

**BRD – Groupe Société Générale S.A.**

**CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS**

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

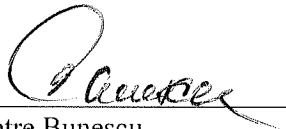
**DECEMBER 31, 2012**

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION**  
**as of December 31, 2012**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
<b>ASSETS</b>					
Cash in hand	5	990,291	662,194	990,281	662,171
Due from Central Bank	6	8,393,494	8,743,127	8,392,575	8,741,778
Due from banks	7	394,461	1,035,020	368,030	995,384
Derivatives and other financial instruments held for trading	8	534,955	313,788	535,915	316,478
Loans and advances to customers	9	31,709,480	31,833,109	31,477,629	31,529,114
Financial lease receivables	10	661,339	732,665	-	-
Financial investments available for sale	11	4,549,005	4,877,014	4,549,005	4,876,866
Investments in associates and subsidiaries	12	112,045	95,427	157,577	153,412
Property, plant and equipment	13	1,084,894	1,180,794	1,066,941	1,150,743
Goodwill	14	50,130	50,130	50,130	50,130
Intangible assets	15	85,400	94,451	76,262	84,891
Other assets	16	325,096	261,352	259,714	190,031
<b>Total assets</b>		<b>48,890,590</b>	<b>49,879,071</b>	<b>47,924,059</b>	<b>48,750,998</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Due to banks	17	4,215,258	4,269,030	4,215,258	4,269,030
Due to customers	18	31,785,717	30,217,852	31,892,477	30,303,484
Debt issued and borrowed funds	19	5,557,607	7,716,276	4,791,283	6,793,165
Subordinated debt	20	892,071	874,161	892,071	874,161
Derivative financial instruments	8	164,385	170,812	164,385	170,812
Current tax liability		1,923	19,731	-	16,867
Deferred tax liability	21	115,478	148,089	106,975	145,812
Other liabilities	22	395,857	374,724	338,089	287,430
<b>Total liabilities</b>		<b>43,128,297</b>	<b>43,790,675</b>	<b>42,400,538</b>	<b>42,860,761</b>
Share capital	23	2,515,622	2,515,622	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		58,536	(15,430)	58,536	(15,430)
Retained earnings	24	3,136,373	3,544,633	2,949,363	3,390,045
Non-controlling interest		51,762	43,571	-	-
<b>Total equity</b>		<b>5,762,293</b>	<b>6,088,396</b>	<b>5,523,521</b>	<b>5,890,237</b>
<b>Total liabilities and equity</b>		<b>48,890,590</b>	<b>49,879,071</b>	<b>47,924,059</b>	<b>48,750,998</b>

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

  
Philippe Lhotte  
President and Chief Executive Officer

  
Petre Bunescu  
Deputy Chief Executive Officer

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND INDIVIDUAL INCOME STATEMENT**  
**for the year ended December 31, 2012**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		2012	2011	2012	2011
Interest and similar income	25	3,184,381	3,459,685	3,062,078	3,314,034
Interest and similar expense	26	(1,238,320)	(1,280,761)	(1,206,235)	(1,239,430)
<b>Net interest income</b>		<b>1,946,061</b>	<b>2,178,923</b>	<b>1,855,843</b>	<b>2,074,604</b>
Fees and commissions, net	27	792,042	768,145	773,459	752,720
Foreign exchange gain	28	326,733	238,210	325,415	238,437
Gain on derivative and other financial instruments held for trading		15,925	93,839	16,373	93,839
Income from associates	29	17,223	19,598	4,771	2,408
Contribution to Deposit Guarantee Fund	31	(68,503)	(68,090)	(68,503)	(68,090)
Other income	30	16,101	11,416	4,863	6,171
<b>Operating income</b>		<b>3,045,581</b>	<b>3,242,041</b>	<b>2,912,221</b>	<b>3,100,089</b>
Personnel expenses	32	(672,524)	(708,160)	(635,903)	(669,278)
Depreciation, amortisation and impairment on tangible assets	33	(161,826)	(146,025)	(157,552)	(141,462)
Other operating expenses	34	(597,718)	(610,518)	(559,697)	(572,902)
<b>Total operating expenses</b>		<b>(1,432,068)</b>	<b>(1,464,703)</b>	<b>(1,353,152)</b>	<b>(1,383,642)</b>
Credit loss expense	34	(1,942,980)	(1,222,501)	(1,937,418)	(1,198,976)
<b>Profit/(loss) before income tax</b>		<b>(329,467)</b>	<b>554,837</b>	<b>(378,349)</b>	<b>517,471</b>
Current income tax expense	21	(1,970)	(99,602)	-	(96,738)
Deferred tax (expense)/income	21	40,873	43,251	47,173	48,644
<b>Total income tax</b>		<b>38,903</b>	<b>(56,351)</b>	<b>47,173</b>	<b>(48,094)</b>
<b>Profit/(loss) for the year</b>		<b>(290,564)</b>	<b>498,486</b>	<b>(331,176)</b>	<b>469,377</b>
(Profit) attributable to non-controlling interests		(8,190)	(2,207)	-	-
Profit/(loss) attributable to equity holders of the parent		(298,754)	496,279	(331,176)	469,377
<b>Earnings per share (in RON)</b>	41	<b>(0.4287)</b>	<b>0.7121</b>	<b>(0.4752)</b>	<b>0.6735</b>

*The accompanying notes are an integral part of these financial statements*

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended December 31, 2012**  
*(Amounts in thousands RON)*

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

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**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND INDIVIDUAL STATEMENT OF CHANGES IN EQUITY**  
**for the year ended December 31, 2012**  
*(Amounts in thousands RON)*

