



Financial Report 2010



BRD
GROUPE SOCIETE GENERALE

Consolidated and individual financial statements

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

DECEMBER 31, 2010

Consolidated and individual financial statements

Independent auditor's report

Report on the Financial Statements

1. We have audited the accompanying consolidated financial statements of BRD – Groupe Societe Generale S.A., (“the Group”) which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated 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. We have also audited the accompanying unconsolidated financial statements of BRD – Groupe Societe Generale S.A., (“the Bank”) which comprise the unconsolidated statement of financial position as at 31 December 2010, and the 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 Group's/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 – the Group

6. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of BRD – Groupe Societe Generale S.A. as of 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Opinion – the Bank

7. In our opinion, the unconsolidated financial statements give a true and fair view of the unconsolidated financial position of BRD – Groupe Societe Generale S.A. as of 31 December 2010, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.



Independent auditor's report

Report on conformity of the Administrators' Report with the Consolidated Financial Statements

In accordance with the Order of the National Bank of Romania no. 13 from 24 December 2008, article no. 223 point e) we have read the Administrators' Report attached to the consolidated financial statements. The Administrators' Report is not a part of the financial statements. In the Administrators' Report 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 financial statements.

Ahmed Hassan, Audit Partner



Registered with the Financial Auditors' Chamber of Romania under no. 1529/25.11.2003

On the behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Financial Auditors' Chamber of Romania under no.25/25.06.2001

Bucharest, Romania
10 March 2011

Consolidated and individual statement of financial position as of December 31, 2010

	Note	Group		Bank	
		december 31, 2010	december 31, 2009	december 31, 2010	december 31, 2009
ASSETS					
Cash in hand	4	611,570	631,571	611,547	631,551
Due from Central Bank	5	9,429,298	9,219,118	9,428,409	9,217,933
Due from banks	6	662,001	584,867	622,363	545,235
Derivative financial instruments	7	85,839	90,166	92,154	101,906
Loans and advances to customers	8	32,243,213	32,680,245	31,893,224	32,292,265
Financial lease receivables	9	871,821	1,082,128	-	-
Financial assets available for sale	10	4,081,509	2,275,135	4,032,352	2,199,790
Investments in subsidiaries and associates	11	78,237	79,271	153,603	147,472
Property, plant and equipment	12	1,177,066	1,205,783	1,149,988	1,173,837
Goodwill	13	50,151	50,151	50,151	50,151
Intangible assets	14	97,661	79,781	89,647	74,068
Other assets	15	278,537	312,292	164,870	159,846
Total assets		49,666,903	48,290,508	48,288,308	46,594,054
LIABILITIES AND SHAREHOLDERS' EQUITY					
Demand deposits and current accounts	16	13,965,114	14,618,902	13,976,859	14,636,835
Term deposits	17	17,936,160	21,100,342	18,001,057	21,363,955
Borrowed funds and debt issued	18	11,373,019	7,136,577	10,167,839	5,400,416
Derivative financial instruments	7	91,639	63,418	91,639	63,418
Current tax liability		2,383	13	-	-
Deferred tax liability	19	193,164	90,018	195,793	93,761
Other liabilities	20	356,357	337,093	277,923	250,001
Total liabilities		43,917,836	43,346,363	42,711,110	41,808,386
Share capital	21	2,515,622	2,515,622	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		24,604	34,808	21,786	32,897
Retained earnings	22	3,167,476	2,353,250	3,039,790	2,237,149
Minority interest		41,365	40,465	-	-
Total shareholders' equity		5,749,067	4,944,145	5,577,198	4,785,668
Total liabilities and shareholders' equity		49,666,903	48,290,508	48,288,308	46,594,054

The financial statements have been authorized by the Group's management on March 10, 2011 and are signed on the Group's behalf by:

Guy Poupet
President and Chief Executive Officer

Petre Bunescu
Deputy Chief Executive Officer




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

Consolidated and individual financial statements

Consolidated and individual statement of comprehensive income for the year ended December 31, 2010

	Note	Group		Bank	
		2010	2009	2010	2009
Interest income	24	3,689,965	4,754,218	3,531,533	4,539,311
Interest expense	25	(1,370,294)	(2,514,831)	(1,327,267)	(2,453,108)
Net interest income		2,319,671	2,239,387	2,204,266	2,086,203
Fees and commissions, net	26	783,237	810,351	769,234	796,790
Foreign exchange gain	27	329,629	461,506	326,567	460,833
Gain on derivative financial instruments		98,524	70,379	98,524	70,379
(Loss)/Income from associates	28	237	(2,276)	8,049	1,527
Other income	29	132,235	113,869	84,177	62,924
Operating income		3,663,533	3,693,216	3,490,817	3,478,656
Contribution to the Deposit Guarantee Fund	30	(38,287)	(36,462)	(38,287)	(36,462)
Salaries and related expenses	31	(698,767)	(738,799)	(661,810)	(698,736)
Depreciation, amortisation and impairment on tangible assets	32	(131,555)	(170,948)	(128,091)	(162,785)
Other operating expenses	33	(683,898)	(691,127)	(624,852)	(633,180)
Operating expenses		(1,552,507)	(1,637,336)	(1,453,040)	(1,531,163)
Credit loss expense	34	(882,945)	(605,490)	(831,772)	(519,258)
Profit before income tax		1,228,081	1,450,390	1,206,005	1,428,235
Current income tax expense	19	(113,420)	(162,657)	(104,752)	(161,371)
Deferred tax (expense)/income	19	(105,838)	(148,376)	(104,915)	(146,686)
Total income tax		(219,258)	(311,033)	(209,667)	(308,057)
Profit for the year		1,008,823	1,139,357	996,338	1,120,178
Loss attributable to minority interest		(900)	6,892	-	-
Profit attributable to parent company shareholders		1,007,923	1,146,249	996,338	1,120,178
Earnings per share (in RON)	40	1.4463	1.6448	1.4297	1.6074

Consolidated and individual statement of comprehensive income for the year ended December 31, 2010

	Note	Group		Bank	
		2010	2009	2010	2009
Profit for the year		1,008,823	1,139,357	996,338	1,120,178
Other comprehensive income					
Net gain/(loss) on available-for-sale financial assets		(12,895)	51,410	(13,995)	51,008
Income tax relating to components of other comprehensive income		2,691	(6,702)	2,884	(6,408)
Other comprehensive income for the year, net of tax		(10,204)	44,708	(11,111)	44,600
Total comprehensive income for the year, net of tax		998,619	1,184,065	985,227	1,164,778
Attributable to:					
Equity holders of the parent		997,719	1,190,957	985,227	1,164,778
Minority interest		900	(6,892)	-	-

Consolidated and individual statement of changes in equity for the year ended December 31, 2010

Group						
	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Minority interest	Total
December 31, 2008		2,515,622	(9,900)	1,714,545	47,357	4,267,624
Total comprehensive income		-	44,708	1,146,249	(6,892)	1,184,065
Equity dividends for 2008		-	-	(507,544)	-	(507,544)
December 31, 2009		2,515,622	34,808	2,353,250	40,465	4,944,145
Total comprehensive income		-	(10,204)	1,007,923	900	998,619
Shared-based payment transactions		-	-	1,070	-	1,070
Equity dividends for 2009		-	-	(194,767)	-	(194,767)
December 31, 2010	21	2,515,622	24,604	3,167,476	41,365	5,749,067

Bank					
	Note	Issued capital	Reserves from revaluation of available for sale asset	Retained earnings	Total
December 31, 2008		2,515,622	(11,703)	1,624,514	4,128,433
Total comprehensive income		-	44,600	1,120,179	1,164,779
Equity dividends for 2008		-	-	(507,544)	(507,544)
December 31, 2009		2,515,622	32,897	2,237,149	4,785,668
Total comprehensive income		-	(11,111)	996,338	985,227
Shared-based payment transactions		-	-	1,070	1,070
Equity dividends for 2009		-	-	(194,767)	(194,767)
December 31, 2010	21	2,515,622	21,786	3,039,790	5,577,198

Consolidated and individual financial statements

Consolidated and individual statement of cash flows for the year ended December 31, 2010

	Note	Group		Bank	
		2010	2009	2010	2009
Cash flows from operating activities					
Profit before tax		1,228,081	1,450,390	1,206,006	1,428,235
<i>Adjustments for non-cash items</i>					
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets		131,555	170,948	128,091	162,785
Share based payment		1,070	-	1,070	-
Loss/(gain) from investment revaluation		(4,950)	3,803	(12,424)	-
Net expenses from impairment of loans and from provisions	35	912,795	625,210	857,673	537,810
Income tax paid		(111,050)	(285,833)	(104,752)	(285,656)
Operating profit before changes in operating assets and liabilities		2,157,501	1,964,518	2,075,664	1,843,174
Changes in operating assets and liabilities					
Current account with NBR		(210,180)	4,093,622	(210,476)	4,094,718
Accounts and deposits with banks		93,698	7,247	93,698	7,247
Available for sale securities		(1,816,578)	(1,364,811)	(1,843,674)	(1,337,916)
Loans		(476,398)	(1,369,093)	(460,683)	(1,435,046)
Lease receivables		210,307	283,729	-	-
Other assets		(60,519)	(7,421)	(93,596)	17,734
Demand deposits		(653,788)	(2,642,017)	(659,976)	(2,646,742)
Term deposits		(3,164,182)	1,414,233	(3,362,898)	1,522,140
Other liabilities		151,542	(22,459)	160,501	(4,147)
Total changes in operating assets and liabilities		(5,926,098)	393,030	(6,377,104)	217,988
Cash flow from operating activities		(3,768,597)	2,357,548	(4,301,440)	2,061,162
Investing activities					
Acquisition of equity investments		(7,237)	-	(6,591)	(5,050)
Proceeds from equity investments		5,984	-	6,294	-
Acquisition of tangible and intangible assets		(126,572)	(190,045)	(125,631)	(159,784)
Proceeds from sale of tangible and intangible assets		5,854	-	5,810	-
Cash flow from investing activities		(121,971)	(190,045)	(120,118)	(164,834)
Financing activities					
Increase in borrowings		4,236,442	(1,934,612)	4,767,423	(1,650,198)
Dividends paid		(195,043)	(506,742)	(195,043)	(506,742)
Net cash from financing activities		4,041,399	(2,441,354)	4,572,380	(2,156,940)

Consolidated and individual statement of cash flows for the year ended December 31, 2010

	Note	Group		Bank	
		2010	2009	2010	2009
Net movements in cash and cash equivalents		150,831	(273,851)	150,822	(260,612)
Cash and cash equivalents at beginning of the period	35	876,092	1,149,943	836,440	1,097,052
Cash and cash equivalents at the end of the period	35	1,026,923	876,092	987,262	836,440
Operational cash flows from interest and dividends		2010	2009	2010	2009
Interest paid		1,376,857	2,504,361	1,398,351	2,274,173
Interest received		3,477,652	4,500,676	3,326,887	4,091,448
Dividends received		2,342	2,121	2,342	2,121

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

1. Corporate information

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

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

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

The Bank has 937 units throughout the country (December 31, 2009: 930).

