



Financial Report 2009



BRD
GROUPE SOCIÉTÉ GÉNÉRALE

Consolidated financial statements 2009

Consolidated financial statements

Report of the financial auditor

To the shareholders of BRD – Groupe Societe Generale S.A.

Report on the Financial Statements

1. We have audited the accompanying financial statements of BRD – Groupe Societe Generale S.A. and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

Net assets/Total equity and reserves:	4,944,145 lei thousands
Profit for the year:	1,139,357 lei thousands

Management’s Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the National Bank of Romania Governor’s Order No 13 dated 24 December 2008 and related amendments which require that these consolidated financial statements are to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards of auditing as adopted by the Romanian Chamber of Financial Auditors. 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 entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the National Bank of Romania Governor's Order No 13 dated 24 December 2008 and related amendments and in accordance with International Financial Reporting Standards as adopted by the European Union (which, for consolidated reporting, is a requirement of National Bank of Romania Governor's Order No 13 dated 24 December 2008, article no. 218).

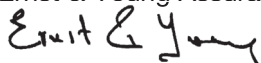
Other Matters

7. This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

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

In accordance with the National Bank of Romania Governor's Order No 13 dated 24 December 2008, article no. 207 (1)) we have read the Consolidated Administrators' Report presented. The Consolidated Administrators' Report is not a part of the consolidated financial statements. In the Consolidated Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2009.

Ernst & Young Assurance Services SRL



Registered with the Chamber of Financial Auditors in Romania
Nr. 77/15 August 2001

Bucharest, Romania
24 March 2010

Christos Seferis

Registered with the Chamber of Financial Auditors in Romania
Cu nr. 1585/27 August 2005

Consolidated statement of financial position as of December 31, 2009

(Amounts in thousands RON)

	Note	december 31, 2009	december 31, 2008
ASSETS			
Cash in hand	4	631,571	913,750
Due from Central Ban	5	9,219,118	13,312,740
Due from banks	6	584,867	583,786
Derivative financial instruments	7	90,166	175,159
Loans and advances to customers	8	32,680,245	31,934,749
Financial lease receivables	9	1,082,128	1,365,587
Financial assets available for sale	10	2,275,135	865,616
Investments in associates	11	79,271	82,787
Property, plant and equipment	12	1,205,783	1,211,052
Goodwill	13	50,151	50,151
Intangible assets	14	79,781	55,414
Deferred tax asset	19	-	65,060
Other assets	15	312,292	303,482
Total asset		48,290,508	50,919,603
LIABILITIES AND SHAREHOLDERS' EQUITY			
Demand deposits and current accounts	16	14,618,902	17,260,919
Term deposits	17	21,100,342	19,683,109
Borrowed funds and debt issued	18	7,136,577	9,071,189
Derivative financial instruments	7	63,418	209,768
Current tax liability	13	123,189	
Deferred tax liability	19	90,018	-
Other assets	20	337,093	300,805
Total liabilities		43,346,363	46,651,979
Share capital	21	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		34,808	(9,900)
Retained earnings	22	2,353,250	1,714,545
Minority interest		40,465	47,357
Total shareholders' equity		4,944,145	4,267,624
Total liabilities and shareholders' equity		48,290,508	50,919,603

The financial statements have been authorized by the Group's management on March 24, 2010 and are signed on the Group's behalf by:

Guy Poupet
President and Chief Executive Officer

Petre Bunescu
Deputy Chief Executive Officer




Consolidated income statement for the year ended December 31, 2009

(Amounts in thousands RON)

	Note	december 31, 2009	december 31, 2008
Interest income	24	4,754,218	4,135,938
Interest expense	25	(2,514,831)	(2,240,171)
Net interest income		2,239,387	1,895,767
Fees and commissions, net	26	810,351	774,481
Foreign exchange gain	27	461,506	465,065
Gain on derivative financial instruments		70,379	15,605
(Loss)/Income from associates	28	(2,276)	273,351
Other income	29	113,869	87,542
Operating income		3,693,216	3,511,811
Contribution to the Deposit Guarantee Fund	30	(36,462)	(18,376)
Salaries and related expenses	31	(738,799)	(672,380)
Depreciation, amortisation and impairment on tangible assets	32	(170,948)	(119,215)
Other operating expenses	33	(691,127)	(619,463)
Operating expenses		(1,637,336)	(1,429,434)
Credit loss expense	34	(605,490)	(297,215)
Profit before income tax		1,450,390	1,785,162
Current income tax expense	19	(162,657)	(265,826)
Deferred tax (expense)/income	19	(148,376)	48,311
Total income tax		(311,033)	(217,515)
Profit for the year		1,139,357	1,567,647
Loss attributable to minority interest		6,892	4,993
Profit attributable to parent company shareholders		1,146,249	1,572,640
Earnings per share (in RON)	40	1.6448	2.2566

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

Consolidated statement of comprehensive income for the year ended December 31, 2009

	Note	december 31, 2009	december 31, 2008
Profit for the year		1,139,357	1,567,647
Other comprehensive income			
Net gain/(loss) on available-for-sale financial assets		51,410	(10,476)
Income tax relating to components of other comprehensive income		(6,702)	(123)
Other comprehensive income for the year, net of tax		44,708	(10,599)
Total comprehensive income for the year, net of tax		1,184,065	1,557,048
Attributable to			
Equity holders of the parent		1,190,957	1,562,041
Minority interest		(6,892)	(4,993)

Consolidated statement of changes in equity for the year ended December 31, 2009

	Note	Issued capital	Reserves from revaluation of available for sale assets	Minority interest	Retained earnings	Total
december 31, 2007		2,515,622	699	26,851	554,512	3,097,684
Total comprehensive income		-	(10,599)	(4,993)	1,572,640	1,557,048
Increase in share capital		-	-	25,499	-	25,499
Equity dividends for 2007		-	-	-	(412,607)	(412,607)
december 31, 2008		2,515,622	(9,900)	47,357	1,714,545	4,267,624
Total comprehensive income		-	44,708	(6,892)	1,146,249	1,184,065
Equity dividends for 2008		-	-	-	(507,544)	(507,544)
december 31, 2009	21	2,515,622	34,808	40,465	2,353,250	4,944,145

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

Consolidated statement of cash flows for the year ended December 31, 2009

	Note	december 31, 2009	december 31, 2008
Cash flows from operating activities			
Profit before tax		1,450,390	1,785,162
Adjustments for non-cash items			
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets		170,948	119,215
Loss/(gain) from investment revaluation		3,803	(279,607)
Net expenses from impairment of loans and from provisions 35		625,210	409,121
Income tax paid		(123,176)	(232,790)
Operating profit before changes in operating assets and liabilities		2,127,175	1,801,101
Changes in operating assets and liabilities			
Current account with NBR		4,093,622	(3,024,765)
Accounts and deposits with banks		7,247	(34,631)
Available for sale securities		(1,364,811)	(757,994)
Loans		(1,369,093)	(7,115,855)
Lease receivables		283,729	(309,885)
Other assets		(7,421)	(268,047)
Demand deposits		(2,642,017)	2,663,062
Term deposits		1,414,233	5,675,710
Other liabilities		(22,459)	130,232
Total changes in operating assets and liabilities		393,030	(3,042,173)
Cash flow from operating activities		2,520,205	(1,241,072)
Investing activities			
Acquisition of equity investments		–	(48,240)
Proceeds from equity investments		–	306,452
Acquisition of tangible and intangible assets		(190,046)	(196,592)
Proceeds from sale of tangible and intangible assets		–	27,993
Cash flow from investing activities		(190,046)	89,613
Financing activities			
Increase in borrowings		(1,934,612)	1,260,433
Increase in share capital of subsidiary		–	25,499
Dividends paid		(506,742)	(411,063)
Net cash from financing activities		(2,441,354)	874,869
Net movements in cash and cash equivalents		(111,195)	(276,590)
Cash and cash equivalents at beginning of the period	35	1,149,943	1,426,533
Cash and cash equivalents at the end of the period	35	876,092	1,149,943
Operational cash flows from interest and dividends			
Interest paid		2,504,361	2,244,775
Interest received		4,500,676	4,152,005
Dividends received		2,121	13,046

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

Notes to the consolidated financial statements as of and for the year ended December 31, 2009

1. Corporate information

BRD – Groupe Société Générale (the “Bank” or the “Group”) 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 is 1-7 Ion Mihalache Blvd, Bucharest.