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

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

*The accompanying notes are an integral part of these financial statements*

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND INDIVIDUAL STATEMENT OF CASH FLOWS**  
**for the year ended December 31, 2012**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		2012	2011	2012	2011
<b>Cash flows from operating activities</b>					
Profit before tax		(329,467)	554,837	(378,349)	517,471
<i>Adjustments for non-cash items</i>					
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets		161,826	146,025	157,552	141,462
Share based payment		6,809	6,025	6,809	6,025
(Gain) from investment revaluation		(12,453)	(17,190)	-	(5,793)
Net expenses from impairment of loans and from provisions	36	2,007,362	1,262,823	1,988,760	1,221,563
Income tax paid		(99,583)	(59,702)	(96,766)	(57,318)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>1,734,494</b>	<b>1,892,818</b>	<b>1,678,006</b>	<b>1,823,410</b>
<b>Changes in operating assets and liabilities</b>					
Current account with NBR		349,634	686,171	349,204	686,631
Accounts and deposits with banks		97,684	(113,633)	124,113	(113,633)
Available for sale securities		401,975	(835,539)	401,827	(881,730)
Loans		(1,865,990)	(843,547)	(1,922,335)	(857,235)
Lease receivables		71,326	139,156	-	-
Other assets		(244,038)	(167,513)	(241,946)	(200,838)
Due to banks		(53,772)	2,392,404	(53,772)	2,392,404
Due to customers		1,567,867	193,204	1,588,993	202,194
Other liabilities		45,619	20,738	71,814	15,924
<b>Total changes in operating assets and liabilities</b>		<b>370,305</b>	<b>1,471,441</b>	<b>317,898</b>	<b>1,243,717</b>
<b>Cash flow from operating activities</b>		<b>2,104,799</b>	<b>3,364,259</b>	<b>1,995,904</b>	<b>3,067,127</b>
<b>Investing activities</b>					
Acquisition of equity investments		(4,165)	-	(4,165)	-
Proceeds from equity investments		-	-	-	5,984
Acquisition of tangible and intangible assets		(68,255)	(148,209)	(67,450)	(139,128)
Proceeds from sale of tangible and intangible assets		11,380	1,687	2,329	1,687
<b>Cash flow from investing activities</b>		<b>(61,040)</b>	<b>(146,522)</b>	<b>(69,286)</b>	<b>(131,457)</b>
<b>Financing activities</b>					
(Decrease) in borrowings		(2,140,759)	(2,782,582)	(1,983,972)	(2,500,513)
Dividends paid		(117,777)	(125,145)	(117,777)	(125,145)
<b>Net cash from financing activities</b>		<b>(2,258,536)</b>	<b>(2,907,727)</b>	<b>(2,101,749)</b>	<b>(2,625,658)</b>
<b>Net movements in cash and cash equivalents</b>		<b>(214,777)</b>	<b>310,010</b>	<b>(175,131)</b>	<b>310,012</b>
Cash and cash equivalents at beginning of the period	36	1,336,933	1,026,923	1,297,274	987,262
Cash and cash equivalents at the end of the period	36	1,122,156	1,336,933	1,122,143	1,297,274
<b>Operational cash flows from interest and dividends</b>					
		Group		Bank	
		2012	2011	2012	2011
Interest paid		1,243,157	1,310,363	1,201,307	1,213,249
Interest received		2,998,341	3,098,808	2,879,059	2,947,214
Dividends received		5,202	2,787	5,202	2,787

*The accompanying notes are an integral part of these financial statements*

**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS**  
**as of and for the year ended December 31, 2012**  
*(Amounts in thousands RON)*

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**1. Corporate information**

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

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

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

The Bank has 915 units throughout the country (December 31, 2011: 937).

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

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

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

The shareholding structure of the Bank is as follows:

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

**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS**  
**as of and for the year ended December 31, 2012**  
*(Amounts in thousands RON)*

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**2. Basis of preparation**

**a) Basis of preparation**

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, BRD prepared consolidated and individual financial statements for the year ended December 31, 2012 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (“EU”).

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

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

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

**b) Basis for consolidation**

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2012. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. Control is presumed to exist when direct or indirect ownership exceeds 50% of the voting power of the enterprise. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2011: 99.98%), BRD Finance IFN S.A (49% ownership, 2011: 49%, control through the power to govern the financial and operating policies of the entity under various agreements), BRD Corporate Finance SRL (100% ownership, 2011: 100 %) and BRD Asset Management SAI SA (99.98% ownership, 2011: 99.95%). All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

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

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

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



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*(Amounts in thousands RON)*

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**2. Basis of preparation (continued)**

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

The accounting policies adopted are consistent with those of the previous financial year.

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

- **Amendments to IFRS 7 “Financial Instruments: Disclosures” - Transfers of Financial Assets** published by IASB on 7 October 2010. The objective of the amendments is to improve the quality of the information reported about financial assets that have been “transferred” but are still, at least partially, recognised by the entity because they do not qualify for derecognition; and financial assets that are no longer recognised by an entity, because they qualify for derecognition, but with which the entity continues to have some involvement.