The average number of employees of the Group during 2010 was 9,098 (2009: 9,228), and the number of employees of the Group as of the year-end was 9,227 (December 31, 2009: 9,150).

The average number of employees of the Bank during 2010 was 8,498 (2009: 8,494), and the number of employees of the Bank as of the year-end was 8,598 (December 31, 2009: 8,476).

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, 2010	December 31, 2009
Societe Generale France	59.37%	59.37%
SIF Oltenia	5.51%	5.50%
SIF Banat Crisana	4.66%	4.65%
SIF Transilvania	4.37%	5.00%
SIF Muntenia	4.14%	5.27%
SIF Moldova	3.87%	4.75%
European Bank for Reconstruction and Development (“EBRD”)	5.00%	5.00%
Other shareholders	13.08%	10.46%
Total	100.00%	100.00%



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

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, 2010 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU") and in force at that date (these standards are available on European Commission Website http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)

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

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

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

b) Basis for consolidation

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2010. 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, 2009: 99.98%), BRD Finance IFN S.A (49% ownership, 2009: 49%, control through the power to govern the financial and operating policies of the entity under various agreements), BRD Securities - Groupe Société Générale S.A. (99.9996% ownership, 2009: 99.9996%), BRD Corporate Finance SRL (100% ownership, 2009: 100 %) and BRD Asset Management SAI SA (99.95% ownership, 2009: 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 as the difference between the consideration and the fair value of the share of the net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is recognized directly in the income statement in the year of acquisition.

The Bank is accounting the investments in subsidiaries and associates in the individual financial statements at cost.

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

2. Basis of preparation (continued)

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

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

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations** (as part of Improvements to IFRSs issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

- **IAS 1 Presentation of Financial Statements** (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current.

- **IAS 1 Presentation of Financial Statements** (as part of Improvements to IFRSs issued in 2010)


The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendments have been applied retrospectively.

- **IAS 7 Statement of Cash Flows** (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 should resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset.

- **IFRS 3 (revised in 2008) Business Combinations**

- IFRS 3(2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.
- IFRS 3(2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

2. Basis of preparation (continued)

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

- IFRS 3(2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.
- IFRS 3(2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.
- As part of Improvements to IFRSs issued in 2010, IFRS 3(2008) was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition (see above) is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.
- In addition, as part of Improvements to IFRSs issued in 2010, IFRS 3(2008) was amended to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ("market-based measure").
- The Standard defines impact on the acquisition accounting if the acquirer and acquiree were parties to a previous relation. IFRS 3 states that an entity has to classify all contractual terms as at the acquisition date with two exceptions: leases and insurance contracts. The acquirer applies its accounting standards and makes decisions in such a way as if the contractual relationship were taken over regardless of the business combination.

- IAS 27 (revised in 2008) Consolidated and Separate Financial Statements

In specific conditions, early application is permitted. According to the revised standard, changes in the acquiree's interest in its subsidiary that do not result in a loss of control are accounted for in equity as transactions with owners in their capacity as owners. For such transactions, no financial profit/loss is recognized or goodwill remeasured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. The Standard defines accounting procedures to be applied by the parent if control of a subsidiary is lost. Amendments to IAS 28 and IAS 31 extend requirements regarding accounting for loss of control. If therefore an investor has lost significant impact on its associate, the entity should be derecognized and the difference between the total of cash inflows and the preserved interest in fair value and the carrying value of investment in the associate as at the date of losing the significant impact recognized in the profit/loss. A similar approach is required if an investor loses control over a jointly controlled entity.

- IAS 28 (revised in 2008) Investments in Associates

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

2. Basis of preparation (continued)

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

The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

As part of Improvements to IFRSs issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively.

- Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*

The amendments clarify: (1) the scope of IFRS 2. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash, (2) the interaction of IFRS 2 and other standards. The Board clarified that in IFRS 2 a 'group' has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11.

- Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008)*


The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The revised Standard explains two hedge accounting issues: identifying inflation as a hedged risk or its portion; and hedging with options. The amendments make clear that inflation may only be hedged in the instance where changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. The amendments also clarify that a risk-free or benchmark interest rate portion of the fair value of a fixed-rate financial instrument will normally be separately identifiable and reliably measurable and, therefore, may be hedged. The revised IAS 39 permits an entity to designate purchased (or net purchased) options as a hedging instrument in a hedge of a financial or non-financial item. An entity may designate an option as a hedge of changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (a one-sided risk).

- IFRIC 17 *Distributions of Non-cash Assets to Owners*

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The most significant conclusion reached by the IFRIC is that the dividend should be measured at the fair value of the assets distributed, and that any difference between this amount and the previous carrying amount of the assets distributed should be recognised in profit or loss when the entity settles the dividend payable. The Interpretation does not apply to non-cash assets if distribution does not result in a change of control.



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

2. Basis of preparation (continued)

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

- IFRIC 18 *Transfers of Assets from Customers*

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 Revenue.

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

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

- IAS 24 *Related Party Disclosures (Amendment)*

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The bank does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the bank after initial application.

- IFRIC 14 *Prepayments of a minimum funding requirement (Amendment)*

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is expected to have no impact on the financial statements of the bank

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished.

Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the bank.

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

2. Basis of preparation (continued)

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

- Improvements to IFRSs (*issued in May 2010*)

The International Accounting Standards Board (IASB) issued in May 2010 improvements to IFRSs of its annual improvement process which aims at streamlining and clarifying the international accounting standards. The majority of the amendments are clarifications or corrections of existing IFRS or amendments consequential to changes previously made (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 27, IAS 28, IAS 31, IAS 32, IAS 34, IAS 39, IFRIC 13) with a view to removing inconsistency and clarifying wording. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

The Group and the Bank, however, expects no impact from the adoption of the above amendments on its financial position or performance.

e) Significant accounting judgments and estimates

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

Going concern

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

Fair value of financial instruments

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

Impairment losses on loans and receivables

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

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

In addition to specific allowances against individually significant loans and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Impairment of available-for-sale investments

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

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

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, 2010 was 50,151 (December 31, 2009: 50,151).

Deferred tax assets

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

Retirement benefits

The cost of the defined benefit retirement plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions are described in Note 20.

f) Segment information

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

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

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, 2010 and 2009 were as follows:

	December 31, 2010	December 31, 2009
RON/ USD	3.2045	2.9361
RON/ EUR	4.2848	4.2282

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.



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

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.

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.

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

3. Summary of significant accounting policies (continued)

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

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

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.



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

3. Summary of significant accounting policies (continued)

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 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. 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, 2010 and 2009 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.

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

3. Summary of significant accounting policies (continued)

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 did not apply hedge accounting.

o) Borrowings

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

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

p) Offsetting of financial assets and liabilities

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

q) Sale and repurchase agreements

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

r) Customers' deposits and current accounts

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

s) De-recognition of financial assets and liabilities

Financial assets

A financial asset is derecognized where:

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



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

3. Summary of significant accounting policies (continued)

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

Financial liabilities

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

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.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial assets and financial liabilities held for trading.

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

3. Summary of significant accounting policies (continued)

u) Employee benefits

Short-term employee benefits:

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

Social Security Contributions:

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

Post-employment benefits:

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

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

Termination benefits:

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

Share-based payment transactions:

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

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



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

3. Summary of significant accounting policies (continued)

u) Employee benefits (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

v) Taxation

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

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

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

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

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

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

w) Provisions

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

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

3. Summary of significant accounting policies (continued)

y) Earnings per share

Basic earnings per share are calculated by dividing net profit for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2010 and 2009 there were no dilutive equity instruments issued by the Group.

z) Dividends on ordinary shares

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

aa) Related parties

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

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

ab) Subsequent events

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

ac) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received / receivables. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement in 'Credit loss expense'. The premium received is recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

ad) Comparatives

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year. Therefore, the net expenses from impairment of loans and from provisions presented in the consolidated cash flow statement have been restated with the cash amount relating to recoveries from derecognized receivables.



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

4. Cash in hand

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Cash in vaults	375,584	368,404	375,561	368,384
Cash in ATM	235,986	263,167	235,986	263,167
Total	611,570	631,571	611,547	631,551

5. Due from Central Bank

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Current accounts	9,429,298	9,219,118	9,428,409	9,217,933
Total	9,429,298	9,219,118	9,428,409	9,217,933

The National Bank of Romania (NBR or Central Bank) requires commercial banks to maintain an amount on current account with NBR ("minimum compulsory reserve"), calculated as a percentage of the average qualifying non-derivative financial liabilities. As of December 31, 2010 the rate for RON and foreign currency denominated compulsory reserves was 15% and 25%, respectively (2009: 15% and 25%).

6. Due from banks

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Deposits at				
Romanian banks	260,114	105,055	260,114	105,055
Deposits at				
foreign banks	248,612	349,135	208,974	309,504
Current accounts	153,275	130,677	153,275	130,676
Total	662,001	584,867	622,363	545,235

As of December 31, 2010 amounts due from banks include exposures to SG Group amounting 316,758 (December 31, 2009 exposures of 249,982).

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:

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
AA	311,783	387,633	272,145	348,002
A	14,877	26,895	14,877	26,895
BBB	-	10,140	-	10,140
BB	260,257	90,039	260,257	90,039
Not rated*	75,085	70,160	75,085	70,160
Total	662,001	584,866	622,363	545,235

*short term exposures, mainly amounts in settlement

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

7. Derivative financial instruments

Group

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

Group

	December 31, 2009		
	Assets	Liabilities	Notional
Interest rate swaps	-	12,419	750,881
Currency swaps	40,160	27,446	2,801,632
Forward foreign exchange contracts	3,294	9,630	759,845
Currency options	17,012	17,012	1,682,317
Total	90,166	63,418	5,996,704

Bank

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

Bank

	December 31, 2009		
	Assets	Liabilities	Notional
Interest rate swaps	11,740	12,419	1,117,339
Currency swaps	40,160	27,446	2,801,632
Forward foreign exchange contracts	32,994	6,541	761,874
Currency options	17,012	17,012	1,682,317
Total	101,906	63,418	6,363,162



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

7. 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 taken out 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.

