, 2013	December 31, 2012
Loans, gross	34,849,700	35,389,905
Loans impairment	(4,453,967)	(3,912,276)
Total	**30,395,733**	**31,477,629**

The structure of loans is the following:

	June 30, 2013	December 31, 2012
Working capital loans	9,600,852	9,723,831
Loans for equipment	7,183,541	7,686,106
Trade activities financing	500,810	854,510
Acquisition of real estate, including mortgage for individuals	7,077,261	6,242,518
Consumer loans	9,410,267	9,874,652
Other	1,076,969	1,008,288
Total	**34,849,700**	**35,389,905**

As of June 30, 2013 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 2,348,568 (December 31, 2012:2,398,130) while the value of letters of guarantee and letters of credit issued in favour of these clients amounts to 2,635,925 (December 31, 2012: 3,702,600).

Impairment allowance for loans

	Collective impairment	Specific impairment	Total
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**
Net provision expenses/ (income)	42,801	490,782	533,583
Foreign exchange losses/ (gains)	760	7,349	8,109
Balance as of June 30, 2013	**157,879**	**4,296,090**	**4,453,967**

Impaired loans

	June 30, 2013	December 31, 2012
Impaired loans 90 days past due and more	6,347,355	5,780,390
Provisions for impaired loans 90 days past due and more	(3,788,537)	(3,491,296)
Impaired loans less than 90 days	1,398,229	1,753,435
Provisions for impaired loans less than 90 days	(507,553)	(306,663)

The value of loans individually determined to be impaired is 7,745,584 (December 31, 2012: 7,533,825).

(Amounts in thousands RON)

7. Financial assets available for sale

	June 30, 2013	December 31, 2012
Treasury notes	4,504,942	4,380,302
Equity investments	8,150	11,219
Other securities	155,288	157,484
Total	**4,668,380**	**4,549,005**

Treasury notes

Treasury notes consist of interest bearing bonds issued by the Romanian Ministry of Public Finance, rated as BB+ by Standard&Poors. As of June 30, 2013 there were no treasury notes that have been pledged to NBR for repo transactions (2012: 2,361,773).

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) and TransFond.

Other securities

The Bank holds units in the following funds:

June 30, 2013	Unit value	No of units	Market value
Simfonia	35	443,129	15,371
Concerto	144	90,353	13,050
Diverso	135	175,730	23,673
Actiuni	121	116,238	14,090
Index	105	21,794	2,290

December 31, 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

(Amounts in thousands RON)

8. Property, plant and equipment

During the six months ended June 30, 2013 the Bank acquired assets in total amount of 21,026 representing mainly modernization of buildings and corresponding equipments, also modernization in security systems.

9. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Bank in 1999. The goodwill is no longer amortized starting with January 1, 2004. The goodwill is being tested for impairment on an annual basis. During 2013 there was no impairment of the goodwill.

10. Other assets

	June 30, 2013	December 31, 2012
Sundry debtors	88,618	166,612
Materials and consumables	563	790
Miscellaneous assets	70,468	92,312
Total	**159,649**	**259,714**

The sundry debtors balances are presented net of an impairment allowance related to amounts under litigation of 38,012 (December 31, 2012: 36,645).
Miscellaneous assets include an amount of 2,131 as at June 30, 2013 which refers to income tax deferred payments (2012: 74,092) and an amount of 68,338 as at June 30, 2013 representing prepaid expenses (2012: 18,065).

11. Borrowed funds and debt issued

	June 30, 2013	December 31, 2012
Borrowings from related parties	3,006,533	4,302,988
Borrowings from international financial institutions	367,256	427,654
Borrowings from other institutions	2,099	2,573
Other borrowings	47,288	58,068
Total	**3,423,176**	**4,791,283**

12. Subordinated debt

Subordinated debt is in amount of EUR 200,000,000, RON 891,760,000 equivalent (2012: EUR 200,000,000, RON 885,740,000 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 as of June 30, 2013 in amount of RON 4,326,436. (December 31, 2012: RON 6,331,429)

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

(Amounts in thousands RON)

13. Other liabilities

	June 30, 2013	December 31, 2012
Sundry creditors	97,216	70,253
Other payables to State budget	33,311	36,322
Deferred income	13,471	14,510
Payables to employees	102,598	109,074
Dividends payable	537	610
Financial guarantee contracts	125,949	105,595
Provisions	63,008	18,164
Total	**436,090**	**354,528**

Payables to employees include, among other, gross bonuses relating to 2013 profit, amounting to 19,528 (2012: 30,197) and post-employment benefits amounting to 77,371 (2012: 55,161).