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

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

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

- **IFRS 9 “Financial Instruments”** published by IASB on 12 November 2009. On 28 September 2010 IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. Standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. The new requirements on accounting for financial liabilities address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value. The IASB decided to maintain the existing amortised cost measurement for most liabilities, limiting change to that required to address the own credit problem. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity’s own credit risk in the other comprehensive income section of the income statement, rather than within profit or loss.
- **IFRS 10 “Consolidated Financial Statements”** published by IASB on 12 May 2011. IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation — Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.
- **IFRS 11 “Joint Arrangements”** published by IASB on 12 May 2011. IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is

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*(Amounts in thousands RON)*

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**2. Basis of preparation (continued)**

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

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

- **IFRS 12 “Disclosures of Involvement with Other Entities”** published by IASB on 12 May 2011. IFRS 12 will require enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.
- **IFRS 13 “Fair Value Measurement”** published by IASB on 12 May 2011. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.
- **Amendments to IAS 12 “Income Taxes” - Deferred Tax: Recovery of Underlying Assets** published by IASB on 20 December 2010. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 “Investment Property”. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be through sale.
- **Amendments to IAS 1 “Presentation of financial statements”-Presentation of Items of Other Comprehensive Income** published by IASB on 16 June 2011. The amendments require companies preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.
- **Amendments to IAS 19 “Employee Benefits” - Improvements to the Accounting for Post-employment Benefits** published by IASB on 16 June 2011. The amendments make important improvements by: (1) eliminating an option to defer the recognition of gains and losses, known as the “corridor method”, improving comparability and faithfulness of presentation; (2) streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity’s day-to-day operations; (3) enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.
- **IAS 27 “Separate Financial Statements” (revised in 2011)** As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Bank does not present separate financial statements.
- **IAS 28 “Investments in Associates and Joint Ventures” (revised in 2011).** As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosures of Interests on Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

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**NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS**  
**as of and for the year ended December 31, 2012**  
*(Amounts in thousands RON)*

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**2. Basis of preparation (continued)**

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

- **Amendments to IAS 32 “Financial instruments: presentation” - Offsetting Financial Assets and Financial Liabilities** published by IASB on 16 December 2011. Amendments provide clarifications on the application of the offsetting rules and focus on four main areas (a) the meaning of “currently has a legally enforceable right of set-off”; (b) the application of simultaneous realisation and settlement; (c) the offsetting of collateral amounts; (d) the unit of account for applying the offsetting requirements.

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

- **Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” - Mandatory Effective Date and Transition Disclosures** published by IASB on 16 December 2011. Amendments defer the mandatory effective date from 1 January 2013 to 1 January 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 prior to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.
- **Amendments to IFRS 1 “First-time Adoption of IFRS”** – eliminates the need for companies adopting IFRS for the first time to restate the recognition transactions that occurred before the date of transition to IFRS and provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
- **Amendments to IFRS 1 “First-time Adoption of IFRS” - Government Loans** published by IASB on 13 March 2012. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” in 2008.
- **Amendments to IFRS 7 “Financial Instruments: Disclosures” - Offsetting Financial Assets and Financial Liabilities** published by IASB on 16 December 2011. The amendments require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.
- **Amendments to IFRS 1 “First-time Adoption of IFRS”** This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.
- **IAS 1 Presentation of Financial Statements**  
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.
- **IAS 16 Property Plant and Equipment**  
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

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**2. Basis of preparation (continued)**

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

**- IAS 32 Financial Instruments, Presentation**

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

**- IAS 34 Interim Financial Reporting**

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

**f) Significant accounting judgments and estimates**

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

*Going concern*

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

*Fair value of financial instruments*

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

*Impairment losses on loans and receivables*

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

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

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

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**2. Basis of preparation (continued)**

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

*Impairment of available-for-sale investments*

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

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

*Impairment of goodwill*

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

*Deferred tax assets*

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

*Retirement benefits*

The cost of the defined benefit retirement plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions are described in Note 22.

**g) Segment information**

An operating segment is a component of the Group:

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

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

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**3. Summary of significant accounting policies**

**a) Foreign currency translation**

Transactions in foreign currencies are initially recorded at the functional currency rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The exchange rates of the currencies with the most significant impact on the Group's financial statements as of December 31, 2012 and 2011 were as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
RON/ USD	3.3575	3.3393
RON/ EUR	4.4287	4.3197

**b) Cash and cash equivalents**

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short-term placements at other banks, excluding collaterals, treasury bills and other short-term highly liquid investments, with less than 90 days maturity from the date of acquisition.

**c) Current accounts and deposits with banks**

These are stated at amortized cost, less any amounts written off and provisions for impairment.

**d) Loans and advances to customers and finance lease receivables**

Loans and advances to customers and finance lease receivables originated by the Group by providing money directly to the borrower are recognized when the cash is advanced to those parties. They are measured initially at fair value including arrangement costs. Loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

If there is objective evidence that the Group will not be able to collect all amounts due (principal and interest) according to the original contractual terms of the loan / finance lease, such loans / finance leases are considered impaired. The amount of the impairment is the difference between the carrying amount and the recoverable amount of each loan / finance lease receivable, being the present value of expected cash flows discounted at the loan's original effective interest rate including the amounts expected to be recovered from collateral, if the loan / finance lease receivable is collateralized and foreclosure is probable.

Impairment and recoverability are measured and recognized item by item for loans and receivables that are individually significant, and on a portfolio basis for similar loans and receivables that are not individually identified as impaired. The carrying amount of the asset is reduced to its estimated recoverable amount by a charge to income statement through the use of an allowance for loan impairment account and is presented in the income statement as "credit loss expense". If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the release of the allowance is credited to the income statement. A write off is made when the entire loan / finance lease receivable is deemed uncollectible. Write offs are charged against previously established impairment allowances and reduce the principal amount of a loan / finance lease receivable. Recoveries of loans and receivables written off in earlier period are included in income.

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

**e) Renegotiated loans**

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

**f) Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

*Group as a lessor*

Finance leases are those which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item and are recognized as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are allocated both to the principal and the income statement on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in income on a straight-line basis over the lease term.

*Group as a lessee*

Leases which do not transfer to the bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Contingent rental payable are recognized as an expense in the period in which they are incurred.

**g) Investment in associates**

An associate is an enterprise in which the Group exercises significant influence and is neither a subsidiary nor a joint venture. Associates are accounted using the equity method for consolidation purposes and cost method for individual financial statements.