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

8. Loans and advances to customers

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Loans, gross	33,894,627	33,937,371	33,413,538	33,402,677
Loans impairment	(1,651,414)	(1,257,126)	(1,520,314)	(1,110,412)
Total	32,243,213	32,680,245	31,893,224	32,292,265

The structure of loans is the following:

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Working capital loans	8,984,472	8,749,356	9,048,226	8,861,835
Loans for equipment	7,232,447	7,272,426	7,232,440	7,272,416
Trade activities financing	259,671	195,649	259,671	195,649
Acquisition of real estate, including mortgage for individuals	4,019,660	3,296,825	4,019,660	3,296,825
Government loans	1,094,856	1,080,687	1,094,856	1,080,687
Consumer loans	11,230,007	12,022,400	10,685,171	11,375,237
Other	1,073,514	1,320,028	1,073,514	1,320,028
Total	33,894,627	33,937,371	33,413,538	33,402,677

As of December 31, 2010, balances relating to factoring, both for Group and Bank, amount to 255,500 (December 31, 2009: 186,803) and those relating to discounting 3,708 (December 31, 2009: 8,809).

The analysis of portfolio by type of ownership

Type of ownership	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Private companies	14,769,265	14,890,480	14,833,049	15,002,984
State owned companies	2,666,737	2,377,409	2,666,743	2,377,413
Individuals	16,458,625	16,669,482	15,913,746	16,022,280
Total	33,894,627	33,937,371	33,413,538	33,402,677

Sector analysis	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Manufacturing	8.5%	8.8%	8.7%	8.8%
Food industry	3.2%	3.3%	3.2%	3.3%
Transportation and other services	9.2%	2.6%	9.3%	2.6%
Trade	15.7%	17.8%	16.0%	17.8%
Agriculture	1.5%	1.7%	1.5%	1.7%
Constructions	6.4%	6.3%	6.5%	6.3%
Individuals	49.0%	48.3%	48.2%	48.3%
Other	6.5%	11.2%	6.6%	11.2%
Total	100.0%	100.0%	100.0%	100.0%

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

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

8. Loans and advances to customers (continued)

As of December 31, 2010 the amortized cost of loans granted to the 20 largest corporate clients of the Group (groups of connected borrowers) amounts to 1,740,055 (December 31, 2009: 1,648,275) and to 1,745,993 (December 31, 2009: 1,668,809) 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 3,234,596 (December 31, 2009: 2,871,796) and to 3,377,443 (December 31, 2009: 3,546,514) for the Bank.

Impairment allowance for loans

Group

	Collective impairment	Specific impairment	Total
Balance as of December 31, 2008	232,536	720,655	953,191
Net provision (income)/expenses	(46,374)	333,104	286,730
Foreign exchange losses	4,018	13,187	17,205
Balance as of December 31, 2009	190,180	1,066,946	1,257,126
Net provision expenses	1,057	388,726	389,783
Foreign exchange losses	994	3,511	4,505
Balance as of December 31, 2010	192,231	1,459,183	1,651,414

Bank

	Collective impairment	Specific impairment	Total
Balance as of December 31, 2008	232,536	640,127	872,663
Net provision (income)/expenses	(46,374)	266,917	220,543
Foreign exchange losses	4,018	13,188	17,206
Balance as of December 31, 2009	190,180	920,232	1,110,412
Net provision expenses	1,057	404,340	405,397
Foreign exchange losses	994	3,511	4,505
Balance as of December 31, 2010	192,231	1,328,083	1,520,314

The value of loans individually determined to be impaired for the Group is 4,482,233 (December 31, 2009: 2,465,921), while for the Bank is 4,349,769 (December 31, 2009: 2,325,988).

Ageing analysis of past due but not impaired loans

Group

December 31, 2010					Total
	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	
Corporate lending	1,096,458	363,759	427,753	155,556	2,043,526
Small business lending	188,055	69,584	71,470	183	329,292
Consumer lending	875,839	384,423	291,588	19,255	1,571,105
Residential mortgages	250,136	81,394	69,532	453	401,515
Total	2,410,488	899,160	860,343	175,447	4,345,438

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

8. Loans and advances to customers (continued)

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

December 31, 2009

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate lending	1,031,609	404,012	274,734	154,331	1,864,686
Small business lending	240,065	113,081	95,836	-	448,982
Consumer lending	910,512	311,512	243,111	-	1,465,135
Residential mortgages	195,708	59,872	62,870	-	318,45
Total	2,377,894	888,477	676,551	154,331	4,097,253

Bank

December 31, 2010

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

December 31, 2009

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate lending	1,031,609	404,012	274,734	154,331	1,864,686
Small business lending	240,065	113,081	95,836	-	448,982
Consumer lending	890,303	296,389	237,619	-	1,424,311
Residential mortgages	195,708	59,872	62,870	-	318,450
Total	2,357,685	873,354	671,059	154,331	4,056,429

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

Group & Bank

	December 31, 2010	December 31, 2009
Corporate lending	641,086	614,536
Small business lending	112,843	113,222
Consumer lending	261,754	112,401
Residential mortgages	6,844	8,376
Total	1,022,527	848,535

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

8. Loans and advances to customers (continued)

Analysis of collateral coverage

Group

December 31, 2010

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

December 31, 2009

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate lending	1,864,686	1,553,824	12,094,667	7,624,508
Retail lending	2,232,567	1,499,694	15,279,529	6,935,498
Total	4,097,253	3,053,518	27,374,196	14,560,006

Bank

December 31, 2010

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

December 31, 2009

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate lending	1,864,686	1,553,824	12,207,136	7,624,508
Retail lending	2,191,743	1,499,693	14,813,123	6,935,498
Total	4,056,429	3,053,517	27,020,259	14,560,006

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

8. Loans and advances to customers (continued)

As of December 31, 2010 the carrying value of repossessed assets is 39 (December 31, 2009: 39), representing a residential building. During 2010 the Group did not repossess any assets.

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, 2010 amounts to 2,797,387 (December 31, 2009: 1,319,710). The amounts are capped to the gross exposure level.

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

	Group		Bank	
	December 31 2010	December 31 2009	December 31 2010	December 31 2009
Very good	1,123,401	1,143,671	1,187,148	1,256,140
Good	462,779	444,648	462,779	444,648
Rather good	292,307	473,997	292,307	473,997
Acceptable	7,506,209	8,787,272	7,506,209	8,787,272
Performing but sensitive	988,595	1,028,020	988,595	1,028,020
Sensitive - credit risk not acceptable	147,117	217,059	147,117	217,059
Total	10,520,408	12,094,667	10,584,155	12,207,136

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.

During the current year the internal rating system has been changed in line with the implementation of Basel II requirements at Group level. New credit risk management procedures emphasize the distinction between the corporate and retail customers.

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

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

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

9. Lease receivables

	Group	
	December 31, 2010	December 31, 2009
Gross investment in finance lease:		
Maturity under 1 year	426,344	503,687
Maturity between 1 and 5 years	527,756	656,172
Maturity higher than 5 years	60,290	52,796
	1,014,390	1,212,655
Unearned finance income	(109,953)	(116,301)
Net investment in finance lease	904,437	1,096,354
Net investment in finance lease:		
Maturity under 1 year	378,885	449,366
Maturity between 1 and 5 years	473,369	599,738
Maturity higher than 5 years	52,183	47,250
	904,437	1,096,354

	Group	
	December 31, 2010	December 31, 2009
Net investment in the lease	904,437	1,096,354
Accumulated allowance for uncollectible minimum lease payments receivable	(32,616)	(14,226)
Total	871,821	1,082,128

Ageing analysis of past due but not impaired lease receivables

December 31, 2010					
	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate leases	67,145	25,313	34,936	29,283	156,677
Retail leases	31,998	14,000	48,640	1,523	96,160
Total	99,143	39,313	83,576	30,806	252,837

December 31, 2009					
	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate leases	198,949	105,528	72,497	25,100	402,074
Retail leases	53,594	36,442	25,861	6,765	122,662
Total	252,543	141,970	98,358	31,865	524,736

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

9. Lease receivables (continued)

Analysis of collateral coverage

December 31, 2010

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

December 31, 2009

	Overdue but not impaired	Covered by collaterals & guarantees	Neither impaired nor past due	Covered by collaterals & guarantees
Corporate leases	402,074	385,738	380,379	383,063
Retail leases	122,662	114,918	150,206	144,166
Total	524,736	500,656	530,585	527,229

The fair value of leased objects relating to lease receivables individually determined to be impaired as at December 31, 2010 amounts to 54,158 (December 31, 2009: 35,045). The amounts are capped to the gross exposure level.

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

	December 31, 2010	December 31, 2009
Very good	14	50
Good	14,845	4,470
Rather good	6,804	46,546
Acceptable	367,902	294,664
Performing but sensitive	35,408	30,656
Sensitive - credit risk not acceptable	939	3,993
Total	425,912	380,379



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

10. Financial assets available for sale

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Treasury notes	3,964,454	2,131,310	3,964,453	2,131,309
Equity investments	8,826	10,345	7,691	9,209
Other securities	108,229	133,480	60,208	59,272
Total	4,081,509	2,275,135	4,032,352	2,199,790

Treasury notes

Treasury notes consist of interest bearing bonds issued by the Romanian Ministry of Public Finance, rated as BB+ by Standard&Poors. As of December 31, 2010 treasury notes amounting to 3,581 have been pledged to NBR (2009: 434,557).

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), Thyssen Krupp Bilstein Compa S.A., Depozitarul Central S.A. (Shareholders' Register for the National Securities Commission), Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA, Romanian Clearing House (SC Casa Romana de Compensatie SA), Investor Compensating Fund (Fondul de Compensare a Investitorilor), TransFond and Visa International Service Association.