The movement in other provisions is as follows:

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**
Additional expenses	47,192
Reversals of provisions	(807)
Carrying value as of June 30, 2013	**64,550**

(Amounts in thousands RON)

13. 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

	Six months ended June 30, 2013	Six months ended June 30, 2012
Current service cost	1,961	2,013
Interest cost on benefit obligation	1,183	1,574
Actuarial losses recognized during the year	-	256
Past service cost	-	10
Net benefit expense	**3,144**	**3,854**

Movement in defined benefits obligations

	June 30, 2013	December 31, 2012
Opening defined benefit obligation	**74,731**	**63,740**
Total service cost	1,961	4,047
Benefits paid	(505)	(805)
Interest cost on benefit obligation	1,183	3,148
Actuarial losses recognized during the year	-	513
Net gain/loss from unrecognized items	-	4,088
Closing defined benefit obligation	**77,371**	**74,731**

Main actuarial assumptions

	June 30, 2013	December 31, 2012
Discount rate	3.20%	3.20%
Inflation rate	1.90%	1.90%
Average salary increase rate (0-4 years)	1.00%	2.90%
Average salary increase rate (over 5 years)	2.00%	3.90%
Average remaining working period (years)	13.53	13.53

	June 30, 2013	December 31, 2012
Defined benefit obligation	77,371	55,161
Experience adjustment on plan liabilities	-	(3,186)

(Amounts in thousands RON)

14. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2012: 696,901). Included in the share capital there is an amount of 1,818,721 (2012: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of June 30, 2013 represents 696,901,518 (2012: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2012: RON 1).

During 2013 and 2012, the Bank did not buy back any of its own shares.

15. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2012: 513,515) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

16. Capital management

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

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

For the periods ending June 30, 2013 and December 31, 2012, the adequacy of the Bank's capital has been monitored using the local regulations that are based on the European Directive 2006/48/49/EC (Basel II). During 2013 and 2012 the Bank has complied in full with these requirements.

17. Interest income

	Six months ended June 30, 2013	Six months ended June 30, 2012
Interest on loans	1,194,031	1,386,530
Interest on deposit with banks	29,910	48,951
Interest on treasury notes	121,228	141,201
Total	**1,345,169**	**1,576,682**

(Amounts in thousands RON)

18. Interest expense

	Six months ended June 30, 2013	Six months ended June 30, 2012
Interest on term deposits	340,315	427,624
Interest on demand deposits	102,335	119,715
Interest on borrowings	50,836	96,398
Total	**493,485**	**643,737**

19. Fees and commissions, net

	Six months ended June 30, 2013	Six months ended June 30, 2012
Commission revenue from processing of transactions	423,131	420,027
Other commission revenue	33,771	41,259
Commission expense	(90,471)	(84,799)
Net commission revenue	**366,431**	**376,487**

20. 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, for the Bank, is 1,061 (2012:1,118).

21. 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.

22. Salaries and related expenses

	Six months ended June 30, 2013	Six months ended June 30, 2012
Salaries	208,043	216,671
Social security	62,937	67,018
Bonuses	18,286	15,447
Post-employment benefits	2,640	3,548
Other	12,983	13,352
Total	**304,890**	**316,035**

Employee expenses for share - based payment transactions are included in line Other in amount of 3,464 for 2013 (2012: 3,115).

(Amounts in thousands RON)

22. Salaries and related expenses (continued)

Share based payment transactions

On November 2nd, 2010 the Parent established a share based payment program that grants each employee of the bank 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, 2013	**829**	**919,501**
Granted during the period		
- exercise date 31/03/2015	154	113,600
- exercise date 31/03/2016	148	170,400
Outstanding as at June 30, 2013	**1,131**	**1,203,501**

Employee expenses for share - based payment transactions

	2013	2012
Shares granted in 2010	1,070	1,070
Expense arising from shares granted in 2011	6,025	6,025
Expense arising from shares granted in 2012	6,809	6,809
Expense arising from shares granted in 2013	3,464	-
Total expense recognised as personnel expense	**17,368**	**13,904**

The shares outstanding as at June 30, 2013 have an exercise price of 154 RON (those with an exercise date as at March 31, 2015) and of 148 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.