Under the equity method, an investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The Group does an assessment of any additional impairment loss with respect to the net investment in associate. The income statement reflects the share of the results of operations of associates. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of associates and the Group are identical and the associates' major accounting policies conform to those used by the Group for like transactions and similar events in similar circumstances.

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

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

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

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

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

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

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

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

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

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

**i) Tangible assets**

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

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

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

<i>Asset type</i>	<i>Years</i>
Buildings and special constructions	10-40
Computers and equipment	3-6
Furniture and other equipment	10
Vehicles	5



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

**i) Tangible assets (continued)**

Land is not depreciated. Construction-in-progress is not depreciated until used. Expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is recognized as an asset under the same general recognition principle used at initial recognition.

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying amount of a tangible asset is greater than the estimated recoverable amount, it is written down to its recoverable amount. Tangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

**j) Borrowing costs**

All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

**k) Investment properties**

Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party, or ending of construction or development. Transfers are made from investment property when and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

The depreciation of buildings included in investment properties is computed using the linear method over the useful lives as presented in note 3. i).

**l) Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Starting January 1, 2004 goodwill already registered in the financial position is not amortized any longer and is reviewed for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates.

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

Where the recoverable amount of cash-generating unit is less than the carrying amount, an impairment loss is recognized.

**m) Intangible assets**

Intangible assets are measured initially at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

All intangible assets of the Group carried as of December 31, 2012 and 2011 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 5 years. The amortization period and the amortization method are reviewed at least at each financial year end.

At each statement of financial position date, intangibles are reviewed for indication of impairment or changes in estimated future benefits. Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount.

**n) Derivative financial instruments**

The Group uses derivative financial instruments such as forward currency contracts, currency swaps, currency options, forward and swaps on interest rate as products offered to its clients but also to hedge its risks associated with interest rate, liquidity and foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest swap contracts is determined by reference to market values of similar instruments.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. The Group formally documents the relationship between the hedging instruments and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

The Group applies fair value hedges.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit and loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

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

**n) Derivative financial instruments (continued)**

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

**o) Borrowings**

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

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

**p) Offsetting of financial assets and liabilities**

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

**q) Sale and repurchase agreements**

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

**r) Customers' deposits and current accounts**

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

**s) De-recognition of financial assets and liabilities**

*Financial assets*

A financial asset is derecognized where:

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

*Financial liabilities*

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

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

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially changed, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts are recognized in profit or loss.

**t) Recognition of income and expenses**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the benefits can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

*Interest and similar income*

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any origination fees and incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

*Fee and commission income*

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

*Dividend income*

Revenue is recognized when the Group's right to receive the payment is established.

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

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

*Net trading income*

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

**u) Employee benefits**

*Short-term employee benefits:*

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

*Social Security Contributions:*

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

*Post-employment benefits:*

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

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

*Termination benefits:*

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

*Share-based payment transactions:*

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

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

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

**u) Employee benefits (continued)**

*Share-based payment transactions (continued):*

instruments that will ultimately vest. The income statement expense or credit for a period is recorded in “Personnel expenses” and represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognized in “Personnel expenses” is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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

**v) Taxation**

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

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

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

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

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

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

**w) Provisions**

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

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

**w) Provisions (continued)**

appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as borrowing cost.

**x) Contingencies**

Contingent liabilities are not recognized in the financial statements but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**y) Earnings per share**

Basic earnings per share are calculated by dividing net profit/ (loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2012 and 2011 there were no dilutive equity instruments issued by the Group.

**z) Dividends on ordinary shares**

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

**aa) Related parties**

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

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

**ab) Subsequent events**

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

**ac) Financial guarantees**

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

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

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

**ac) Financial guarantees (continued)**

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

**ad) Comparatives**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year and specific disclosures are presented in the corresponding notes to the financial statements.



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#### **4. Segment information**

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

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

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

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

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**4. Segment information (continued)**

	<b>Bank</b>					<b>Total</b>
	<b>Individuals</b>	<b>Professionals</b>	<b>Very small entities</b>	<b>SMEs</b>	<b>Large corporates</b>	
	<b>December 31, 2012</b>					
Loans, gross	16,914,379	1,436,516	5,282,868	5,523,003	6,233,138	35,389,905
Loans impairment	(672,024)	(593,743)	(1,486,273)	(759,524)	(400,712)	(3,912,276)
Loans and advances to customers	16,242,355	842,773	3,796,595	4,763,480	5,832,426	31,477,629
Due to customers	16,274,883	1,043,377	2,638,012	4,066,545	7,869,659	31,892,477
	<b>December 31, 2011</b>					
Loans, gross	16,297,556	998,908	5,622,238	5,234,266	5,774,272	33,927,239
Loans impairment	(389,098)	(389,098)	(898,845)	(583,641)	(137,445)	(2,398,125)
Loans and advances to customers	15,908,459	609,810	4,723,393	4,650,625	5,636,827	31,529,114
Due to customers	15,278,170	870,293	2,963,910	4,247,411	6,943,699	30,303,484
	<b>Group</b>					
	<b>December 31, 2012</b>					
Loans, gross	17,276,198	1,436,516	5,282,868	5,523,003	6,163,215	35,681,800
Loans impairment	(732,068)	(593,743)	(1,486,273)	(759,524)	(400,712)	(3,972,320)
Loans and advances to customers	16,544,130	842,773	3,796,595	4,763,480	5,762,502	31,709,480
Due to customers	16,274,883	1,043,377	2,638,012	4,066,545	7,762,899	31,785,717
	<b>December 31, 2011</b>					
Loans, gross	16,691,573	998,908	5,622,238	5,234,266	5,768,507	34,315,492
Loans impairment	(473,355)	(389,098)	(898,845)	(583,641)	(137,445)	(2,482,383)
Loans and advances to customers	16,218,218	609,810	4,723,393	4,650,625	5,631,063	31,833,109
Due to customers	15,278,170	870,293	2,963,910	4,247,411	6,858,067	30,217,852