Other securities

The Group holds units in:

- A monetary fund ("Simfonia 1") amounting to 59,499 (December 31, 2009: 74,421);
- A balanced fund ("BRD Obligatiuni") amounting to 11,408 (December 31, 2009: 21,226);
- A balanced fund ("Diverso Europa Regional") amounting to 21,079 (December 31, 2009: 21,334)
- A balanced fund ("Actiuni Europa Regional") amounting to 13,981 (December 31, 2009: 12,718).
- A balanced fund ("Index Europa Regional") amounting to 2,263 (December 31, 2009: 0)

The Bank holds units in:

- A monetary fund ("Simfonia 1") amounting to 11,477 (December 31, 2009: 10,666);
- A balanced fund ("BRD Obligatiuni") amounting to 11,408 (December 31, 2009: 10,774);
- A balanced fund ("Diverso Europa Regional") amounting to 21,079 (December 31, 2009: 21,334);
- A balanced fund ("Actiuni Europa Regional") amounting to 13,981 (December 31, 2009: 12,718).
- A balanced fund ("Index Europa Regional") amounting to 2,263 (December 31, 2009: 0)

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

10. Financial assets available for sale (continued)

“Simfonia 1” invests on the monetary market and in liquid debt instruments (treasury bills and bonds, corporate bonds, municipal bonds). The Group held as of the year-end a total number of 1,974,733 units (2009: 2,657,887), while the Bank held a total number of 380,913 (2009: 380,913) with a unit value of RON 30.13 (2009: 28.00)


“BRD Obligatiuni” invests in monetary market instruments, debt instruments as well as equities traded on Bucharest Stock Exchange. As of the year-end the Group held a number of 90,353 units (2009: 178,012), while the Bank held a total number of 90,353 (2009: 90,353) with a unit value of RON 126.26 (2009: 119.24).

“Diverso Europa Regional” invests in monetary market instruments, debt instruments as well as equities traded on a regulated market. As of the year-end the Group held a number of 175,730 units (2009: 195,116), while the Bank held a total number of 175,730 (2009: 195,116) with a unit value of RON 119.95 (2009: 109.34)

“Actiuni Europa Regional” invests mostly in equities traded on a regulated market, in monetary market instruments as well as in debt instruments. As of the year-end the Group held a number of 116,238 units, (2009: 116,238), while the Bank held a total number of 116,238 (2009: 116,238) with a unit value of RON 120.28 (2009: 109.41)

“Index Europa Regional”invest mainly in equities which make part of index mix based BET-XT 50%, WIG-20 20%, Budapest SE Index-10% si Prague SE Index 20% as well as in monetary market instruments. As of the year-end the Group held a number of 21,794 units, (2009: 0), while the Bank held a total number of 21,794 (2009: 0) with a unit value of RON 103.83 (2009: 0)

Other securities also include as at December 31, 2009 corporate bonds issued by Estima Finance amounting to 3,781.



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

11. Investments in subsidiaries and associates

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

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

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

11. Investments in subsidiaries and associates (continued)

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

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

11. Investments in subsidiaries and associates (continued)

The subsidiaries and associate summary of financial position and income statement as at December 31, 2010 are as follows:

The amounts for the subsidiaries are not audited.

Bank

Associate	Address	Total assets	Total liabilities	Net assets	Share-holders interest	Net profit
ALD Automotive	1-7, Ion Mihalache Street, Bucharest	215,926	153,284	62,642	60,469	20,326
Mobiasbanca Groupe Societe Generale S.A.	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova	696,133	531,281	164,852	69,777	14,723
BRD Asigurari de Viata SA	64 Blvd. Unirii Bl. K4, sector 3, Bucharest	33,566	10,792	20,611	26,361	(2,555)
Fondul de Garantare a Creditului Rural	5 Occidentului Street, Bucharest	1,325,479	1,295,811	29,668	19,909	13,326
Biroul de Credit S.A.	15 Calea Victoriei, Bucharest	16,158	725	15,240	11,643	3,150
BRD Fond de Pensii S.A.	64 Unirii Blvd, Bucharest	20,528	895	19,485	24,949	(2,866)
BRD Sogelease Asset Rental SRL	1-7, Ion Mihalache Street, Bucharest	82,560	80,393	2,167	1,357	2,027

Subsidiaries	Address	Total assets	Total liabilities	Net assets	Share-holders interest	Net profit
BRD Securities Groupe Societe Generale SA	1-7, Ion Mihalache Street, Bucharest	entity in liquidation				
BRD Sogelease IFN SA	1-7, Ion Mihalache Street, Bucharest	1,015,204	867,706	147,498	147,465	17,309
BRD Finance Credite de Consum IFN SA	1-7, Ion Mihalache Street, Bucharest	522,620	441,505	81,116	94,929	526
BRD Asset Management SAI SA	1-3, Clucerul Udricani Street, Bucharest	4,743	341	4,402	4,401	1,784
BRD Corporate Finance SRL	1-7, Ion Mihalache Street, Bucharest	788	69	719	719	15

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

12. Property, plant and equipment

Group	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Total
Cost:						
as of December 31, 2008	1,307,306	46,917	214,603	249,800	88,875	1,907,501
Transfers and additions	80,650	(6,135)	31,920	69,885	(20,906)	155,414
Disposals	(9,513)	(119)	(39,493)	(22,289)	(426)	(71,840)
as of December 31, 2009	1,378,443	40,663	207,030	297,396	67,543	1,991,075
Transfers and additions	41,751	(2,751)	30,745	5,875	16,392	92,012
Disposals	(10,623)	(48)	(6,140)	(5,937)	(40)	(22,788)
as of December 31, 2010	1,409,571	37,864	231,635	297,334	83,895	2,060,299
Depreciation and impairment:						
as of December 31, 2008	(355,759)	(15,033)	(185,274)	(140,383)	-	(696,449)
Depreciation and impairment	(85,007)	(1,165)	(32,088)	(29,569)	-	(147,829)
Disposals	5,600	56	39,485	13,845	-	58,986
Transfers	(8,952)	2,132	310	6,510	-	-
as of December 31, 2009	(444,118)	(14,010)	(177,567)	(149,597)	-	(785,292)
Depreciation and impairment	(68,259)	(1,117)	(19,849)	(26,740)	-	(115,965)
Disposals	6,800	41	6,078	5,599	-	18,519
Transfers	(2,754)	896	866	498	-	(494)
as of December 31, 2010	(508,331)	(14,190)	(190,472)	(170,240)	-	(883,233)
Net book value:						
as of December 31, 2008	951,547	31,884	29,329	109,417	88,875	1,211,052
as of December 31, 2009	934,325	26,653	29,463	147,799	67,543	1,205,783
as of December 31, 2010	901,240	23,674	41,163	127,094	83,895	1,177,066



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

12. Property, plant and equipment

Bank

	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Total
Cost:						
as of December 31, 2008	1,299,946	46,917	209,740	243,483	86,417	1,886,503
Transfers and additions	78,217	(6,135)	25,660	40,464	(18,448)	119,758
Disposals	(9,513)	(119)	(39,384)	(14,303)	(426)	(63,745)
as of December 31, 2009	1,368,650	40,663	196,016	269,644	67,543	1,942,516
Transfers and additions	41,731	(2,751)	32,522	7,524	16,392	95,418
Disposals	(10,623)	(48)	(6,140)	(5,815)	(40)	(22,666)
as of December 31, 2010	1,399,758	37,864	222,398	271,353	83,895	2,015,268
Depreciation and impairment:						
as of December 31, 2008	(353,782)	(15,033)	(178,385)	(139,038)	-	(686,238)
Depreciation and impairment	(84,656)	(1,166)	(30,343)	(25,168)	-	(141,333)
Disposals	5,601	57	39,388	13,846	-	58,892
Transfers	(8,952)	2,132	310	6,510	-	-
as of December 31, 2009	(441,789)	(14,010)	(169,030)	(143,850)	-	(768,679)
Depreciation and impairment	(67,899)	(1,117)	(18,859)	(26,658)	-	(114,533)
Disposals	6,800	41	6,078	5,509	-	18,428
Transfers	(2,755)	896	(438)	1,801	-	(496)
as of December 31, 2010	(505,643)	(14,190)	(182,249)	(163,198)	86,417	(865,280)
Net book value:						
as of December 31, 2008	946,164	31,884	31,355	104,445	67,543	1,200,265
as of December 31, 2009	926,861	26,653	26,986	125,794	83,895	1,173,837
as of December 31, 2010	894,115	23,674	40,149	108,155	83,895	1,149,988

The land and buildings have a fair value of 954,188 as at December 31, 2010 (December 31, 2009: 986,868).
The investment properties have a fair value of 31,853 as at December 31, 2010 (December 31, 2009: 26,242).

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

13. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Soci t  G n rale Bucharest to the Group in 1999. The goodwill is no longer amortized starting with January 1, 2004 (see accounting policies). During 2010 there was no impairment of the goodwill.

14. Intangible assets

The balance of the intangible assets as of December 31, 2010 and 2009 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2008	162,885	154,111
Additions	44,763	40,413
Disposals	(78)	(78)
as of December 31, 2009	207,570	194,446
Additions	35,103	30,758
Disposals	0	0
as of December 31, 2010	242,673	225,204
Amortization:		
as of December 31, 2008	(107,471)	(101,752)
Amortization expense	(20,396)	(18,704)
Disposals	78	78
as of December 31, 2009	(127,789)	(120,378)
Amortization expense	(17,174)	(15,130)
Disposals	0	0
Transfers	(49)	(49)
as of December 31, 2010	(145,012)	(135,557)
Net book value:		
as of December 31, 2008	55,414	52,359
as of December 31, 2009	79,781	74,068
as of December 31, 2010	97,661	89,647

15. Other assets

	Group		Bank	
	december 31, 2010	december 31, 2009	december 31, 2010	december 31, 2009
Advances to suppliers	92,879	119,615	-	-
Sundry debtors	151,632	114,693	137,818	86,290
Materials and consumables	1,407	1,663	1,070	1,275
Miscellaneous assets	32,619	76,321	25,982	72,281
Total	278,537	312,292	164,870	159,846

The sundry debtors balances are presented net of an impairment allowance, at Group level, of 53,678 (December 31, 2009: 33,023) and at Bank level of 53,678 (December 31, 2009: 23,913) related to amounts under litigation.