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

The Bank has 930 units throughout the country (December 31, 2008: 930). The average number of employees during 2009 was 9,228 (2008: 9,110), and the number of employees as of the year-end was 9,150 (December 31, 2008: 9,502).

BRD 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.

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, 2009	december 31, 2008
Société Générale France	59.37%	58.54%
SIF Oltenia	4.65%	5.51%
SIF Muntenia	4.75%	5.27%
SIF Moldova	5.00%	5.00%
SIF Banat Crişana	5.27%	4.65%
SIF Transilvania	5.50%	5.02%
European Bank for Reconstruction and Development (EBRD)	5.00%	5.00%
Others shareholders	10.46%	11.01%
Total	100.00%	100.00%

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

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 financial statements for the year ended December 31, 2009 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 [HYPERLINK "http://ec.europa.eu/internal_market/accounting/ias/index_en.htm"](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm) http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

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

The consolidated 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 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, 2009. 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, 2008: 99.98%), BRD Finance IFN S.A. (49% ownership, 2008: 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, 2008: 99.9996%), BRD Corporate Finance SRL (100% ownership, 2008: 100%), ALD Automotive SRL (20% ownership, 2008: 20%, control through the power to govern the financial and operating policies of the entity under various agreements) and BRD Asset Management SAI SA (99.95% ownership, 2008: 94.83%). The address of the Bank's registered office is 1-7 Ion Mihalache Blvd, Bucharest. 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 income statement, respectively.

Acquisition of minority interests are accounted for using the parent entity extension method, whereby 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 accompanying notes are an integral part of these financial statements
(Amounts in thousands RON)*

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

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

IFRIC 13 Customer Loyalty Programmes effective 1 July 2008

IFRIC 15 Agreements for the Construction of Real Estate effective 1 January 2009

IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008

IFRIC 9 Remeasurement of Embedded Derivatives (Amended) and IAS 39 Financial Instruments: Recognition and Measurement (Amended) effective for periods ending on or after 30 June 2009

IFRS 1 First time Adoption of International Financial Reporting Standards (Amended) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 January 2009

IFRS 2 Share based Payment: Vesting Conditions and Cancellations (Amended) effective 1 January 2009

IFRS 8 Operating Segments effective 1 January 2009

IFRS 7 Financial Instruments: Disclosures (Amended) effective 1 January 2009

IAS 1 Presentation of Financial Statements (Revised) effective 1 January 2009

IAS 32 Financial Instruments: Presentation (Amended) and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (Amended) effective 1 January 2009

IAS 23 Borrowing Costs (Revised) effective 1 January 2009
Improvements to IFRS (May 2008)

IFRIC 18 Transfers of Assets from Customers effective 1 July 2009

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRIC 13 Customer Loyalty Programmes

This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This Interpretation has no impact on Group's financial statements

IFRIC 15 Agreements for the Construction of Real Estate

This Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue' and, accordingly, when revenue from such construction should be recognised. IFRIC 15 is not relevant to the Group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

IFRIC 16 Hedges of a Net Investment in a foreign operation

This interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risk that qualifies for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how the entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. IFRIC 16 had no impact on the financial statements because the Group has no investments in foreign operations.

2. Basis of preparation (continued)

IFRIC 18 Transfers of Assets from Customers

This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. It is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. This interpretation is not applicable to the Group.

IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of embedded derivatives (Amended)

The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from the host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be based on circumstances that existed on the later of the date the entity first came party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured the entire hybrid instrument can remain classified at fair value through profit and loss. This amendment had no impact on the Group's financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (Amended)

The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. The amendment to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statement and do not have an impact on the consolidated financial statements. This interpretation is not applicable as the Group is not a first time adopter of IFRS.

IFRS 2 Share-based Payments (Amended)

The amendment clarifies two issues. The definition of 'vesting condition', introduces the term 'non-vesting condition' for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty. This Interpretation does not have any impact on Group's financial statements.

IFRS 8 Operating Segments

This Standard replaces IAS 14 'Segment reporting'. IFRS 8 adopts a management approach to segment reporting. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

IFRS 7 Financial Instruments: Disclosures (Amended)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by the source of inputs, using a three-level hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between the levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 42.

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

IAS 1 Presentation of Financial Statements (Revised)

The revised standard requires that the statement of changes in equity includes only transactions with shareholders; introduces a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with “other comprehensive income” (either in one single statement or in two linked statements); and requires the inclusion of a third column on the statement of financial position to present the effect of restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period. The Group made the necessary changes to the presentation of its financial statements in 2009 and has elected to present two linked statements for the statement of comprehensive income.

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and obligations arising on liquidation (Amended)

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if certain criteria are met. This amendment did not have any impact on the financial statements.

IAS 23 Borrowing Costs (Revised)

The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This revision did not have any impact on Group’s financial statements.

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 January 2009.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that all of a subsidiary’s assets and liabilities are classified as held for sale, under IFRS 5, even when the entity will retain a non-controlling interest in the subsidiary after the sale.

IFRS 7 Financial Instruments: Disclosures

This amendment removes the reference to ‘total interest income’ as a component of finance costs.

IAS 1 Presentation of Financial Statements

This amendment clarifies that assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

This amendment clarifies that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 10 Events after the Reporting Period

This amendment clarifies that dividends declared after the end of the reporting period are not obligations.

IAS 16 Property, Plant and Equipment

This amendment clarifies that items of property, plant & equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds on sale are subsequently shown as revenue. IAS 7 Statement of cash flows is also revised, to require cash payments to manufacture or acquire such items to be classified as cash

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

2. Basis of preparation (continued)

flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also shown as cash flows from operating activities.

IAS 18 Revenue

This amendment replaces the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 19 Employee Benefits

This amendment revises the definitions of 'past service costs', 'return on plan assets' and 'short-term' and 'other long term' employee benefits to focus on the point in time at which the liability is due to be settled.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Loans granted with no or low interest rates are not exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates, thereby being consistent with IAS 39. The difference between the amount received and the discounted amount is accounted for as a government grant. To be applied prospectively – to government loans received on or after 1 January 2009.

IAS 23 Borrowing Costs

The amendment revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method as described in IAS 39.

IAS 27 Consolidated and Separate Financial Statements

When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

IAS 28 Investment in Associates

This interpretation clarifies that (i) if an associate is accounted for at fair value in accordance with IAS 39 only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies and (ii) an investment in an associate is a single asset for the purpose of conducting the impairment test – including any reversal of impairment. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance and any impairment is reversed if the recoverable amount of the associate increases.

IAS 29 Financial Reporting in Hyperinflationary Economies

This amendment revises the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

IAS 31 Interest in Joint ventures

This amendment clarifies that if a joint venture is accounted for at fair value, in accordance with IAS 39 only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses will apply.

IAS 34 Interim Financial Reporting

This amendment clarifies that earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

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(Amounts in thousands RON)*

IAS 36 Impairment of assets

This amendment clarifies that when discounted cash flows are used to estimate 'fair value less costs to sell', the same disclosure is required as when discounted cash flows are used to estimate 'value in use'.