*The accompanying notes are an integral part of these financial statements*

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**5. Cash in hand**

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

**6. Due from Central Bank**

	Group		Bank	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Current accounts	8,393,493	8,743,127	8,392,575	8,741,778
<b>Total</b>	<b>8,393,493</b>	<b>8,743,127</b>	<b>8,392,575</b>	<b>8,741,778</b>

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

**7. Due from banks**

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

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

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**8. Derivative financial instruments**

<b>Group</b>	<b>December 31, 2012</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
Interest rate swaps	15,076	87,871	2,683,406
Currency swaps	119,286	25,434	6,403,008
Forward foreign exchange contracts	8,513	29,382	1,656,246
Currency options	21,698	21,698	3,600,425
<b>Total derivatives</b>	<b>164,573</b>	<b>164,385</b>	<b>14,343,085</b>
Financial instruments held for trading	370,382	-	370,313
<b>Total</b>	<b>534,955</b>	<b>164,385</b>	<b>14,713,398</b>
	<b>December 31, 2011</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
Interest rate swaps	6,040	97,259	2,437,932
Currency swaps	41,163	25,987	6,305,263
Forward foreign exchange contracts	22,160	16,199	1,710,711
Currency options	31,368	31,367	4,692,817
<b>Total derivatives</b>	<b>100,731</b>	<b>170,812</b>	<b>15,146,723</b>
Financial instruments held for trading	213,057	-	217,040
<b>Total</b>	<b>313,788</b>	<b>170,812</b>	<b>15,363,764</b>
	<b>December 31, 2012</b>		
<b>Bank</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
Interest rate swaps	16,036	87,871	2,714,407
Currency swaps	119,286	25,434	6,403,008
Forward foreign exchange contracts	8,514	29,382	1,656,246
Currency options	21,698	21,698	3,600,425
<b>Total derivatives</b>	<b>165,533</b>	<b>164,385</b>	<b>14,374,086</b>
Financial instruments held for trading	370,382	-	370,313
<b>Total</b>	<b>535,915</b>	<b>164,385</b>	<b>14,744,399</b>
	<b>December 31, 2011</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
Interest rate swaps	8,731	97,259	2,538,796
Currency swaps	41,163	25,987	6,305,263
Forward foreign exchange contracts	22,160	16,199	1,710,711
Currency options	31,367	31,367	4,692,817
<b>Total derivatives</b>	<b>103,421</b>	<b>170,812</b>	<b>15,247,587</b>
Financial instruments held for trading	213,057	-	217,040
<b>Total</b>	<b>316,478</b>	<b>170,812</b>	<b>15,464,628</b>

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

- a) On 6 May 2011, the Group purchased a 3 year fixed rate bond; as a result the Group is exposed to changes in the fair value of the purchased bond due to changes in market interest rates. In order to minimize its exposure to fair value changes due to changes in market interest rates, management has selected to enter into an interest rate swap to receive variable rate and to pay a fixed rate.

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**8. Derivative financial instruments (continued)**

The initial amount of the hedged item was of 182,4 million EUR with an interest rate of 4.5% and the notional amount of the hedging instrument is of 180 million EUR with a fixed interest rate of 2.031%. In 2012 the amount was reduced to 118,4 million EUR with the interest terms remaining unchanged.

- b) On 28 July 2011, the Group purchased a 4 year fixed rate bond; as a result the Group is exposed to changes in the fair value of the purchased bond due to changes in market interest rates. The amount of the hedged item is of 99,9 million EUR with an interest rate of 4.7% and the notional amount of the hedging instrument is of 100 million EUR with a fixed interest rate of 2.171%.

Both hedging relationships were effective throughout the reporting period.

*Forwards*

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

*Swaps*

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts concluded by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

*Options*

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from or sell to the Group the underlying asset at an agreed-upon value either on or before the expiration of the option.

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**9. Loans and advances to customers**

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

The loans structure is the following:

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

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

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

**Impairment allowance for loans**

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

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

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

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

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

**10. Lease receivables**

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

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

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

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**11. Financial assets available for sale**

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

***Treasury notes***

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

***Equity investments***

Other equity investments represent shares in Victoria Business Centre S.A, Romanian Commodities Exchange, Bucharest Clearing House (the former Romanian Securities Clearing and Depository Company), Depozitarul Central S.A. (Shareholders' Register for the National Securities Commission), Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA, Romanian Clearing House (SC Casa Romana de Compensatie SA), Investor Compensating Fund (Fondul de Compensare a Investitorilor), TransFond and Visa International Service Association.

***Other securities***

The Group and Bank holds funds units in:

<b>2012</b>	Unit value	No of units	Market value
Simfonia	34	443,129	15,000
Concerto	141	90,353	12,753
Diverso	132	175,730	23,242
Actiuni	124	116,238	14,355
Index	108	21,794	2,347
<b>2011</b>	Unit value	No of units	Market value
Simfonia	32	443,129	14,202
Concerto	134	90,353	12,086
Diverso	116	175,730	20,427
Actiuni	103	116,238	11,956
Index	88	21,794	1,910



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**12. Investments in subsidiaries and associates**

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

Group	Field of activity	%	December 31, 2010	Additions/ Reclassifications	Disposals	Increase / (decrease) in net assets	December 31, 2011
<i>Associates</i>							
ALD Automotive	Operational leasing	20.00%	12,528	-	-	4,144	16,672
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	20.00%	32,970	-	-	8,584	41,554
BRD Asigurari de Viata SA	Insurance	49.00%	10,099	-	-	1,635	11,734
Fondul de Garantare a Creditului Rural	Loans guarantee	33.33%	9,889	-	-	2,913	12,803
Biroul de Credit S.A.	Financial institution	18.85%	2,874	-	-	360	3,234
BRD Fond de Pensii S.A.	Pension fund management	49.00%	9,547	-	-	(725)	8,822
BRD Sogelease Asset Rental SRL	Operational leasing	20.00%	330	-	-	278	608
			<b>78,237</b>	-	-	<b>17,190</b>	<b>95,427</b>

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.