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

16. Demand deposits and current accounts

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Individuals and legal entities	13,432,459	13,798,068	13,444,204	13,816,001
Foreign banks	448,965	807,804	448,965	807,804
Romanian Banks	83,690	13,030	83,690	13,030
Total	13,965,114	14,618,902	13,976,859	14,636,835

17. Term deposits

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Individuals and legal entities	16,592,190	15,762,507	16,657,087	16,026,120
Foreign banks	1,264,206	4,695,063	1,264,206	4,695,063
Romanian Banks	79,764	642,772	79,764	642,772
Total	17,936,160	21,100,342	18,001,057	21,363,955

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

18. Borrowed funds and debt issued

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Borrowings from related parties	9,355,440	4,715,876	8,159,390	2,981,678
Borrowings from international financial institutions	988,686	967,064	924,043	903,275
Borrowings from other institutions	262,756	680,012	262,756	741,838
Bonds issued	737,330	736,468	737,331	736,468
Other borrowings	28,807	37,157	84,319	37,157
Total	11,373,019	7,136,577	10,167,839	5,400,416

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

Borrowings from related parties include an amount of EUR 200,000,000, RON 856,960,000 equivalent (2009: EUR 200,000,000, RON 845,640,000 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.

Other funds borrowed from related parties are senior unsecured and are used in the normal course of business. The bonds represent RON denominated notes issued in December 2006 on the Luxembourg stock exchange amounting to 735,000 for five years at a fixed rate of 7.75%.

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010


19. 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, 2010		
	Temporary differences	Consolidated Statement of Financial Position	Consolidated Income Statement
<i>Deferred tax liability</i>			
Loans and advances to customers	(1,071,297)	(171,410)	(97,067)
Investments and other securities	(38,327)	(6,132)	1,991
Tangible and intangible assets	(210,645)	(33,703)	(9,152)
Total	(1,320,269)	(211,245)	(104,228)
<i>Deferred tax asset</i>			
Provisions and other liabilities	113,004	18,081	(1,610)
Total	113,004	18,081	(1,610)
Taxable items	(1,207,265)	(193,164)	
Deferred tax expense			(105,838)

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



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

19. Taxation (continued)

Group	December 31, 2009		
	Temporary differences	Consolidated Statement of Financial Position	Consolidated Income Statement
<i>Deferred tax liability</i>			
Loans and advances to customers	(464,651)	(74,344)	(69,145)
Investments and other securities	(67,588)	(10,814)	1,355
Tangible and intangible assets	(153,441)	(24,551)	(78,482)
Total	(685,680)	(109,709)	(146,272)
<i>Deferred tax asset</i>			
Provisions and other liabilities	123,069	19,691	(2,104)
Total	123,069	19,691	(2,104)
Taxable items	(562,611)	(90,018)	
Deferred tax expense			(148,376)

Bank	December 31, 2009		
	Temporary differences	Individual Statement of Financial Position	Individual Income Statement
<i>Deferred tax liability</i>			
Loans and advances to customers	(464,651)	(74,344)	(69,145)
Investments and other securities	(63,780)	(10,205)	1,670
Tangible and intangible assets	(153,441)	(24,551)	(78,482)
Total	(681,872)	(109,100)	(145,957)
<i>Deferred tax asset</i>			
Provisions and other liabilities	95,865	15,339	(729)
Total	95,865	15,339	(729)
Taxable items	(586,007)	(93,761)	
Deferred tax expense			(146,686)

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010


19. Taxation (continued)

Movement in deferred tax is as follows:

	Group	Bank
Deferred tax asset, net as of December 31, 2008	65,060	59,333
Deferred tax recognized in other comprehensive income	(6,702)	(6,408)
Net deferred tax expense	(148,376)	(146,686)
Deferred tax liability, net as of December 31, 2009	(90,018)	(93,761)
Deferred tax recognized in other comprehensive income	2,691	2,884
Net deferred tax expense	(105,838)	(104,915)
Deferred tax liability, net as of December 31, 2010	(193,164)	(195,793)

Reconciliation of total tax charge

	Group		Bank	
	2010	2009	2010	2009
Gross profit (before income tax)	1,228,081	1,450,390	1,206,005	1,428,235
Income tax (16%)	197,842	232,062	194,310	228,518
Non-deductible elements	185,401	209,336	181,047	203,126
Non-taxable elements	(163,985)	(130,365)	(165,690)	(123,587)
Income tax at effective tax rate	219,258	311,033	209,667	308,057



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

20. Other liabilities

	Group		Bank	
	december 31, 2010	december 31, 2009	december 31, 2010	december 31, 2009
Sundry creditors	176,152	178,956	103,001	95,057
Other payables to State budget	60,680	39,639	59,088	38,781
Deferred income	28,599	23,995	28,599	23,995
Payables to employees	75,683	79,975	74,242	78,472
Dividends payable	2,069	2,343	2,069	2,345
Financial guarantee contracts	8,863	7,239	8,863	7,239
Provisions	4,311	4,946	2,061	4,112
Total	356,357	337,093	277,923	250,001

Payables to employees include, among other, gross bonuses relating to 2010 profit, amounting to 35,000 (2009: 44,997) and post-employment benefits amounting to 39,101 (2009: 31,728). The social security contributions relating to bonuses 9,800 (2009: 12,603) are included in Other payables to State Budget. Provisions are related to legal claims and penalties.

The movement in provisions is as follows:

Group

Carrying value as of December 31, 2008	3,333
Additional expenses	3,408
Reversals of provisions	(1,795)
Carrying value as of December 31, 2009	4,946
Additional expenses	2,025
Reversals of provisions	(2,660)
Carrying value as of December 31, 2010	4,311

Bank

Carrying value as of December 31, 2008	2,965
Additional expenses	2,918
Reversals of provisions	(1,771)
Carrying value as of December 31, 2009	4,112
Additional expenses	305
Reversals of provisions	(2,356)
Carrying value as of December 31, 2010	2,061

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

20. 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, 2010	December 31, 2009
Current service cost	4,820	1,422
Interest cost on benefit obligation	3,023	1,383
Actuarial losses recognized during the year	998	15,974
Past service cost	20	20
Net benefit expense	8,861	18,799

Movement in defined benefits obligations

	December 31, 2010	December 31, 2009
Opening defined benefit obligation	31,728	13,904
Total service cost	4,840	1,442
Benefits paid	(1,473)	(975)
Interest cost on benefit obligation	3,023	1,383
Actuarial losses recognized during the year	998	15,974
Closing defined benefit obligation	39,116	31,728

Main actuarial assumptions

	December 31, 2010	December 31, 2009
Discount rate	4.15%	5.49%
Inflation rate	1.87%	2.18%
Average salary increase rate (0-4 years)	1.00%	3%
Average salary increase rate (over 5 years)	2.00%	2%
Average remaining working period (years)	17.69	17.91

	December 31, 2010	December 31, 2009
Defined benefit obligation	39,116	31,728
Experience adjustment on plan liabilities	(1,980)	1,160



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

21. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2009: 696,901). Included in the share capital there is an amount of 1,818,721 (2009: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of December 31, 2010 represents 696,901,518 (2009: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2009: RON 1).

During 2010 and 2009, the Bank did not buy back any of its own shares.

22. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2009: 513,515) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

23. Capital management

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

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

For the periods ending December 31, 2010 and December 31, 2009, the adequacy of the Bank's capital has been monitored using the local regulations that are based on the European Directive 2006/48/49/EC (Basel II). These requirements apply to the figures obtained based on the local accounting and financial reporting regulations (derived from European Directives on the accounting standards of credit institutions). During 2010 and 2009 the Bank has complied in full with these requirements.

24. Interest income

	Group		Bank	
	2010	2009	2010	2009
Interest on loans	3,280,282	4,149,767	3,124,740	3,942,581
Interest on deposit with banks	206,784	388,815	203,894	385,601
Interest on treasury notes	202,899	215,636	202,899	211,129
Total	3,689,965	4,754,218	3,531,533	4,539,311

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 137,544 (2009: 63,527).

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

25. Interest expense

	Group		Bank	
	2010	2009	2010	2009
Interest on term deposits	821,358	1,531,231	828,978	1,548,724
Interest on demand deposits	436,541	749,857	374,166	719,916
Interest on borrowings	112,395	233,743	124,123	184,468
Total	1,370,294	2,514,831	1,327,267	2,453,108

26. Fees and commissions, net

	Group		Bank	
	2010	2009	2010	2009
Commission revenue from processing of transactions	837,975	845,043	821,460	825,877
Other commission revenue	82,565	83,267	80,740	82,976
Commission expense	(137,303)	(117,959)	(132,966)	(112,063)
Net commission revenue	783,237	810,351	769,234	796,790

27 Foreign exchange gain


	Group		Bank	
	2010	2009	2010	2009
Foreign exchange income	7,561,421	5,756,191	7,410,290	5,595,590
Foreign exchange expenses	(7,231,792)	(5,294,685)	(7,083,723)	(5,134,757)
Total	329,629	461,506	326,567	460,833

28. Income from associates

	Group		Bank	
	2010	2009	2010	2009
Share of increase/(decrease) in net assets from associates	(7,502)	(3,804)	-	-
Dividends from associates	1,755	1,527	1,755	1,527
Net gain from sale of interest in associates	5,984	-	6,294	-
Total	237	(2,277)	8,049	1,527

29. 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 2,390 (2009: 2,930).



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

30. Contribution to the 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.

31. Salaries and related expenses

	Group		Bank	
	2010	2009	2010	2009
Salaries	457,194	463,542	430,086	434,309
Social security	128,810	129,459	121,364	121,504
Bonuses	44,800	57,600	44,800	57,600
Post-employment benefits (see note 20)	7,373	17,824	7,373	17,823
Other	60,590	70,374	58,187	67,500
Total	698,767	738,799	661,810	698,736

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

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

Share based payment transactions

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

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

31. Salaries and related expenses (continued)

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

	Weighted average exercise price (RON)	Number of shares
Outstanding as at January 1, 2010	-	-
Granted during the period		
- exercise date 31/03/2015	123	144,432
- exercise date 31/03/2016	113	216,648
Outstanding as at December 31, 2010	236	361,080

The shares outstanding as at December 31, 2010 have an exercise price of 123 RON (those with an exercise date as at March 31, 2015) and of 113 RON (those with an exercise date as at March 31, 2016) and a contractual life of 4 years and 5 months and 5 years and 5 months respectively.