IAS 38 Intangible Assets

- Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the services.
- Deletes references to there being rarely, if ever, persuasive evidence to support an amortisation method for finite life intangible assets that results in a lower amount of accumulated amortisation than under the straight-line method, thereby effectively allowing the use of the unit of production method.
- A prepayment may only be recognised in the event that payment has been made in advance to obtaining right of access to goods or receipt of services.

IAS 39 Financial instruments recognition and measurement

- Clarifies that changes in circumstances relating to derivatives – specifically derivatives designated or de-designated as hedging instruments after initial recognition – are not reclassifications. Thus, a derivative may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Similarly, when financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of IFRS 4 Insurance Contracts, this is a change in circumstance, not a reclassification.
- Requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting.

IAS 40 Investment property

Revises the scope (and the scope of IAS 16) such that property that is being constructed or developed for future use as an investment property is classified as investment property. If an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

IAS 41 Agriculture

- Replaces the term 'point-of-sale costs' with 'costs to sell'.
- Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.
- Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Rather, cash flows that are expected to be generated in the 'most relevant market' are taken into account.

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

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Group does not expect IFRIC 17 to have an impact on the financial statements as the Group has not made any non-cash distributions to shareholders in the past.

2. Basis of preparation (continued)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation has not yet been endorsed by the EU. The Group is still assessing the impact of this interpretation on its financial statements.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)

The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively. This amendment has not yet been endorsed by the EU. The Group is still assessing the impact of this interpretation on its financial statements.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The revision and amendment is effective for annual periods beginning on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3 (Revised) and IAS 27 (Amendment) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items.

The amendment is effective for annual periods beginning on or after 1 July 2009. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group does not expect that the amendment will have any impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement

The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)

The amendment is effective for annual periods beginning on or after 1 January 2010. This amendment clarifies the accounting for group cash-settled share-based payment transactions and how such transactions should be arranged in the individual financial statements of the subsidiary. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

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(Amounts in thousands RON)*

IAS 32 Classification on Rights Issues (Amended)

The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IAS 24 Related Party Disclosures (Revised)

The revision is effective for annual periods beginning on or after 1 January 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IFRS 1 Additional Exemptions for First-time Adopters (Amended)

The amendment is effective for annual periods beginning on or after 1 January 2010. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for first time adopters" (Amended)

The amendment is effective for annual periods beginning on or after 1 July 2010. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

In April 2009 the IASB issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2009. This annual improvements project has not yet been endorsed by the EU.

IFRS 2 Share-based Payment, effective for annual periods beginning on or after 1 July 2009. Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2 even though they are out of scope of IFRS 3 (revised). If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, effective for annual periods beginning on or after 1 January 2010. Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

IFRS 8 Operating Segment Information, effective for annual periods beginning on or after 1 January 2010. Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

2. Basis of preparation (continued)

IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2010. The terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

IAS 7 Statement of Cash Flows, effective for annual periods beginning on or after 1 January 2010. Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement.

IAS 17 Leases, effective for annual periods beginning on or after 1 January 2009. The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains.

IAS 18 Revenue - The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

IAS 36 Impairment of Assets, effective for annual periods beginning on or after 1 January 2010. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

IAS 38 Intangible Assets, effective for annual periods beginning on or after 1 July 2009. Clarifies that if an intangible asset acquired in business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also, clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

IAS 39 Financial Instruments: Recognition and Measurement, effective for annual periods beginning on or after 1 January 2010. The amendment clarifies that:

- A prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
- The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)
- Gains and losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)

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(Amounts in thousands RON)*

IFRIC 9 Reassessment of Embedded Derivatives, effective for annual periods beginning on or after 1 July 2009. The Board amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or business under common control or the formation of a joint venture. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective for annual periods beginning on or after 1 July 2009. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

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:

Impairment losses on loans and receivables

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

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

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

Impairment of available-for-sale investments

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

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

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

2. Basis of preparation (continued)

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, 2009 was 50,151 (December 31, 2008: 50,151).

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.

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, 2008 and 2007 were as follows:

	december 31, 2009	december 31, 2008
RON/ USD	2.9361	2.8342
RON/ EUR	4.2282	3.9852

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.

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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.

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.

3. Summary of significant accounting policies (continued)

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.

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 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.

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

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	state
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.

i) 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.

j) 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

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3. Summary of significant accounting policies (continued)

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. h).

k) Held for sale assets

The Group classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are those that are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and their sale is highly probable.

Assets held for sale are initially recognized and subsequently measured at the lower of their carrying amount and fair value less costs to sell.

The Group recognizes a gain for any subsequent increase in fair value less costs to sell to the extent of the cumulative impairment loss/decrease in value that has been recognized either in accordance with IFRS 5 or previously in accordance with other IFRS.

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, 2009 and 2008 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 3 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.

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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.

r) 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.

s) Customers' deposits and current accounts

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

3. Summary of significant accounting policies (continued)

t) De-recognition of financial assets and liabilities

Financial assets

A financial asset is derecognized where:

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

Financial liabilities

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

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.

u) 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 or held for trading, 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.

u) Recognition of income and expenses (continued)

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.

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(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.

v) 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.

3. Summary of significant accounting policies (continued)

w) 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.

x) 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.

y) 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.

z) 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, 2009 and 2008 there were no dilutive equity instruments issued by the Group.

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

aa) Dividends on ordinary shares

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

ab) 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.

ac) 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.

ad) 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.

ae) 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.

4. Cash in hand

	december 31, 2009	december 31, 2008
Cash in vaults	368,404	612,849
Cash in ATM	263,167	300,901
Total	631,571	913,750

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

5. Due from Central Bank

	december 31, 2009	december 31, 2008
Current accounts	9,219,118	13,312,740
Total	9,219,118	13,312,740

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 funds borrowed by the Bank during the previous month including customer deposits. As of December 31, 2009 the rate for RON and foreign currency denominated compulsory reserves was 15% and 25%, respectively (2008: 18% and 40%).

The required level of the minimum compulsory reserve for the last calculation period of the year was 7,549,169 (2008: 12,141,101).

The interest paid by the NBR for the compulsory reserves during 2009 was 3.36% - 5.90% p.a. for RON deposits (2008: 2.50% - 5.15% p.a.), and 1.26% - 2.80 % p.a. for EUR deposits (2008: 1.25% - 2.75%).

6. Due from banks

	december 31, 2009	december 31, 2008
Deposits at Romanian banks	105,055	81,440
Deposits at foreign banks	349,135	345,93
Current accounts at Romanian banks	1	6
Current accounts at foreign banks	130,676	156,404
Total	584,867	583,786

7. Derivative financial instruments

	december 31, 2009		
	Assets	Liabilities	Notional amount
Interest rate swaps		12,419	750,881
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	90,166	63,418	5,996,704

	december 31, 2008		
	Assets	Liabilities	Notional amount
Interest rate swaps	-	11,323	564,129
Currency swaps	27,756	118,189	6,539,186
Forward foreign exchange contracts	90,920	23,771	877,452
Currency options	56,483	56,485	1,066,811
Total	175,159	209,768	9,047,578

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

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.

8. Loans and advances to customers

	december 31, 2009	december 31, 2008
Loans, gross	33,937,371	32,887,940
Loans impairment	(1,257,126)	(953,191)
Total	32,680,245	31,934,749

The structure of loans is the following:

	december 31, 2009	december 31, 2008
Working capital loans	8,749,356	8,697,908
Loans for equipment	7,272,426	7,079,791
Trade activities financing	195,649	337,890
Acquisition of real estate, including mortgage for individuals	3,296,825	2,503,719
Consumer loans	12,022,400	12,826,735
Other	1,320,028	1,441,897
Total	33,937,371	32,887,940

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

8. Loans and advances to customers (continued)

As of December 31, 2009, balances relating to factoring amount to 186,803 (December 31, 2008: 301,744) and those relating to discounting 8,809 (December 31, 2008: 35,708).