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

<u>Bank</u>	Field of activity	%	December 31, 2011	Additions/ Reclassifications	Disposals	December 31, 2012
ALD Automotive	Operational leasing	20.00%	11,873	-	-	11,873
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	20.00%	29,017	-	-	29,017
BRD Asigurari de Viata SA	Insurance	49.00%	13,532	4,165	-	17,697
Fondul de Garantare a Creditului Rural	Loans guarantee	33.33%	14,220	-	-	14,220
Biroul de Credit S.A.	Financial institution	18.85%	779	-	-	779
BRD Fond de Pensii S.A.	Pension fund management	49.00%	14,690	-	-	14,690
<b>Associates</b>			<b>84,111</b>	<b>4,165</b>	<b>-</b>	<b>88,276</b>
BRD Sogelease IFN SA	Financial leasing	99.98%	11,558	-	-	11,558
BRD Finance Credite de Consum IFN SA	Financial institution	49.00%	53,019	-	-	53,019
BRD Asset Management SAI SA	Funds administration	99.98%	4,321	-	-	4,321
BRD Corporate Finance SRL	Business and management consultancy	100.00%	403	-	-	403
<b>Subsidiaries</b>			<b>69,301</b>	<b>-</b>	<b>-</b>	<b>69,301</b>
<b>Total Associates and Subsidiaries</b>			<b>153,412</b>	<b>4,165</b>	<b>-</b>	<b>157,577</b>

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

<u>Bank</u>	Field of activity	%	December 31, 2010	Additions/ Reclassifications	Disposals	December 31, 2011
ALD Automotive	Operational leasing	20.00%	11,873	-	-	11,873
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	20.00%	29,017	-	-	29,017
BRD Asigurari de Viata SA	Insurance	49.00%	13,532	-	-	13,532
Fondul de Garantare a Creditului Rural	Loans guarantee	33.33%	14,220	-	-	14,220
Biroul de Credit S.A.	Financial institution	18.85%	779	-	-	779
BRD Fond de Pensii S.A.	Pension fund management	49.00%	14,690	-	-	14,690
<b>Associates</b>			<b>84,111</b>	<b>-</b>	<b>-</b>	<b>84,111</b>
BRD Securities Groupe Societe Generale SA	Financial institution	100.00%	2,151	-	2,151	(0)
BRD Sogelease IFN SA	Financial leasing	99.98%	11,558	-	-	11,558
BRD Finance Credite de Consum IFN SA	Financial institution	49.00%	53,019	-	-	53,019
BRD Asset Management SAI SA	Funds administration	99.98%	2,321	2,000	-	4,321
BRD Corporate Finance SRL	Business and management consultancy	100.00%	403	-	-	403
<b>Subsidiaries</b>			<b>69,452</b>	<b>2,000</b>	<b>2,151</b>	<b>69,301</b>
<b>Total Associates and Subsidiaries</b>			<b>153,563</b>	<b>2,000</b>	<b>2,151</b>	<b>153,412</b>

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

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

<u>Associate</u>	<u>Address</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Net assets</u>	<u>Shareholders interest</u>	<u>Net profit/(loss)</u>
ALD Automotive	1-7, Ion Mihalache Street, Bucharest	291,883	169,865	122,018	71,293	33,318
Mobiasbanca Groupe Societe Generale S.A.	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova	986,325	752,527	233,798	104,803	14,861
BRD Asigurari de Viata SA	64 Blvd. Unirii Bl. K4, sector 3, Bucharest	90,182	56,081	34,101	36,464	3,603
Fondul de Garantare a Creditului Rural	5 Occidentului Street, Bucharest	1,739,193	1,701,571	37,622	20,297	11,693
Biroul de Credit S.A.	15 Calea Victoriei, Bucharest	18,713	835	17,878	6,711	4,027
BRD Fond de Pensii S.A.	64 Unirii Blvd, Bucharest	16,766	758	16,008	23,212	(16,168)
BRD Sogelease Asset Rental SRL	1-7, Ion Mihalache Street, Bucharest	82,231	78,363	3,868	1,318	(479)
<u>Subsidiaries</u>	<u>Address</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Net assets</u>	<u>Shareholders interest</u>	<u>Net profit/(loss)</u>
BRD Sogelease IFN SA	1-7, Ion Mihalache Street, Bucharest	828,247	650,004	178,244	177,113	11,803
BRD Finance Credite de Consum IFN SA	1-7, Ion Mihalache Street, Bucharest	459,209	357,714	101,495	104,914	16,060
BRD Asset Management SAI SA	1-3, Ciucerul Udricani Street, Bucharest	11,441	393	11,048	11,047	2,421
BRD Corporate Finance SRL	1-7, Ion Mihalache Street, Bucharest	857	224	633	633	62

The amounts for the subsidiaries and associates are not audited.