32. Depreciation and amortization expense


	Group		Bank	
	2010	2009	2010	2009
Depreciation and impairment (see Note 12)	115,965	147,829	114,533	141,334
Amortisation (see Note 14)	17,174	20,396	15,130	18,703
Losses/(Gains) on disposal of tangible and intangible assets	(1,584)	2,723	(1,572)	2,748
Total	131,555	170,948	128,091	162,785

33. Other operating expense

	Group		Bank	
	2010	2009	2010	2009
Administrative expenses	558,420	567,612	529,174	539,367
Publicity and sponsorships	41,628	43,708	41,115	42,741
Other expenses	83,850	79,807	54,563	51,072
Total	683,898	691,127	624,852	633,180

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.



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

34. Credit loss expense

	Group		Bank	
	2010	2009	2010	2009
Net loans impairment allowance	389,781	286,730	405,397	220,543
Net impairment allowance for sundry debtors	30,407	9,384	31,695	9,828
Net impairment allowance for financial leases	10,336	11,569	-	-
Income from recoveries of derecognized receivables	(30,485)	(18,107)	(27,952)	(17,405)
Write-offs of bad debts	481,282	308,675	421,008	299,053
Financial guarantee contracts	1,624	7,239	1,624	7,239
Total	882,945	605,490	831,772	519,258

35. Cash and cash equivalents for cash flow purposes

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

Group

	December 31, 2010	December 31, 2009
Cash in hand (see note 4)	611,570	631,571
Current accounts and deposits with banks	415,353	244,521
Total	1,026,923	876,092

Bank

	December 31, 2010	December 31, 2009
Cash in hand (see note 4)	611,547	631,551
Current accounts and deposits with banks	375,715	204,889
Total	987,262	836,440

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

Consolidated and individual financial statements

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

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

Group

	December 31, 2010	December 31, 2009
Net loans impairment allowance	389,781	286,730
Net impairment allowance for sundry debtors	30,407	9,384
Net impairment allowance for financial leases	10,336	11,569
Write-offs expenses	481,282	308,675
Financial guarantee contracts	1,624	7,239
Net movement in other provisions	(635)	1,613
Total	912,795	625,210

Bank

	December 31, 2010	December 31, 2009
Net loans impairment allowance	405,397	220,543
Net impairment allowance for sundry debtors	31,695	9,828
Write-offs expenses	421,008	299,053
Financial guarantee contracts	1,624	7,239
Net movement in other provisions	(2,051)	1,147
Total	857,673	537,810

36. Guarantees and other financial commitments


Guarantees and letters of credit

The Group issues guarantees and letters of credit for its customers. The primary purpose of letters of credit is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry a similar credit risk as loans.

The market and credit risk on these financial instruments, as well as the operational risk is similar to that arising from granting of loans. In the event of a claim on the Group as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Group.

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities. While there is some credit risk associated with the commitment, the risk is viewed as modest, since it results from the possibility of unused portions of loan authorizations being drawn by the client and, these amounts not being repaid subsequently when due.



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

36. Guarantees and other financial commitments (continued)

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, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Letters of guarantee granted	7,931,516	8,224,088	8,022,717	8,320,280
Financing commitments granted	3,274,814	3,742,697	3,313,193	3,786,026
Total commitments granted	11,206,330	11,966,785	11,335,910	12,106,306

37. Capital commitments

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Tangible non-current assets	16,637	19,135	16,637	19,135
Intangible non-current assets	8,687	3,148	8,687	3,148
Total	25,324	22,283	25,324	22,283

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:

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

38. Related parties (continued)

	2010				2009			
	Parent	Other SG entities	Subsidiaries	Associates	Parent	Other SG entities	Subsidiaries	Associates
Assets	244,844	7,994	160,585	-	234,804	11,193	340,818	1,224
Nostro accounts	42,951	1,470	-	-	30,723	11,193	-	-
Deposits	18,953	6,524	43,597	-	21,141	-	177,808	-
Loans	182,940	-	110,673	-	182,940	-	163,010	1,224
Derivative financial instruments	-	-	6,315	-	-	-	-	-
Liabilities	9,977,929	869,572	147,036	581	6,829,417	3,230,107	365,361	52,769
Loro accounts	14,143	722	-	-	4,276	958	-	-
Deposits	608,354	868,850	76,645	581	2,109,266	3,229,149	280,528	52,769
Borrowings	8,491,213	-	8,577	-	3,862,594	-	11,285	-
Subordinated borrowings	864,219	-	-	-	853,281	-	-	-
Lease payable	-	-	55,499	-	-	-	61,809	-
Derivative financial instruments	-	-	6,315	-	-	-	11,739	-
Commitments	4,745,481	33,978	-	-	3,828,142	70,677	-	-
Letters of guarantee received	284,153	8,197	-	-	348,444	6,416	-	-
Notional amount of foreign exchange transactions	4,022,021	25,781	-	-	2,918,860	64,261	-	-
Notional amount of interest rate derivatives	439,307	-	-	-	560,838	-	-	-
Income statement	88,003	66,757	40,739	423	84,521	136,169	76,653	14,859
Interest and commission revenues	14,075	76	21,389	2	14,418	1,056	37,511	43
Interest and commission expense	34,383	67,083	17,395	421	62,470	134,098	29,799	14,816
Net (loss) on interest rate derivatives	(10,093)	-	521	-	(11,008)	-	-	-
Net gain/(loss) on foreign exchange derivatives	49,638	(402)	-	-	18,641	1,015	3,802	-
Other income	-	-	548	-	-	-	1,166	-
Other expenses	-	-	886	-	-	-	4,375	-

The interest expenses include an amount of 15,271 (2009: 24,257) relating to subordinated loans. As of December 31, 2010, the Board of Directors and Managing Committee members own 344,680 shares (2009: 367,080).

The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 6,236 (2009: 5,148).



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

39. Contingencies

As of December 31, 2010 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 10,111 (2009: 2,595). The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance.

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

40. Earnings per share

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<i>Ordinary shares on the market</i>	696,901,518	696,901,518	696,901,518	696,901,518
<i>Profit attributable to parent company shareholders</i>	1,007,923	1,146,249	996,338	1,120,178
<i>Earnings per share (in RON)</i>	1.4463	1.6448	1.4297	1.6074

41. Dividends on ordinary shares

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<i>Declared and paid during the year</i>				
Dividends for 2009: 0.27947 (2008: 0.72828)	192,698	505,198	192,698	505,198
<i>Proposed for approval at AGM</i>				
Dividends for 2010: 0.17957 (2009:0.27947)	125,147	194,767	125,147	194,767

42. Risk management

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

42.1 Credit risk

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

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

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010


42. Risk management (continued)

42.1 Credit risk (continued)

Maximum exposure to credit risk before considering any collaterals or guarantees

Group	December 31, 2010	December 31, 2009
ASSETS		
Due from Central Bank	9,429,298	9,219,118
Due from banks	662,001	584,867
Derivative financial instruments	85,839	90,166
Loans, gross	33,894,627	33,937,371
Impairment reserve for loans	(1,651,414)	(1,257,126)
Loans and advances to customers	32,243,213	32,680,245
Financial lease receivables	871,821	1,082,128
Financial assets available for sale	4,081,509	2,275,135
Investments in associates	78,237	79,271
Other assets	278,537	312,292
Total in balance sheet	47,730,455	46,323,222
Letters of guarantee granted	3,274,814	3,742,697
Financing commitments granted	-	-
Total commitments granted	3,274,814	3,742,697
Total credit risk exposure	51,005,269	50,065,919

Bank	December 31, 2010	December 31, 2009
ASSETS		
Due from Central Bank	9,428,409	9,217,933
Due from banks	622,363	545,235
Derivative financial instruments	92,154	101,906
Loans, gross	33,413,538	33,402,677
Impairment reserve for loans	(1,520,314)	(1,110,412)
Loans and advances to customers	31,893,224	32,292,265
Financial lease receivables	-	-
Financial assets available for sale	4,032,352	2,199,790
Investitii in filiale si asociati	153,603	147,472
Other assets	164,870	159,846
Total in balance sheet	46,386,975	44,664,447
Letters of guarantee granted	3,313,193	3,786,026
Financing commitments granted	-	-
Total commitments granted	3,313,193	3,786,026
Total credit risk exposure	49,700,168	48,450,473



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.2 Market risk

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

Foreign exchange risk

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

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

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

Group

2010

Currency	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	(45,943)	(195)
Other	+5	932	-

2009

Currency	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	(37,578)	1,823
Other	+5	306	-

Bank

2010

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

2009

Currency	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	20,764	1,823
Other	+5	1,958	-

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.2 Market risk (continued)

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

	Group December 31, 2010				Bank December 31, 2010			
	Total	RON	EUR	Other	Total	RON	EUR	Other
Assets	49,666,903	23,488,751	25,471,508	706,644	48,288,308	22,884,582	24,705,320	698,405
Liabilities and shareholders' equity	49,666,903	25,798,306	22,343,945	1,524,652	48,288,308	25,275,201	21,500,047	1,513,060
Effect of derivatives held for risk management	-	1,801,210	(2,672,141)	870,931	-	1,801,210	(2,672,141)	870,931
	-	(508,345)	455,422	52,923	-	(589,409)	533,132	56,277

	Group December 31, 2009				Bank December 31, 2009			
	Total	RON	EUR	Other	Total	RON	EUR	Other
Assets	48,290,508	20,927,587	26,786,403	576,518	46,594,054	20,280,341	25,767,223	546,490
Liabilities and shareholders' equity	48,290,508	22,931,540	24,406,775	952,193	46,594,054	22,460,087	23,213,026	920,941
Effect of derivatives held for risk management	-	1,725,318	(2,138,923)	413,605	-	1,725,318	(2,138,923)	413,605
	-	(278,635)	240,705	37,930	-	(454,428)	415,274	39,154



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

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, 2010

Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	(4,509)	9,665
(100)	4,509	(9,665)

December 31, 2009

Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	4,078	7,103
(100)	(4,078)	(7,103)

Bank

December 31, 2010

Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	636	9,665
(100)	(636)	(9,665)

December 31, 2009

Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	4,078	7,103
(100)	(4,078)	(7,103)

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

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

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.2 Market risk (continued)