(Amounts in thousands RON)

23. Depreciation and amortization expense

	Six months ended June 30, 2013	Six months ended June 30, 2012
Depreciation and impairment	57,102	61,068
Amortisation	11,730	15,052
Total	**68,832**	**76,120**

24. Other operating expense

	Six months ended June 30, 2013	Six months ended June 30, 2012
Administrative expenses	208,135	237,106
Publicity and sponsorships	10,775	15,729
Other expenses	19,625	26,731
Total	**238,535**	**279,566**

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

25. Credit loss expense

	Six months ended June 30, 2013	Six months ended June 30, 2012
Net impairment allowance for loans	533,583	577,029
Net impairment allowance for sundry debtors and other provisions	48,390	1,931
Income from recoveries of derecognized receivables	(3,769)	(6,894)
Write-offs of bad debts	60,770	132,276
Financial guarantee contracts	20,241	10,378
Total	**659,214**	**714,721**

(Amounts in thousands RON)

26. 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:

	June 30, 2013	December 31, 2012
Cash in hand	621,616	990,281
Current accounts and deposits with banks	741,121	131,862
Total	**1,362,737**	**1,122,143**

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

	Six months ended June 30, 2013	Six months ended June 30, 2012
Net impairment allowance for loans	533,583	577,029
Net impairment allowance for sundry debtors	48,390	1,931
Write-offs expenses	60,770	132,276
Financial guarantee contracts	20,241	10,378
Net movement in other provisions	46,385	202
Total	**709,369**	**721,817**

27. Guarantees and other financial commitments

Guarantees and letters of credit

The Bank 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 Bank 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 Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Bank.

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 Bank 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.

	June 30, 2013	December 31, 2012
Letters of guarantee granted	7,187,317	7,898,833
Financing commitments granted	3,442,343	4,227,102
Total commitments granted	**10,629,660**	**12,125,935**

(Amounts in thousands RON)

28. Capital commitments

The line Services presented in the note includes commitments for operating leasing, rent and insurance.

	June 30, 2013	December 31, 2012
Tangible non-current assets	578	4,099
Intangible non-current assets	11,379	465
Services	70,775	86,501
Total	**82,732**	**91,065**

(Amounts in thousands RON)

29. Related parties

The Bank 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 related parties can be summarized as follows:

	Parent	**Other SG entities**	**Subsidiaries**	**Associates**	**Parent**	**Other SG entities**	**Subsidiaries**	**Associates**
	June 30, 2013				**December 31, 2012**			
Assets	**343,878**	**44,198**	**124,730**	**3,459**	**371,339**	**11,570**	**132,409**	**11,331**
Nostro accounts	26,359	37,675	-	-	52,411	7,622	-	-
Deposits	43,982	6,523	-	-	60,542	3,948	-	-
Loans	164,646	-	124,282	3,445	164,646	-	131,449	11,331
Derivative financial instruments	108,892	-	448	14	93,741	-	960	-
Liabilities	**4,313,014**	**10,310**	**115,209**	**64,261**	**5,608,763**	**10,139**	**157,342**	**62,331**
Loro accounts	4,384	3,572	-	-	34	10,139	-	-
Deposits	278,054	6,738	81,090	64,261	285,434	-	114,739	62,331
Borrowings	3,006,533	-	-	-	4,302,988	-	-	-
Subordinated borrowings	896,086	-	-	-	892,071	-	-	-
Lease payable	-	-	34,119	-	-	-	42,603	-
Derivative financial instruments	127,957	-	-	-	128,235	-	-	-
Commitments	**11,741,420**	**1,661**	**86,486**	**7,897**	**11,342,931**	**3,618**	**166,698**	**10,217**
Letters of guarantee given	1,497,395	1,381	68,651	5,699	1,495,118	2,540	135,697	8,003
Letters of guarantee received	438,568	280	-	1,619	446,636	1,078	-	1,639
Notional amount of foreign exchange transactions	6,796,585	-	-	-	7,221,888	-	-	-
Notional amount of interest rate derivatives	3,008,872	-	17,835	580	2,179,290	-	31,001	576
				-				
Income statement	**Six months ended June 30, 2013**				**Six months ended June 30, 2012**			
Interest and commision revenues	7,111	177	6,062	430	7,686	14	4,901	433
Interest and commission expense	20,715	20,740	3,216	972	38,499	54,948	2,866	1,014
Net gain / (loss) on interest rate derivatives	3,318	-	-	-	(16,976)	-	-	-
Net gain/(loss) on foreign exchange derivatives	45,511	-	-	-	(14,018)	-	-	-
Other income	4,838	-	587	(477)	6,759	-	182	207
Other expenses	19,248	363	-	-	32,591	398		-

The interest expenses include an amount of 4,326 (2012: 10,157) relating to subordinated loans.