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**13. Property, plant and equipment**

	Group					Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	
<b>Cost:</b>						
as of December 31, 2010	1,409,571	37,864	231,635	297,334	83,895	2,060,299
Transfers and additions	(130,253)	1,258	33,170	315,703	(4,979)	214,899
Disposals	(7,647)	-	(37,482)	(47,521)	(9)	(92,659)
as of December 31, 2011	1,271,671	39,122	227,323	565,516	78,907	2,182,539
Transfers and additions	60,410	1,247	26,405	61,177	(39,835)	109,405
Disposals	(11,924)	-	(10,643)	(62,072)	(15,661)	(100,300)
as of December 31, 2012	1,320,158	40,369	243,086	564,621	23,411	2,191,644
<b>Depreciation and impairment:</b>						
as of December 31, 2010	(508,331)	(14,190)	(190,472)	(170,240)	-	(883,233)
Depreciation and impairment	(41,195)	(4,317)	(24,054)	(48,784)	-	(118,350)
Disposals	4,531	67	36,443	5,140	-	46,181
Transfers	97,478	-	(5,080)	(138,741)	-	(46,343)
as of December 31, 2011	(447,517)	(18,440)	(183,163)	(352,625)	-	(1,001,745)
Depreciation and impairment	(58,032)	(650)	(27,881)	(43,546)	-	(130,109)
Disposals	6,935	-	10,474	7,333	-	24,742
Transfers	1,826	(1,464)	-	-	-	362
as of December 31, 2012	(496,788)	(20,554)	(200,570)	(388,838)	-	(1,106,750)
<b>Net book value:</b>						
as of December 31, 2010	901,240	23,674	41,163	127,094	83,895	1,177,066
as of December 31, 2011	824,154	20,682	44,160	212,891	78,907	1,180,794
as of December 31, 2012	823,370	19,814	42,516	175,783	23,411	1,084,894

*The accompanying notes are an integral part of these financial statements*

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

	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Total
<b>Cost:</b>						
as of December 31, 2010	1,399,758	37,864	222,398	271,353	83,895	2,015,268
Transfers and additions	(130,253)	1,258	32,802	269,311	(4,979)	168,139
Disposals	(7,624)	-	(37,346)	(5,856)	(9)	(50,835)
as of December 31, 2011	1,261,881	39,122	217,854	534,808	78,907	2,132,572
Transfers and additions	60,410	1,247	25,968	20,214	(40,360)	67,479
Disposals	(11,910)	-	(10,326)	(8,894)	(15,661)	(46,791)
as of December 31, 2012	1,310,382	40,369	233,495	546,128	22,886	2,153,259
<b>Depreciation and impairment:</b>						
as of December 31, 2010	(505,643)	(14,190)	(182,249)	(163,198)	-	(865,280)
Depreciation and impairment	(40,848)	(4,317)	(23,198)	(47,828)	-	(116,191)
Disposals	4,531	66	36,248	5,140	-	45,986
Transfers	97,478	-	(5,080)	(138,742)	-	(46,343)
as of December 31, 2011	(444,482)	(18,441)	(174,279)	(344,628)	-	(981,829)
Depreciation and impairment	(57,692)	(650)	(27,331)	(43,464)	-	(129,137)
Disposals	6,935	-	10,095	7,255	-	24,286
Transfers	1,826	(1,464)	-	-	-	362
as of December 31, 2012	(493,413)	(20,555)	(191,514)	(380,837)	-	(1,086,319)
<b>Net book value:</b>						
as of December 31, 2010	894,115	23,674	40,149	108,155	83,895	1,149,988
as of December 31, 2011	817,399	20,681	43,575	190,181	78,907	1,150,743
as of December 31, 2012	816,969	19,813	41,981	165,291	22,886	1,066,941

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

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**14. Goodwill**

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999. The goodwill is no longer amortized starting with January 1, 2004 (see accounting policies). During 2012 there was no impairment of the goodwill.

**15. Intangible assets**

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

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

**16. Other assets**

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

The sundry debtors balances are presented net of an impairment allowance, at Group level, of 37,978 (December 31, 2011: 59,228) and at Bank level of 36,645 (December 31, 2011: 59,228) related to amounts under litigation.

Miscellaneous assets include an amount of 74,092 as at December 31, 2012 which refers to income tax deferred payments (2011: -).

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**17. Due to banks**

	Group		Bank	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Demand deposits	863,136	701,124	863,136	701,124
Term deposits	3,352,121	3,567,906	3,352,121	3,567,906
<b>Total due to banks</b>	<b>4,215,258</b>	<b>4,269,030</b>	<b>4,215,258</b>	<b>4,269,030</b>

**18. Due to customers**

	Group		Bank	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Demand deposits	14,074,782	12,532,513	14,104,403	12,563,598
Term deposits	17,710,935	17,685,339	17,788,074	17,739,886
<b>Total due to customers</b>	<b>31,785,717</b>	<b>30,217,852</b>	<b>31,892,477</b>	<b>30,303,484</b>

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

**19. Debt issued and borrowed funds**

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

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

**20. Subordinated debt**

Subordinated debt is in amount of EUR 200,000,000, RON 885,740,000 equivalent (2011: EUR 200,000,000, RON 863,940,000 equivalent) representing two subordinated loans, EUR 100,000,000 received in 2005, at EURIBOR6M+0.5%, due in 2015 and a EUR 100,000,000 loan received in 2006, at EURIBOR6M+0.99%, due in 2013. The accrued interest to the subordinated debt is in amount of RON 6,331,429 (2011: RON 10,221,430).