The analysis of portfolio by type of ownership:

Type of ownership	december 31, 2009	december 31, 2008
Private companies	14,890,480	15,873,758
State owned companies	2,377,409	464,994
Individuals	16,669,482	16,549,188
Total	33,937,371	32,887,940

Sector analysis

	december 31, 2009	december 31, 2008
Manufacturing	8.8%	9.3%
Food industry	3.3%	3.2%
Transportation and other services	2.6%	2.4%
Trade	17.8%	19.6%
Agriculture	1.7%	1.7%
Constructions	6.3%	6.6%
Individuals	48.3%	49.0%
Other	11.2%	8.2%
Total	100.0%	100.0%

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

As of December 31, 2009 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 1,648,275 (December 31, 2008: 1,231,162), while the value of letters of guarantee and letters of credit issued in favor of these clients amounts to 2,871,796 (December 31, 2008: 3,000,713).

Impairment allowance for loans

	Collective impairment	Specific impairment	Total
Balance as of December 31, 2007	92,225	671,014	63,239
Net provision expenses	135,368	29,465	164,833
Foreign exchange losses	4,943	20,176	25,119
Balance as of December 31, 2008	232,536	720,655	53,191
Net provision (income)/expenses	(46,374)	333,104	86,730
Foreign exchange losses	4,018	13,187	17,205
Balance as of December 31, 2009	859,304	1,066,946	1,257,126

The value of loans individually determined to be impaired is 2,465,921 (December 31, 2008: 964,763).

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

Ageing analysis of past due but not impaired loans

december 31, 2009

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate and public sector lending	1,031,609	404,012	274,734	154,331	1,864,686
Small business lending (retail)	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	-	318,450
Total	2,377,894	888,477	676,551	154,331	4,097,253

december 31, 2008

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate and public sector lending	653,603	121,430	87,600	-	862,633
Small business lending (retail)	295,275	69,100	26,685	-	391,060
Consumer lending	1,006,629	216,326	92,333	-	1,315,288
Residential mortgages	124,463	24,749	7,314	994	157,520
Total	2,079,970	431,605	213,932	994	2,726,501

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

	december 31, 2009	december 31, 2008
Corporate and public sector lending	614,536	1,243
Small business lending (retail)	113,222	675
Consumer lending	112,401	-
Residential mortgages	8,376	-
Total	848,535	1,918

Analysis of collateral coverage

december 31, 2009	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate and public sector lending	1,864,686	1,858,956	12,094,667	10,286,836
Retail lending	2,232,567	2,121,612	15,279,529	13,690,377
Total	4,097,253	3,980,568	27,374,196	23,977,213

december 31, 2008	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate and public sector lending	862,633	859,304	12,434,448	11,813,713
Retail lending	1,863,868	1,753,675	16,762,225	15,230,497
Total	2,726,501	2,612,979	29,196,673	27,044,210

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

8. Loans and advances to customers (continued)

As of December 31, 2009 the carrying value of repossessed assets is 39 (December 31, 2008: 39), representing a residential building. During 2009 the Group did not repossess any assets.

The fair value of properties, letters of guarantee and cash that the Group holds as collateral relating to loans individually determined to be impaired as at December 31, 2009 amounts to 1,319,710 (December 31, 2008: 452,795). The amounts are capped to the gross exposure level.

Analysis of neither impaired nor past due loans by credit rating

<i>december 31, 2009</i>							
	<i>Credit rating</i>						
<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	
Corporate and public sector lending	12,094,667	1,143,670	444,648	473,997	8,787,272	1,028,021	217,057
Retail lending	15,279,529	-	-	-	15,225,410	44,235	9,884
Total	27,374,196	1,143,670	444,648	473,997	24,012,682	1,072,256	226,943

<i>december 31, 2008</i>							
	<i>Credit rating</i>						
<i>Total</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	
Corporate and public sector lending	12,434,488	360,891	524,585	908,615	9,597,080	931,516	111,761
Retail lending	16,762,225	-	-	-	16,664,758	86,749	10,718
Total	29,196,673	360,891	524,585	908,615	26,261,838	1,018,265	122,479

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

The credit quality of loans and advances to customers is managed by the Group using internal credit rating system. The description of the credit rating grid is presented in the table below:

Rating	Credit quality	Criteria
1	very good	A leading company on its market. A buoyant sector. Steady growth. Excellent profitability. Financial soundness. Very high quality ownership structure and management. Compliance with central bank ratios.
2	good	Sound financial structure and correct profitability but no rating 1 for one of the following reasons: balance sheet to be improved in a given area, business sector in doubt, managers' experience.
3	rather good	Healthy financial structure but smaller size. Good reimbursement capacity but some of the weaknesses noted under 2.
4	acceptable	Good financial structure but strain liquidity. Special attention required even if there is no reason to break the relationship. Modest size.
5	performing but sensitive	Several scenarios: a risky business because of a relatively weak financial structure or small size, startup, declining sector, significant decline in credit movement, investment badly settled.
6	sensitive - credit risk not acceptable	Credit risk not acceptable. Customer in difficult situation. Financial structure unbalanced. Significant decline in credit movement. Doubt about probity of management. Loan termination remains a possibility.
7	doubtful	Almost certain partial loss but preservation of business relations, with the assistance of the recovery department.
8	doubtful but compromised	Debts to recover by legal action or amicable settlement. Management by the recovery department with the assistance of the commercial sector.
9	compromised	Debts definitely compromised.

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

9. Lease receivables

	december 31, 2009	december 31, 2008
Gross investment in finance lease:		
Maturity under 1 year	503,687	615,766
Maturity between 1 and 5 years	656,172	915,759
Maturity higher than 5 years	52,796	50,059
	1,212,655	1,208,833
Unearned finance income	(206,843)	(206,843)
Net investment in finance lease	1,096,354	1,374,741
Net investment in finance lease:		
Maturity under 1 year	449,366	522,558
Maturity between 1 and 5 years	599,768	812,481
Maturity higher than 5 years	47,250	39,702
	1,096,354	1,374,741
Net investment in the lease	1,096,354	1,374,741
Accumulated allowance for uncollectible minimum lease payments receivable	(14,226)	(8,884)
Total	1,082,128	1,365,857

Ageing analysis of past due but not impaired lease receivables

	less than 30 days	31 to 60 days	61 to 90 days	more than 91 days	Total
Corporate and public sector	198,949	105,528	72,497	25,100	402,074
Retail	53,594	36,442	25,861	6,765	122,662
Total	252,543	141,970	98,358	31,865	524,736

december 31, 2008

	30 days	31 to 60 days	61 to 90 days	more than 91 days	Total
Corporate and public sector	174,838	47,562	50,077	34,322	306,799
Retail	66,497	24,271	8,418	8,438	107,624
Total	241,335	71,833	58,495	42,760	414,423

Analysis of collateral coverage

31 december 2009	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Corporate and public sector	402,074	385,738	380,379	383,063
Retail	122,662	114,918	150,206	144,166
Total	524,736	3,980,568	530,585	527,229

december 31, 2008

Corporate and public sector	306,799	303,787	633,647	630,050
Retail	107,624	105,806	317,773	295,746
Total	414,423	409,593	954,420	925,796

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

The fair value of leased objects relating to lease receivables individually determined to be impaired as at December 31, 2009 amounts to 35,045 (December 31, 2008: 5,920). The amounts are capped to the gross exposure level.