As of June 30, 2013, the Board of Directors and Managing Committee members own 304,530 (2012: 304,530) shares.

The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 4,026 (2012: 4,258).

(Amounts in thousands RON)

30. Contingencies

As of June 30, 2013 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 10,377 (2012: 9,767). The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Bank's overall financial position and performance.

31. Earnings per share

	June 30, 2013	December 31, 2012
Ordinary shares on the market	696,901,518	696,901,518
Profit attributable to shareholders	62,169	(331,176)
Earnings per share (in RON)	0.0892	(0.4752)

32. Dividends on ordinary shares

	June 30, 2013	December 31, 2012
Declared and paid during the year		
Dividends for 2012: 0 (2011: 0.16690)	-	115,706

33. Fair value

Determination of fair value and fair value hierarchy

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

> *Level 1*: quoted (unadjusted) prices in active markets for identical assets or liabilities;
>
> *Level 2*: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
>
> *Level 3*: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

(Amounts in thousands RON)

33. .Fair value (continued)

	June 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	10,061	-	10,061
Currency swaps	-	118,038	-	118,038
Forward foreign exchange contracts	-	20,476	-	20,476
Options	-	15,427	-	15,427
	-	**164,002**	**-**	**164,002**
Financial assets available for sale				
Treasury notes	4,504,942	-	-	4,504,942
Equity investments	-	-	8,150	8,150
Other securities	155,288	-	-	155,288
	4,660,230	**-**	**8,150**	**4,668,380**
Financial instruments held for trading	424,672	-	-	424,672
Total	**5,084,902**	**164,002**	**8,150**	**5,257,054**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	91,744	-	91,744
Currency swaps	-	28,832	-	28,832
Forward foreign exchange contracts	-	10,555	-	10,555
Options	-	15,885	-	15,885
Total	**-**	**147,016**	**-**	**147,016**

(Amounts in thousands RON)

33. Fair value (continued)

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	16,036	-	16,036
Currency swaps	-	119,286	-	119,286
Forward foreign exchange contracts	-	8,514	-	8,514
Currency options	-	21,698	-	21,698
	-	**165,533**	**-**	**165,533**
Financial assets available for sale				
Treasury notes	-	4,380,302	-	4,380,302
Equity investments	3,060	-	8,160	11,219
Other securities	157,484	-	-	157,484
	160,544	**4,380,302**	**8,160**	**4,549,005**
Financial instruments held for trading	-	370,382	-	370,382
Total	**160,544**	**4,916,217**	**8,160**	**5,084,920**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	87,871	-	87,871
Currency swaps	-	25,434	-	25,434
Forward foreign exchange contracts	-	29,382	-	29,382
Currency options	-	21,698	-	21,698
Total	**-**	**164,385**	**-**	**164,385**

33. Fair value (continued)

Financial instruments recorded at fair value

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

Treasury notes accounted as financial assets available for sale and financial instruments held for trading are valued using a valuation technique based on market quotes starting June 2013.

Derivatives

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

Financial assets available for sale other than treasury notes and other securities

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 Bank and leases are measured at amortized cost using the effective interest rate method less any impairment allowance.

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

Financial liabilities

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

(Amounts in thousands RON)

33. Fair value (continued)

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

	June 30, 2013		December 31, 2012	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash in hand	621,616	621,616	990,281	990,281
Due from Central Bank	6,151,742	6,151,742	8,392,575	8,392,575
Due from banks	1,078,693	1,078,693	368,030	368,030
Loans and advances to customers	30,395,733	30,548,627	31,477,629	31,657,963
	38,247,784	**38,400,678**	**41,228,515**	**41,408,849**
Financial liabilities				
Due to banks	1,117,536	1,117,536	4,215,258	4,215,258
Due to customers	33,256,870	33,279,282	31,892,477	31,897,018
Debt issued and borrowed funds	3,423,176	3,406,064	4,791,283	4,789,398
Subordinated debt	896,086	895,964	892,071	892,306
	38,693,668	**38,698,846**	**41,791,089**	**41,793,979**

33. Fair value (continued)

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

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

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

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