Group

December 31, 2010	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	611,570	-	-	-	-	611,570
Due from Central Bank	9,429,298	-	-	-	-	9,429,298
Due from banks	422,363	85	110,423	25,106	104,024	662,001
Derivative financial instruments	85,839	-	-	-	-	85,839
Loans and advances to customers	14,273,938	11,087,654	2,750,809	3,323,727	807,085	32,243,213
Financial lease receivables	96,172	91,445	454,404	211,003	18,797	871,821
Financial assets available for sale	112,344	149,086	1,956,946	1,639,285	223,848	4,081,509
Investments in associates	-	-	-	-	78,237	78,237
Goodwill	-	-	-	-	50,151	50,151
Non current assets and other assets	-	278,537	-	-	1,274,727	1,553,264
Total assets	25,031,524	11,606,807	5,272,582	5,199,121	2,556,869	49,666,903
Liabilities						
Demand deposits and current accounts	13,965,114	-	-	-	-	13,965,114
Term deposits	10,086,960	5,084,469	1,860,242	859,282	45,207	17,936,160
Borrowed funds and debt issued	1,832,308	5,672,701	3,702,970	144,887	20,153	11,373,019
Derivative financial instruments	91,639	-	-	-	-	91,639
Current tax liability	-	-	2,383	-	-	2,383
Deferred tax liability	16,102	11,142	35,496	53,008	77,416	193,164
Other liabilities	354,288	2,069	-	-	-	356,357
Total liabilities	26,346,411	10,770,381	5,601,091	1,057,177	142,776	43,917,836
Total shareholders' equity	-	-	-	-	5,749,067	
Net position	(1,314,887)	836,426	(328,509)	4,141,944	(3,334,975)	

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.2 Market risk (continued)

Group

December 31, 2009	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	631,571	-	-	-	-	631,571
Due from Central Bank	9,219,118	-	-	-	-	9,219,118
Due from banks	343,051	-	204,157	25,106	2,553	584,867
Derivative financial instruments	90,166	-	-	-	-	90,166
Loans and advances to customers	17,349,553	8,270,435	1,516,164	4,239,775	1,304,318	32,680,245
Financial lease receivables	109,091	439,609	248,660	245,846	38,922	1,082,128
Financial assets available for sale	10,690	232,427	1,349,134	506,371	176,513	2,275,135
Investments in associates	-	-	-	-	79,271	79,271
Goodwill	-	-	-	-	50,151	50,151
Non current assets and other assets	-	312,292	-	-	1,285,564	1,597,856
Total assets	27,753,240	9,254,763	3,318,115	5,017,098	2,947,292	48,290,508
Liabilities						
Demand deposits and current accounts	14,618,902	-	-	-	-	14,618,902
Term deposits	13,365,780	6,748,998	859,863	124,376	1,325	21,100,342
Borrowed funds and debt issued	1,881,432	3,663,821	631,740	920,364	39,220	7,136,577
Derivative financial instruments	63,418	-	-	-	-	63,418
Current tax liability	-	-	13	-	-	13
Deferred tax liability	7,253	4,773	6,917	24,151	46,924	90,018
Other liabilities	334,750	2,343	-	-	-	337,093
Total liabilities	30,271,535	10,419,935	1,498,533	1,068,891	87,469	43,346,363
Total shareholders' equity	-	-	-	-	4,944,145	
Net position	(2,518,295)	(1,165,172)	1,819,582	3,948,207	(2,084,322)	

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.2 Market risk (continued)

Bank

December 31, 2010	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	611,547	-	-	-	-	611,547
Due from Central Bank	9,428,409	-	-	-	-	9,428,409
Due from banks	420,416	85	110,392	-	91,470	622,363
Derivative financial instruments	92,154	-	-	-	-	92,154
Loans and advances to customers	14,295,921	11,085,404	2,712,719	3,055,446	743,734	31,893,224
Financial assets available for sale	261,430	839,948	1,344,908	1,407,489	178,577	4,032,352
Investments in associates	-	-	-	-	153,603	153,603
Goodwill	-	-	-	-	50,151	50,151
Non current assets and other assets	-	164,870	-	-	1,239,635	1,404,505
Total assets	25,109,877	12,090,307	4,168,019	4,462,935	2,457,170	48,288,308
Liabilities						
Demand deposits and current accounts	13,976,859	-	-	-	-	13,976,859
Term deposits	10,114,304	5,089,469	1,860,242	859,282	77,760	18,001,057
Borrowed funds and debt issued	1,563,125	5,001,737	3,535,044	64,765	3,168	10,167,839
Derivative financial instruments	91,639	-	-	-	-	91,639
Deferred tax liability	16,302	11,253	35,773	52,232	80,233	195,793
Other liabilities	275,854	2,069	-	-	-	277,923
Total liabilities	26,038,083	10,104,528	5,431,059	976,279	161,161	42,711,110
Total shareholders' equity	-	-	-	-	5,577,198	
Net position	(928,206)	1,985,779	(1,263,040)	3,486,656	(3,281,190)	

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.2 Market risk (continued)

Bank

December 31, 2009	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	631,551	-	-	-	-	631,551
Due from Central Bank	9,217,933	-	-	-	-	9,217,933
Due from banks	341,078	-	204,157	-	-	545,235
Derivative financial instruments	101,906	-	-	-	-	101,906
Loans and advances to customers	17,385,513	8,268,908	1,485,600	3,935,420	1,216,824	32,292,265
Financial assets available for sale	10,752	236,384	1,372,102	514,992	65,560	2,199,790
Investments in associates	-	-	-	-	147,472	147,472
Goodwill	-	-	-	-	50,151	50,151
Non current assets and other assets	-	159,846	-	-	1,247,905	1,407,751
Total assets	27,688,733	8,665,138	3,061,859	4,450,412	2,727,912	46,594,054
Liabilities						
Demand deposits and current accounts	14,636,835	-	-	-	-	14,636,835
Term deposits	13,566,840	6,753,998	859,863	144,376	38,878	21,363,955
Borrowed funds and debt issued	1,464,853	2,691,642	431,529	805,007	7,385	5,400,416
Derivative financial instruments	63,418	-	-	-	-	63,418
Deferred tax liability	7,337	4,830	7,025	23,825	50,744	93,761
Other liabilities	247,656	2,345	-	-	-	250,001
Total liabilities	29,986,939	9,452,815	1,298,417	973,208	97,007	41,808,386
Total shareholders' equity	-	-	-	-	4,785,668	
Net position	(2,298,206)	(787,677)	1,763,442	3,477,204	(2,154,763)	

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

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, 2010 and 2009 is as follows:

Group							
December 31, 2010	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	611,570	611,570	-	-	-	-	-
Due from Central Bank	9,429,298	9,429,298	-	-	-	-	-
Due from banks	662,001	422,449	-	18,294	98,282	122,976	-
Derivative financial instruments	85,839	85,839	-	-	-	-	-
Loans and advances to customers	32,243,213	3,457,251	2,095,862	8,025,397	9,971,210	8,693,493	-
Financial lease receivables	871,821	96,172	91,445	454,404	211,003	18,797	-
Financial assets available for sale	4,081,509	112,344	149,086	1,956,946	1,639,285	223,848	-
Investments in associates	78,237	-	-	-	-	-	78,237
Goodwill	50,151	-	-	-	-	-	50,151
Non current assets and other assets	1,553,264	-	278,537	-	-	-	1,274,727
Total assets	49,666,903	14,214,923	2,614,930	10,455,041	11,919,780	9,059,114	1,403,115
LIABILITIES							
Demand deposits and current accounts	13,965,114	13,965,114	-	-	-	-	-
Term deposits	17,936,160	10,086,960	4,870,229	1,881,666	944,978	152,327	-
Borrowed funds and debt issued	11,373,019	972,766	261,678	7,758,696	2,231,183	148,697	-
Derivative financial instruments	91,639	91,639	-	-	-	-	-
Current tax liability	2,383	-	-	2,383	-	-	-
Deferred tax liability	193,164	16,102	11,142	35,496	53,008	23,003	54,413
Other payables	356,357	354,288	2,069	-	-	-	-
Total liabilities	43,917,836	25,486,869	5,145,118	9,678,241	3,229,169	324,027	54,413
Total shareholders equity	5,749,067	-	-	-	-	-	5,749,067
Gap		(11,271,946)	(2,530,188)	776,800	8,690,611	8,735,088	(4,400,365)
Cumulative gap		(11,271,946)	(13,802,134)	(13,025,334)	(4,334,723)	4,400,365	-

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.3 Liquidity risk (continued)

Group							
December 31, 2009	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash	631,571	631,571	-	-	-	-	-
Due from Central Bank	9,219,118	9,219,118	-	-	-	-	-
Due from banks	584,867	343,051	-	18,294	98,282	125,240	-
Derivative financial instruments	90,166	90,166	-	-	-	-	-
Loans, net	32,680,245	3,513,543	2,098,086	7,091,640	10,616,207	9,360,769	-
Financial lease receivables	1,082,128	109,091	439,609	248,660	245,847	38,921	-
Financial assets available for sale	2,275,135	10,690	232,427	1,349,134	506,371	176,513	-
Investments in associates	79,271	-	-	-	-	-	79,271
Goodwill	50,151	-	-	-	-	-	50,151
Non current assets and other assets	1,597,856	-	312,292	-	-	-	1,285,564
Total assets	48,290,508	13,917,230	3,082,414	8,707,728	11,466,707	9,701,443	1,414,986
LIABILITIES							
Demand deposits and current accounts	14,618,902	14,618,902	-	-	-	-	-
Term deposits	21,100,342	7,331,106	3,500,005	2,792,710	7,338,998	137,523	-
Borrowed funds and debt issued	7,136,577	157,066	74,832	1,052,235	5,255,296	597,148	-
Derivative financial instruments	63,418	63,418	-	-	-	-	-
Current tax liability	13	-	-	13	-	-	-
Deferred tax liability	90,018	7,253	4,773	6,917	24,151	11,364	35,560
Other payables	337,093	334,750	2,343	-	-	-	-
Total liabilities	43,346,363	22,512,495	3,581,953	3,851,875	12,618,445	746,035	35,560
Total shareholders equity	4,944,145	-	-	-	-	-	4,944,145
Gap		(8,595,265)	(499,539)	4,855,853	(1,151,738)	8,955,408	(3,564,719)
Cumulative gap		(8,595,265)	(9,094,804)	(4,238,951)	(5,390,689)	3,564,719	-

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.3 Liquidity risk (continued)