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

december 31, 2009

	Credit rating						
	Total	1	2	3	4	5	6
Corporate and public sector	380,379	50	4,470	46,546	294,664	30,656	3,993
Retail	150,206	-	-	3,079	142,971	221	3,935
Total	530,585	50	4,470	49,625	437,635	30,877	7,928

december 31, 2008

	Credit rating						
	Total	1	2	3	4	5	6
Corporate and public sector	633,647	82	8,920	135,082	443,505	40,536	5,522
Retail	317,773	-	-	16,264	295,749	4,234	1,526
Total	951,420	82	8,920	151,346	739,254	44,770	7,048

10. Financial assets available for sale

	december 31, 2009	december 31, 2008
Treasury notes	2,131,310	756,913
Equity investments	10,345	9,391
Other securities	133,480	99,312
Total	2,275,135	865,616

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

10. Financial assets available for sale

Treasury notes

Treasury notes consist of:

- RON interest bearing bonds with initial maturities between 1 and 5 years (2008: between 2 and 5 years) amounting to 154,692 (2008: 53,427) and treasury bills with maturities between 3 months and 1 year amounting to 947,881 (2008: 703,486);
- EUR interest bearing bonds with initial maturities between 1 and 5 years (2008: 0) amounting to 375,370 and treasury bills with maturities between 3 months and 1 year amounting to 653,367 (2008: 0) issued by the Romanian Ministry of Public Finance. As of December 31, 2009 treasury notes amounting to 434,557 have been pledged to NBR for a 4 days period (2008: 756,913 for a 5 days period).

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 74,421 (December 31, 2008: 86,559);
- A balanced fund ("Concerto") amounting to 21,226 (December 31, 2008: 9,149);
- A balanced fund ("Diverso Europa Regional") amounting to 21,334 (December 31, 2008: -);
- A balanced fund ("Actiuni Europa Regional") amounting to 12,718 (December 31, 2008: -).

"*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 2,657,887 units (2008: 3,491,676) with a unit value of RON 28.00 (2008: 24.79)

"*Concerto*" 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 178,012 units (2008: 90,353) with a unit value of RON 119.24 (2008: 101.26).

"*Diverso Europa Regional*" invests in monetary market instruments, debt instruments as well as equities traded on a regulated market. As of the year-end the Group held a number of 195,116 units (2008: 0) with a unit value of RON 109.34 (2008: 0)

"*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 (2008: 0) with a unit value of RON 109.41 (2008: 0).

Other securities also include corporate bonds issued by Estima Finance amounting to 3,781 (2008: 3,604).

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

11. Investments in associates

	Field of activity		december 31, 2008	Additions/ Reclassifications	Profit /(loss) recognised under the equity method	december 31, 2009
Mobiasbanca Groupe Societe Generale S.A.	<i>Financial institution</i>	20.00%	32,988	-	(2,877)	30,111
BRD Asigurari de Viata SA	<i>Insurance</i>	49.00%	13,532	-	(1,076)	12,456
Fondul Român de Garantare a Creditului Rural "FGCR"	<i>Loans guarantee</i>	33.33%	18,246	-	3,581	21,827
ECS International Romania SA	<i>Leasing operational</i>	15.00%	-	288	(143)	145
Romcard S.A.	<i>Procesare carduri</i>	20.00%	612	-	12	624
Biroul de Credit SA	<i>Supraveghere activitate de creditare</i>	18.85%	2,542	-	188	2,660
BRD Fond de Pensii S.A.	<i>Gestionare fond de pensii</i>	49.00%	14,--691	-	(3.303)	11,388
BRD Sogelease Asset Rental SRL	<i>Leasing operational</i>	20.00%	136	-	(76)	60
SOGEPROM Romania SRL	<i>Dezvoltare imobiliară</i>	20.00%	40	-	(40)	-
Total			82,787	288	(3,804)	79,271

The associates' headquarters' addresses are as follows:

Mobiasbanca Groupe Société Générale S.A.	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova
BRD Asigurări de Viață SA	64 Blvd. Unirii Bl. K4, sector 3, Bucharest
Fondul de Garantare a Creditului Rural	5 Occidentului Street, Bucharest
ECS International Romania SA	1-7, Ion Mihalache Street, Bucharest
Romcard S.A.	38 Stefan Mihaileanu Street, Bucharest
Biroul de Credit S.A.	15 Calea Victoriei, Bucharest
BRD Fond de Pensii S.A.	64 Unirii Blvd, Bucharest
BRD Sogelease Asset Rental SRL	1-7, Ion Mihalache Street, Bucharest
SOGEPROM Romania SRL	1-7, Ion Mihalache Street, Bucharest

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

11. Investments in associates (continued)

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

12. Property, plant and equipment

	Land& buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Total
Cost:						
as of december 31, 2007	1,192,306	45,057	235,326	226,510	96,907	1,796,106
Transfers and additions	120,720	1,860	18,326	34,306	(8,032)	167,180
Disposals	(5,720)	-	(39,049)	(11,016)	-	(55,785)
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
Depreciation and impairment						
as of december 31, 2007	(300,801)	(13,329)	(187,896)	(127,868)	-	(629,894)
Depreciation and impairment	(58,117)	(1,331)	(36,405)	(22,789)	-	(118,642)
Disposals	2,691	-	39,049	10,283	-	52,023
Transfers	468	(373)	(22)	(9)	-	64
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)
Net book value:						
as of december 31, 2007	891,505	31,728	47,430	98,642	96,907	1,166,212
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

The land and buildings have a fair value of 986,868 (2008: 1,235,429). The investment properties have a fair value of 26,242 (2008: 29,711)

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

13. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999. The goodwill is no longer amortized starting with January 1, 2004 (see accounting policies). During 2009 there was no impairment of the goodwill.

14. Intangible assets

The balance of the intangible assets as of December 31, 2009 and 2008 represents mainly software.

Cost:

as of december 31, 2007	133,992
Additions	29,346
Disposals	(453)
as of december 31, 2008	162,885
Additions	44,763
Disposals	(78)
as of december 31, 2009	207,570

Amortization:

as of december 31, 2007	(97,108)
Amortization expense	(10,816)
Disposals	453
as of december 31, 2008	(107,471)
Amortization expense	(20,396)
Disposals	78
as of december 31, 2009	(127,789)

15. Other assets

	december 31, 2009	december 31, 2008
Advances to suppliers	119,615	104,080
Sundry debtors	114,693	57,459
Held for sale assets	3,548	3,548
Materials and consumables	1,663	29,548
Miscellaneous assets	72,773	108,847
Total	312,292	303,482

The sundry debtors balances are presented net of an impairment allowance of 31,773 (December 31, 2008: 16,610) related to amounts under litigation.

15. Other assets (continued)

Held for sale assets represent buildings and related land that are intended to be sold in less than 1 year. Their movement can be analyzed as follows:

Carrying value as of december 31, 2007	18,572
Additions	
Disposals	(15,024)
Carrying value as of December 31, 2008	3,548
Carrying value as of December 31, 2009	3,548

16. Demand deposits and current accounts

	december 31, 2009	december 31, 2008
Individuals and legal entities	13,798,068	15,340,699
Foreign banks	807,804	1,534,153
Romanian Banks	13,030	386,067
Total	14,618,902	17,260,919

17. Term deposits

	december 31, 2009	december 31, 2008
Individuals and legal entities	15,762,507	13,614,204
Foreign banks	4,695,063	5,725,254
Romanian banks	642,772	346,651
Total	21,100,342	19,686,109

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

18. Borrowed funds and debt issued

	december 31, 2009	december 31, 2008
Borrowings from related parties	4,715,876	5,500,102
Borrowings from international financial institutions	967,064	1,069,237
Borrowings from other institutions	680,012	1,715,532
Bonds issued	736,468	735,618
Other borrowings	37,157	50,700
Total	7,136,577	9,071,189

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

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

The bonds represent RON denominated notes issued in December 2006 on the Luxembourg stock exchange amounting to 735,000 for five years at a fixed rate of 7.75%.

Borrowings from related parties include an amount of EUR 200,000,000 (2008: EUR 200,000,000) 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.

19. Taxation

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

The deferred tax liability/asset is reconciled as follows:

as of 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)

as of December 31, 2008	Temporary differences	Consolidated Statement of Financial Position	Consolidated Income Statement
<i>Deferred tax liability</i>			
Loans and advances to customers	(32,494)	(5,199)	(33,976)
Investments and other securities	(34,170)	(5,467)	(1,250)
Total	(66,664)	(10,666)	(35,226)
<i>Deferred tax asset</i>			
Tangible and intangible assets	337,072	53,931	76,732
Provisions and other liabilities	136,221	21,795	6,805
Total	473,293	75,726	83,537
Taxable items	406,629	65,060	
Deferred tax income			48,311

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

19. Taxation (continued)

Movement in deferred tax is as follows:

Deferred tax asset, net as of December 31, 2007	16,872
Deferred tax recognized in other comprehensive income	(123)
Net deferred tax income	48,311
Deferred tax asset, net as of December 31, 2008	65,060
Deferred tax recognized in other comprehensive income	(6,702)
Net deferred tax expense	(148,376)
Deferred tax liability, net as of December 31, 2009	(90,018)

Reconciliation of total tax charge

	2009	2008
Gross profit (before income tax)	1,450,390	1,785,162
Income tax (16%)	232,062	285,626
Non-deductible elements	209,336	48,740
Non-taxable elements	(130,365)	(116,851)
Income tax at effective tax rate	311,033	217,515
Effective tax rate	21.4%	12.2%

20. Other liabilities

	december 31, 2009	december 31, 2008
Sundry creditors	178,956	164,007
Other payables to State budget	39,639	44,301
Deferred income	23,995	30,116
Payables to employees	79,975	57,504
Dividends payable	2,343	1,544
Financial guarantee contracts	7,239	-
Provisions	4,946	3,333
Total	337,093	300,805

Payables to employees include, among other, bonuses relating to 2009 profit, amounting to 44,997 (2008: 42,095) and post-employment benefits amounting to 31,728 (2008: 13,904). The social security contributions relating to bonuses 12,603 (2008: 11,690) are included in Other payables to State Budget. Provisions are related legal claims and penalties.

The movement in provisions is as follows:

Carrying value as of December 31, 2007	267
Additional expenses	3,333
Reversals of provisions	(267)
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

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

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

	Note	december 31, 2009	december 31, 2008
Current service cost		1,422	1,109
Interest cost on benefit obligation		1,383	1,076
Actuarial losses recognized during the year		15,974	247
Past service cost		20	20
Net benefit expense		18,799	2,452

Movement in defined benefits obligations

		december 31, 2009	december 31, 2008
Opening defined benefit obligation		13,904	12,073
Total service cost		1,442	1,129
Benefits paid		(975)	(621)
Interest cost on benefit obligation		1,383	1,076
Actuarial losses recognized during the year		15,974	247
Total movement	32	17,824	1,831
Closing defined benefit obligation		31,728	13,904

Main actuarial assumptions

	december 31, 2009	december 31, 2008
Discount rate	5.49%	5.35 %
Inflation rate	2.18%	2.00 %
Average remaining working period (years)	17,91	20,80
	2009	2008
Defined benefit obligation	31,728	13,904
Experience adjustment on plan liabilities	1,160	1,371

The average salary increase rate for the period 0-4 years is 3%, 2% respectively for over 5 years.

21. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2008: 696,901). Included in the share capital there is an amount of 1,818,721 (2008: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of December 31, 2009 represents 696,901,518 (2008: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2008: RON 1).

During 2009 and 2008, the Bank did not buy back any of its own shares.

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

22. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2008: 513,515) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

23. Capital adequacy

For the periods ending December 31, 2009 and December 31, 2008, 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 2009 and 2008 the Bank has complied in full with these requirements.

As of December 31, 2009 the stand alone regulatory capital and the capital adequacy ratio determined in accordance with the above-mentioned regulations is 2,817,324 respectively 12.73% (2008: 3,478,867, respectively 9.38%).

The regulatory capital as of December 31, 2008 does not include any profits for 2008, while the regulatory capital as of December 31, 2009 includes only the profit from the 1st half of 2009. Consequently the figures for both regulatory capital and capital adequacy ratio are not comparable.

24. Interest income

	2009	2008
Interest on loans	4,149,767	3,759,301
Interest on deposit with banks	388,815	356,971
Interest on treasury notes	215,636	19,666
Total	4,754,218	4,135,938

The interest income on loans includes the accrued interest on net (after provision) impaired loans in amount of 63,527 (2008: 47,969).

25. Interest expense

	2009	2008
Interest on loans	1,531,231	1,075,940
Interest on deposit with banks	749,857	750,524
Interest on treasury notes	233,743	413,707
Total	2,514,831	2,240,171

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

26. Fees and commissions, net

	2009	2008
Commission revenue from processing of transactions	845,043	810,935
Other commission revenue	83,267	57,642
Commission expense	(117,959)	(94,096)
Net commission revenue	810,351	774,481

27. Foreign exchange gain

	2008	2007
Foreign exchange income	5,756,191	5,759,571
Foreign exchange expenses	(5,294,685)	(5,294,506)
Total	461,506	465,065

28. Income from associates

	2009	2008
Share of (loss)/profit from associates	(3,804)	9,411
Dividends from associates	1,528	1,253
Net gain from sale of interest in associates	-	262,687
Total	(2,276)	273,351

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 is 2,930 (2008: 2,043).

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

	2009	2008
Salaries	463,542	420,277
Social security	129,459	114,157
Bonuses	57,600	53,785
Post-employment benefits (see note 20)	17,824	1,831
Other	70,374	82,330
Total	738,799	672,380

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

32. Depreciation and amortization expense

	2009	2008
Depreciation and impairment (see Note 12)	147,829	118,642
Amortisation (see Note 14)	20,396	10,816
Losses/(Gains) on disposal of tangible and intangible assets	2,723	(10,243)
Total	170,948	119,215

33. Other operating expense

	2009	2008
Administrative expenses	567,612	508,023
Publicity and sponsorships	43,708	47,168
Other expenses	79,807	64,272
Total	691,127	619,463

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.

34. Credit loss expense

	2009	2008
Net loans impairment allowance	286,730	164,833
Net impairment allowance for sundry debtors	9,384	9,580
Net impairment allowance for financial leases	11,569	7,738
(Income) from recoveries of derecognized receivables	(18,107)	(108,840)
Write-offs of bad debts	308,675	223,904
Financial guarantee contracts	7,239	-
Total	605,490	297,215

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:

	december 31, 2009	december 31, 2008
Cash in hand (see note 4)	631,571	913,750
Current accounts and deposits with banks	244,521	236,193
Total	876,092	1,149,943

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

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

	december 31, 2009	december 31, 2008
Net loans impairment allowance	286,730	164,833
Net impairment allowance for sundry debtors	9,384	9,580
Net impairment allowance for financial leases	11,569	7,738
Write-offs expenses	308,675	223,904
Financial guarantee contracts	7,239	-
Net expenses for other provisions	1,613	3,066
Total	625,210	409,121

36. Guarantees and other financial commitments

Guarantees and letters of credit

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

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

Credit related commitments

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

The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments does not necessarily represent future cash requirements, since many of these commitments will expire or be terminated without being funded.

	december 31, 2009	december 31, 2008
Letters of guarantee granted	8,224,088	9,059,057
Financing commitments granted	3,742,697	3,477,61
Total commitments granted	11,966,785	12,536,676

37. Capital commitments

	december 31, 2009	december 31, 2008
Tangible non-current assets	19,135	14,175
Intangible non-current assets	3,148	1,117
Total	22,283	15,292