Bank

December 31, 2010	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	611,547	611,547	-	-	-	-	-
Due from Central Bank	9,428,409	9,428,409	-	-	-	-	-
Due from banks	622,363	420,501	-	18,294	73,176	110,392	-
Derivative financial instruments	92,154	92,154	-	-	-	-	-
Loans and advances to customers	31,893,224	3,457,080	2,093,798	7,989,799	9,718,697	8,633,850	-
Financial lease receivables	-	-	-	-	-	-	-
Financial assets available for sale	4,032,352	261,430	839,948	1,344,908	1,407,489	178,577	-
Investments in associates	153,603	-	-	-	-	-	153,603
Goodwill	50,151	-	-	-	-	-	50,151
Non current assets and other assets	1,404,505	-	164,870	-	-	-	1,239,635
Total assets	48,288,308	14,271,121	3,098,616	9,353,001	11,199,362	8,922,819	1,443,389
LIABILITIES							
Demand deposits and current accounts	13,976,859	13,976,859	-	-	-	-	-
Term deposits	18,001,057	10,114,304	4,875,229	1,881,666	944,978	184,880	-
Borrowed funds and debt issued	10,167,839	864,827	229,913	7,410,191	1,531,196	131,712	-
Derivative financial instruments	91,639	91,639	-	-	-	-	-
Deferred tax liability	195,793	16,302	11,253	35,773	52,232	22,933	57,300
Other payables	277,923	275,854	2,069	-	-	-	-
Total liabilities	42,711,110	25,339,785	5,118,464	9,327,630	2,528,406	339,525	57,300
Total shareholders equity	5,577,198	-	-	-	-	-	5,577,198
Gap		(11,068,664)	(2,019,848)	25,371	8,670,956	8,583,294	(4,191,109)
Cumulative gap		(11,068,664)	(13,088,512)	(13,063,141)	(4,392,186)	4,191,109	-

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.3 Liquidity risk (continued)

Bank

December 31, 2009	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash	631,551	631,551	-	-	-	-	-
Due from Central Bank	9,217,933	9,217,933	-	-	-	-	-
Due from banks	545,235	341,078	-	18,294	73,176	112,687	-
Derivative financial instruments	101,906	101,906	-	-	-	-	-
Loans, net	32,292,265	3,508,384	2,097,784	7,054,469	10,348,647	9,282,981	-
Financial assets available for sale	2,199,790	10,752	236,384	1,372,102	514,992	65,560	-
Investments in associates	147,472	-	-	-	-	-	147,472
Goodwill	50,151	-	-	-	-	-	50,151
Non current assets and other assets	1,407,751	-	159,846	-	-	-	1,247,905
Total assets	46,594,054	13,811,604	2,494,014	8,444,865	10,936,815	9,461,228	1,445,528
LIABILITIES							
Demand deposits and current accounts	14,636,835	14,636,835	-	-	-	-	-
Term deposits	21,363,955	7,532,166	3,505,005	2,792,710	7,358,998	175,076	-
Borrowed funds and debt issued	5,400,416	12,128	21,049	219,570	4,548,336	599,333	-
Derivative financial instruments	63,418	63,418	-	-	-	-	-
Deferred tax liability	93,761	7,337	4,830	7,025	23,825	11,320	39,424
Other payables	250,001	247,656	2,345	-	-	-	-
Total liabilities	41,808,386	22,499,540	3,533,229	3,019,305	11,931,159	785,729	39,424
Total shareholders equity	4,785,668	-	-	-	-	-	4,785,668
Gap		(8,687,936)	(1,039,215)	5,425,560	(994,344)	8,675,499	(3,379,564)
Cumulative gap		(8,687,936)	(9,727,151)	(4,301,591)	(5,295,935)	3,379,564	

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.3 Liquidity risk (continued)

Future undiscounted cash flows

The tables below summaries the maturity profile of the financial liabilities based on contractual undiscounted repayment obligations.

Group

December 31, 2010	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Demand deposits and current accounts	13,965,467	13,965,467	-	-	-	-	-
Term deposits	18,154,390	10,052,329	4,928,262	1,950,359	1,034,350	189,090	-
Borrowed funds and debt issued	11,708,114	874,828	261,971	7,737,525	2,677,989	155,800	-
Current tax liability	2,383	-	-	2,383	-	-	-
Deferred tax liability	193,164	16,102	11,142	35,496	53,008	23,003	54,413
Other liabilities except for fair values of derivatives	356,357	354,288	2,069	-	-	-	-
Derivative financial instruments	458	(1,218)	(477)	7,263	(5,106)	(3)	-
Letters of guarantee granted	7,931,516	7,931,516	-	-	-	-	-
Total liabilities	52,311,849	33,193,312	5,202,967	9,733,026	3,760,241	367,890	54,413

Group

December 31, 2009	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Demand deposits and current accounts	14,621,276	14,621,276	-	-	-	-	-
Term deposits	21,299,488	11,919,824	6,312,848	2,441,963	428,492	196,361	-
Borrowed funds and debt issued	7,485,949	117,105	1,433,903	1,893,209	3,433,959	607,773	-
Current tax liability	13	-	-	13	-	-	-
Deferred tax liability	90,018	7,253	4,773	6,917	24,151	11,364	35,560
Other liabilities except for fair values of derivatives	337,093	334,750	2,343	-	-	-	-
Derivative financial instruments	61,452	27,595	4,591	41,625	(12,038)	(321)	-
Letters of guarantee granted	8,224,088	8,224,088	-	-	-	-	-
Total liabilities	52,119,377	35,251,891	7,758,458	4,383,727	3,874,564	815,177	35,560

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

42. Risk management (continued)

42.3 Liquidity risk (continued)

Future undiscounted cash flows (continued)

Bank

December 31, 2010	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Demand deposits and current accounts	13,977,212	13,977,212	-	-	-	-	-
Term deposits	18,223,977	10,082,101	4,933,262	1,950,359	1,034,351	223,904	-
Borrowed funds and debt issued	10,433,475	868,518	222,160	7,549,880	1,657,442	135,475	-
Deferred tax liability	195,794	16,302	11,253	35,773	52,232	22,934	57,300
Other liabilities except for fair values of derivatives	277,923	275,854	2,069	-	-	-	-
Derivative financial instruments	6,882	(1,577)	1,024	10,073	(2,635)	(3)	-
Letters of guarantee granted	8,022,717	8,022,717	-	-	-	-	-
Total liabilities	51,137,980	33,241,127	5,169,768	9,546,085	2,741,390	382,310	57,300

Bank

December 31, 2009	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Demand deposits and current accounts	14,638,828	14,638,828	-	-	-	-	-
Term deposits	21,755,551	12,115,116	6,317,848	2,441,963	684,263	196,361	-
Borrowed funds and debt issued	5,652,039	11,260	1,287,524	1,166,531	2,618,352	568,372	-
Deferred tax liability	93,761	93,761	-	-	-	-	-
Other liabilities except for fair values of derivatives	250,001	247,656	2,345	-	-	-	-
Derivative financial instruments	79,108	27,155	7,097	48,902	(3,725)	(321)	-
Letters of guarantee granted	8,320,280	8,320,280	-	-	-	-	-
Total liabilities	50,789,568	35,454,056	7,614,814	3,657,396	3,298,890	764,412	-

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Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

43. Fair value

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

43. Fair value (continued)

	Group				Bank			
	December 31, 2009				December 31, 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	-	-	-	-	11,740	-	11,740
Currency swaps	-	40,160	-	40,160	-	40,160	-	40,160
Forward foreign exchange contracts	-	32,994	-	32,994	-	32,994	-	32,994
Currency options	-	17,012	-	17,012	-	17,012	-	17,012
		90,166	-	90,166	-	101,906	-	101,906
Financial assets available for sale								
Treasury notes	-	2,131,310	-	2,131,310	-	2,131,309	-	2,131,309
Equity investments	3,088	-	7,257	10,345	3,088	-	6,121	9,209
Other securities	129,699	3,781	-	133,480	55,491	3,781	-	59,272
	132,787	2,135,091	7,257	2,275,135	58,579	2,135,090	6,121	2,199,790
Total	132,787	2,225,257	7,257	2,365,301	58,579	2,236,996	6,121	2,301,696
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	12,419	-	12,419	-	12,419	-	12,419
Currency swaps	-	27,446	-	27,446	-	27,446	-	27,446
Forward foreign exchange contracts	-	6,541	-	6,541	-	6,541	-	6,541
Currency options	-	17,012	-	17,012	-	17,012	-	17,012
Total	-	63,418	-	63,418	-	63,418	-	63,418

Financial instruments recorded at fair value

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

Derivatives

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

Financial assets available for sale

Available-for-sale financial assets valued using a valuation technique or pricing models primarily consist of unquoted equities and debt securities. These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.

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43. Fair value (continued)

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

	Group				Bank			
	December 31, 2010		December 31, 2009		December 31, 2010		December 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	611,570	611,570	631,571	631,571	611,547	611,547	631,551	631,551
Due from Central Bank	9,429,298	9,429,298	9,219,118	9,219,118	9,428,409	9,428,409	9,217,933	9,217,933
Due from banks	662,001	662,001	584,867	584,867	622,363	622,363	545,235	545,235
Loans and advances to customers	32,243,213	32,354,730	32,680,245	32,755,350	31,893,224	32,068,947	32,292,265	32,437,396
Financial lease receivables	871,821	840,158	1,082,128	995,944	-	-	-	-
	<u>43,817,903</u>	<u>43,897,757</u>	<u>44,197,929</u>	<u>44,186,850</u>	<u>42,555,543</u>	<u>42,731,266</u>	<u>42,686,984</u>	<u>42,832,115</u>
Financial liabilities								
Demand deposits and current accounts	13,965,114	13,965,114	14,618,902	14,618,902	13,976,859	13,976,859	14,636,835	14,636,835
Term deposits	17,936,160	17,237,828	21,100,342	20,957,382	18,001,057	17,271,983	21,363,955	21,183,723
Borrowed funds and debt issued	11,373,019	11,405,727	7,136,577	7,110,530	10,167,839	10,891,164	5,400,416	5,141,460
	<u>43,274,293</u>	<u>42,608,669</u>	<u>42,855,821</u>	<u>42,686,814</u>	<u>42,145,755</u>	<u>42,140,006</u>	<u>41,401,206</u>	<u>40,962,018</u>



Notes to the consolidated and individual financial statement as of and for the year ended December 31, 2010

43. Fair value (continued)

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

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

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

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



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