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

38. Related parties

The Group enters into related party transactions with its parent, subsidiaries and associates. All related party transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties. The transactions/balances with related parties can be summarized as follows:

	2009	2008
Assets		
Nostro accounts	41,916	52,939
Deposits	21,141	24,653
Loans	182,940	182,940
Liabilities		
Loro accounts	5,233	2,022
Deposits	5,338,415	7,218,106
Borrowings	3,862,594	4,681,430
Subordinated borrowings	853,281	818,672
Commitments		
Letters of guarantee received	354,861	180,515
Notional amount of foreign exchange transactions	2,983,121	4,238,960
Notional amount of interest rate derivatives	560,838	489,780
Interest and commission revenues	15,465	489,780
Interest and commission expense	196,568	308,395
Net (loss) on interest rate derivatives	(11,008)	(8,337)
Net gain/(loss) on foreign exchange derivatives	115,737	(152,834)

The interest expenses include an amount of 24,257 (2008: 41,614) relating to subordinated loans. As of December 31, 2009, the Board of Directors and Managing Committee members own 367,080 shares (2008: 361,850).

The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 5,148 (2008: 4,939).

39. Contingencies

As of December 31, 2009 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 2,595 (2008: 4,834). 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.

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

40. Earnings per share

	december 31, 2009	december 31, 2008
Ordinary shares on the market	696,901,518	696,901,518
Profit attributable to parent company shareholders	1,146,249	1,572,640
Earnings per share (in RON)	1,6448	2,2566

41. Dividends on ordinary shares

	2009	2008
Declared and paid during the year		
Dividends for 2008: 0.72828 RON (2007: 0.5921)	505,198	411,064
Proposed for approval at AGM		
Dividends for 2009: 0.27947 RON (2008:0.72828)	194,767	507,544

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, and qualitative factors such as quality of management and shareholders structure, as well as the soundness of the securities provided by the client. The securities could take the form of collateral or personal guarantees. In the case of individuals the collaterals are mainly mortgages and vehicles and 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.

42. Risk management (continued)

Maximum exposure to credit risk before considering any collaterals or guarantees

ASSETS	december 31, 2009	december 31, 2008
Due from Central Bank	9,219,118	13,312,740
Due from banks	584,867	583,786
Derivative financial instruments	90,166	175,159
Loans and advances to customers	32,680,245	31,934,749
Financial lease receivables	1,082,128	1,365,857
Financial assets available for sale	2,275,135	865,616
Investments in associates	79,271	82,787
Other assets	307,081	270,386
Total in balance sheet	46,318,011	48,591,080
Letters of guarantee granted	8,224,088	9,059,057
Financing commitments granted	3,742,697	3,477,619
Total commitments granted	11,966,785	12,536,676
Total credit risk exposure	58,284,796	61,127,756

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 Bank had significant exposure at 31 December 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 accompanying notes are an integral part of these financial statements
(Amounts in thousands RON)*

2009

Currency	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	(37,578)	49,613
Other	+5	306	1,591

2008

Currency	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	(3,133)	-
Other	+5	(417)	-

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

december 31, 2009

ASSETS	Total	RON	EUR	Other
Cash in hand	631,571	514,679	95,409	21,483
Due from Central Bank	9,219,118	3,150,870	6,068,248	-
Due from banks	584,867	475,495	74,248	35,124
Derivative financial instruments	90,166	90,166	-	-
Loans and advances to customers	32,680,245	13,804,828	18,424,957	450,460
Financial lease receivables	1,082,128	5,109	1,046,836	30,183
Financial assets available for sale	2,275,135	1,251,057	992,267	31,811
Investments in associates	79,271	79,271	-	-
Goodwill	50,151	50,151	-	-
Deferred tax asset	-	-	-	-
Non current assets and other assets	1,597,856	1,505,961	84,438	7,457
Total assets	48,290,508	20,927,587	26,786,403	576,518
LIABILITIES	Total	RON	EUR	Altele
Demand deposits and current accounts	14,618,902	7,697,398	6,609,769	311,735
Term deposits	21,100,342	8,574,626	11,922,643	603,073
Borrowed funds and debt issued	7,136,577	1,245,283	5,860,042	31,252
Derivative financial instruments	63,418	62,823	595	-
Current tax liability	13	13	-	-
Deferred tax liability	337,093	90,018	-	-
Other liabilities	90,018	317,234	13,726	6,133
Shareholders' equity	4,944,145	4.944.145	-	-
Total liabilities and Shareholders' equity	548,290,508	22,931,540	24,406,775	952,193

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

42. Risk management (continued)

december 31, 2008

ASSETS	Total	RON	EUR	Other
Cash in hand	913,750	680,705	206,715	26,330
Due from Central Bank	13,312,740	4,321,175	8,991,565	–
Due from banks	583,786	427,288	110,091	46,407
Derivative financial instruments	175,159	175,159	–	–
Loans and advances to customers	31,934,749	15,650,702	15,734,509	549,538
Financial lease receivables	1,365,857	1,601	1,326,412	37,844
Financial assets available for sale	865,616	863,829	–	1,787
Investments in associates	82,787	82,787	–	–
Goodwill	50,151	50,151	–	–
Deferred tax asset	65,060	65,060	–	–
Non current assets and other assets	1,569,948	1,546,079	1,976	–
Total assets	50,919,603	23,864,536	26,391,185	663,882

LIABILITIES	Total	RON	EUR	Altele
Demand deposits and current accounts	17,260,919	10,527,987	6,326,369	406,563
Term deposits	19,686,109	8,046,279	10,812,902	826,928
Borrowed funds and debt issued	9,071,189	2,278,709	6,744,602	47,879
Derivative financial instruments	209,768	209,150	267	351
Current tax liability	123,189	123,189	–	–
Other liabilities	300,805	283,749	10,293	6,762
Shareholders' equity	4,267,624	4,267,624	–	–
Total liabilities and shareholders' equity	50,919,603	25,736,687	23,894,433	1,288,483

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 income statement and equity.

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)

december 31, 2008		
Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	4,511	4,511
(100)	(4,511)	(4,511)

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

The table below analyses the Group'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.

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	12,553	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	1,304,319	32,680,246
Financial lease receivables	109,091	439,609	248,660	245,846	38,921	1,082,127
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
Deferred tax asset	-	-	-	-	-	-
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
Deferred tax liability	7,253	4,773	13	24,151	-	90,018
Other liabilities	334,750	2,343	6,917	-	46,924	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)	-

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

42. Risk management (continued)

december 31, 2008	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	913,750	–	–	–	–	913,750
Due from Central Bank	13,312,740	–	–	–	–	13,312,740
Due from banks	343,846	57,000	22,156	88,624	72,160	583,786
Derivative financial instruments	175,159	–	–	–	–	175,159
Loans and advances to customers	17,221,890	6,334,650	2,994,563	3,657,774	1,725,872	31,934,749
Financial lease receivables	230,238	591,651	259,631	284,337	–	1,365,857
Financial assets available for sale	3,663	283,331	420,096	53,427	105,099	865,616
Investments in associates	–	–	–	–	82,787	82,787
Goodwill	–	–	–	–	50,151	50,151
Deferred tax asset	723	(431)	7,301	(1,590)	59,057	65,060
Non current assets and other assets	–	303,483	–	–	1,266,465	1,569,948
Total assets	32,202,009	7,569,684	3,703,747	4,082,572	3,361,591	50,919,603
Liabilities						
Demand deposits and current accounts	17,260,919	–	–	–	–	17,260,919
Term deposits	19,666,098	16,961	3,050	–	–	19,686,109
Borrowed funds and debt issued	3,785,192	3,310,144	882,869	1,040,741	52,243	9,071,189
Derivative financial instruments	209,768	–	–	–	–	209,768
Current tax liability	–	–	123,189	–	–	123,189
Deferred tax liability	89,493	211,312	–	–	–	300,805
Other liabilities	41,011,470	211,312	1,009,108	1,040,741	52,243	46,651,979
Total shareholders' equity	–	–	–	–	4,267,624	–
Net position	(8,809,461)	4,031,267	2,694,639	3,041,831	(958,276)	–

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

The maturity structure of the Group's assets and liabilities, based on the expected maturity as of December 31, 2009 and 2008 is as follows:

december 31, 2009	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	631,571	631,571	-	-	-	-	-
Due from Central Bank	9,219,118	9,219,118	-	-	-	-	-
Due from banks	584,867	343,051	-	18,294	125,106	12,240	-
Derivative financial instruments	90,166	90,166	-	-	-	-	-
Loans and advances to customers	32,680,245	3,513,543	2,098,086	7,091,640	10,616,640	9,360,765	-
Financial lease receivables	1,082,128	109,091	439,609	248,660	245,846	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
Deferred tax asset	-	-	-	-	-	-	-
Non current assets and other assets	1,597,856	-	312,292	-	-	-	1,285,564
Total active	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	334,75	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)	(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	-

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

42. Risk management (continued)

december 31, 2008	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hands	913,750	913,750	-	-	-	-	-
Due from Central Bank	13,312,740	13,312,740	-	-	-	-	-
Due from banks							
Derivative financial instruments	583,786	343,846	57,000	18,294	73,176	91,470	-
Instrumente financiare derivate	175,159	175,159	-	-	-	-	-
Loans, net	31,934,749	2,263,118	2,646,682	8,011,481	9,767,743	9,245,725	-
Financial assets							
available for sale	1,365,857	230,239	591,651	259,630	284,337	-	-
Investments in associates	865,616	3,663	283,331	420,096	53,427	105,099	-
Goodwill	82,787	-	-	-	-	-	82,787
Deferred tax asset, net	50,151	-	-	-	-	-	50,151
	65,060	723	(431)	7,301	(1,590)	5,125	53,932
Non current assets and other assets	1,569,948	-	303,483	-	-	-	1,266,465
Total assets	50,919,603	17,243,238	3,881,716	8,716,802	10,177,093	9,447,419	1,453,335
LIABILITIES							
Demand deposits and current accounts	17,260,919	17,260,919	-	-	-	-	-
Term deposits	19,686,109	8,534,360	3,065,509	2,513,630	5,416,235	137,523	-
Borrowed funds and debt issued	9,071,189	907,036	490,977	2,063,413	4,999,592	597,148	-
Derivative financial instruments	209,768	209,768	-	-	-	-	-
Current tax liability	123,189	-	-	123,189	-	-	-
Other payables	46,651,979	89,493	211,312	-	-	-	-
Total liabilities	4,944,145	27,011,576	3,767,798	4,700,232	10,415,827	-	-
Total shareholders' equity	4,267,624	-	-	-	-	-	4,265,624
Gap	(9,758,338)	113,918	4,016,570	(238,734)	(8,680,873)	(2,814,289)	-
Cumulative gap	(9,758,338)	(9,644,420)	(5,627,850)	(5,866,584)	2,814,289	-	-

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

Future undiscounted cash flows

The tables below summaries the maturity profile of the financial liabilities as of December 31, 2009 and 2008 based on contractual undiscounted repayment obligations:

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

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	17,264,542	17,264,542	-	-	-	-	-
Term deposits	20,466,872	14,249,651	357,587	2,097,005	327,036	235,593	-
Borrowed funds and debt issued	9,817,150	934,564	491,691	2,301,020	5,477,053	612,822	-
Current tax liability	123,189	-	-	123,189	-	-	-
Other liabilities except for fair values of derivatives	320,288	318,744	1,544	-	-	-	-
Derivative financial instruments	(37,549)	(19,395)	(7,911)	(2,708)	(7,525)	(10)	-
Letters of guarantee granted	9,059,057	9,059,057	-	-	-	-	-
Total liabilities	57,013,549	41,87,163	4,042,911	4,518,506	5,796,564	848,405	-

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

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:

december 31, 2009

FINANCIAL ASSETS	Level 1	Level 2	Level 3	Total
<i>Derivative financial instruments</i>				
Currency swaps	-	40,160	-	40,160
Forward foreign exchange contracts	-	32,997	-	32,994
Currency options	-	17,012	-	17,012
	-	90,166	-	90,166
<i>Financial assets available for sale</i>				
Treasury notes	-	2,131,310	-	2,132,310
Equity investments	3,088	-	7,257	10,345
Other securities	129,699	3,781	-	133,480
	132,787	2,135,091	7,257	2,275,135
Total	132,787	2,225,257	7,257	2,365,301

FINANCIAL LIABILITIES	Level 1	Level 2	Level 3	Total
<i>Derivative financial instruments</i>				
Interest rate swaps	-	12,419	-	12,419
Currency swaps	-	27,446	-	27,446
Forward foreign exchange contracts	-	3,541	-	6,541
Currency options	-	17,012	-	17,012
Total	-	63,418	-	63,418

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

december 31, 2008

FINANCIAL ASSETS	Level 1	Level 2	Level 3	Total
<i>Derivative financial instruments</i>				
Currency swaps	-	27,756	-	27,756
Forward foreign exchange contracts	-	90,920	-	90,920
Currency options	-	56,483	-	56,483
	-	175,159	-	175,159
<i>Financial assets available for sale</i>				
Treasury notes	-	756,913	-	756,913
Equity investments	1,787	-	7,604	9,391
Other securities	95,708	3,604	-	99,312
	97,495	760,517	7,604	865,616
Total	97,495	935,676	7,604	1,040,775

FINANCIAL LIABILITIES	Level 1	Level 2	Level 3	Total
<i>Derivative financial instruments</i>				
Interest rate swaps	-	11,323	-	11,323
Currency swaps	-	118,189	-	118,189
Forward foreign exchange contracts	-	23,771	-	23,771
Currency options	-	56,485	-	56,485
Total	-	209,768	-	209,768

Financial instruments recorded at fair value

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

Derivatives

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

Financial assets available for sale

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

Fair value of financial assets and liabilities not carried at fair value

Financial assets

Deposits with banks, loans originated by the Group and leases are measured at amortized cost using the effective interest rate method less any impairment allowance.

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

43. Fair value (continued)

În cazul depozitelor plasate la bănci, costul amortizat este aproximat de valoarea justă datorită naturii lor pe termen scurt, ratelor de dobândă care reflectă condițiile prezente de pe piață și lipsei unor costuri de tranzacționare semnificative.

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 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 of loans to customers, deposits from customers and borrowings.

	december 31, 2009		december 31, 2008	
FINANCIAL ASSETS	Carrying value	Fair value	Carrying value	Fair value
Cash in hand	631,571	631,571	913,750	913,750
Due from Central Bank	9,219,118	9,219,118	13,312,740	13,312,740
Due from banks	584,867	584,867	583,786	583,786
Loans and advances to customers acordate clientelei	32,680,245	32,755,350	31,934,749	31,579,450
Financial lease receivables	1,082,128	995,944	1,365,857	1,417,525
Total	44,197,929	44,186,850	48,110,882	47,807,251

FINANCIAL LIABILITIES	Carrying value	Fair value	Carrying value	Fair value
Demand deposits and current accounts	14,618,902	14,618,902	17,260,919	17,260,919
Term deposits	1,100,342	20,957,382	19,686,109	19,659,883
Borrowed funds and debt issued	7,136,577	7,110,530	9,071,189	8,970,910
Total	42,855,821	42,686,814	46,018,217	45,891,712

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.

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



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