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



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**21. Taxation**

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

The deferred tax liability/asset is reconciled as follows:

<b>Group</b>			
<b>December 31, 2012</b>			
	<b>Temporary differences</b>	<b>Consolidated Statement of Financial Position</b>	<b>Consolidated Income Statement</b>
<i>Deferred tax liability</i>			
Loans and advances to customers	(1,103,386)	(176,542)	(5,281)
Investments and other securities	(97,508)	(15,601)	(2,826)
Tangible and intangible assets	(22,333)	(3,573)	(7,212)
<b>Total</b>	<b>(1,223,227)</b>	<b>(195,717)</b>	<b>(15,319)</b>
<i>Deferred tax asset</i>			
Provisions and other liabilities	501,489	80,238	56,192
<b>Total</b>	<b>501,489</b>	<b>80,238</b>	<b>56,192</b>
<b>Taxable items</b>	<b>(721,738)</b>	<b>(115,478)</b>	
<b>Deferred tax income</b>			<b>40,873</b>
<b>Bank</b>			
<b>December 31, 2012</b>			
	<b>Temporary differences</b>	<b>Individual Statement of Financial Position</b>	<b>Individual Income Statement</b>
<i>Deferred tax liability</i>			
Loans and advances to customers	(1,103,386)	(176,542)	(5,282)
Investments and other securities	(69,686)	(11,150)	(5)
Tangible and intangible assets	(22,333)	(3,573)	(7,211)
<b>Total</b>	<b>(1,195,405)</b>	<b>(191,265)</b>	<b>(12,498)</b>
<i>Deferred tax asset</i>			
Provisions and other liabilities	526,811	84,290	59,671
<b>Total</b>	<b>526,811</b>	<b>84,290</b>	<b>59,671</b>
<b>Taxable items</b>	<b>(668,595)</b>	<b>(106,975)</b>	
<b>Deferred tax income</b>			<b>47,173</b>

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**21. Taxation (continued)**

	Group December 31, 2011		
	Temporary differences	Consolidated Statement of Financial Position	Consolidated Income Statement
<i>Deferred tax liability</i>			
Loans and advances to customers	(1,070,384)	(171,261)	150
Investments and other securities	(28,214)	(4,514)	(207)
<b>Total</b>	<b>(1,098,598)</b>	<b>(175,775)</b>	<b>(57)</b>
<i>Deferred tax asset</i>			
Tangible and intangible assets	22,744	3,639	37,342
Provisions and other liabilities	150,296	24,047	5,966
<b>Total</b>	<b>173,040</b>	<b>27,686</b>	<b>43,308</b>
<b>Taxable items</b>	<b>(925,558)</b>	<b>(148,089)</b>	
<b>Deferred tax income</b>			<b>43,251</b>
	Bank December 31, 2011		
	Temporary differences	Individual Statement of Financial Position	Individual Income Statement
<i>Deferred tax liability</i>			
Loans and advances to customers	(1,070,384)	(171,261)	144
Investments and other securities	(17,547)	(2,808)	2,544
<b>Total</b>	<b>(1,087,931)</b>	<b>(174,069)</b>	<b>2,688</b>
<i>Deferred tax asset</i>			
Tangible and intangible assets	22,744	3,638	37,343
Provisions and other liabilities	153,867	24,619	8,612
<b>Total</b>	<b>176,611</b>	<b>28,257</b>	<b>45,955</b>
<b>Taxable items</b>	<b>(911,320)</b>	<b>(145,812)</b>	
<b>Deferred tax income</b>			<b>48,643</b>

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**21. Taxation (continued)**

Movement in deferred tax is as follows:

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

**Reconciliation of total tax charge**

Reconciliation of total tax charge

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

The effective tax rate at Group and Bank level reflects the impact of fiscal treatment related to conversion of local accounting standards to IFRS starting January 2012.

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**22. Other liabilities**

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

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

The movement in provisions is as follows:

<u>Group</u>	
<b>Carrying value as of December 31,2010</b>	<b>3,005</b>
Additional expenses	482
Reversals of provisions	(131)
<b>Carrying value as of December 31,2011</b>	<b>3,356</b>
Additional expenses	20,099
Reversals of provisions	(2,356)
<b>Carrying value as of December 31, 2012</b>	<b>21,099</b>
	-
<u>Bank</u>	
<b>Carrying value as of December 31,2010</b>	<b>3,005</b>
Additional expenses	350
Reversals of provisions	(131)
<b>Carrying value as of December 31,2011</b>	<b>3,224</b>
Additional expenses	17,296
Reversals of provisions	(2,356)
<b>Carrying value as of December 31, 2012</b>	<b>18,164</b>

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**22. Other liabilities (continued)**

**Post-employment benefit plan**

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually.

**Expenses recognised in profit and loss**

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

**Movement in defined benefits obligations**

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

**Main actuarial assumptions**

**Main actuarial assumptions**

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

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Defined benefit obligation	55,161	48,258
Experience adjustment on plan liabilities	(3,186)	(836)

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**23. Share capital**

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

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

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

**24. Retained earnings**

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

**25. Interest income**

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

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

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**26. Interest expense**

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

**27. Fees and commissions, net**

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

**28. Foreign exchange gain**

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

**29. Income from associates**

	Group		Bank	
	2012	2011	2012	2011
Share of increase/(decrease) in net assets from associates	12,452	17,190	-	-
Dividends from associates	4,771	2,408	4,771	2,408
<b>Total</b>	<b>17,223</b>	<b>19,598</b>	<b>4,771</b>	<b>2,408</b>

**30. Other income**

Other income includes income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, both for the Group and the Bank, is 2,256 (2011: 2,161).

**31. Contribution to Deposit Guarantee Fund**

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

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**32. Salaries and related expenses**

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

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

**Share based payment transactions**

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

The terms and conditions of the grant are as follows: all shares are to be settled by physical delivery of shares:

Grant date/ employees entitled	Number of instruments	Vesting conditions	Contractual life of share based options
shares granted to all employees of the group at 02/11/2010	16	ROE before tax for 2012 >10% presence in the group until 31/03/2015	4 years and 5 months
shares granted to all employees of the group at 02/11/2010	24	improvement of customer satisfaction between 2010 and 2013 presence in the group until 31/03/2016	5 years and 5 months
<b>Total shares</b>	<b>40</b>		



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**32. Salaries and related expenses (continued)**

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

	<b>Weighted average exercise price (RON)</b>	<b>Number of shares</b>
Outstanding as at January 1, 2012	<b>529</b>	<b>635,501</b>
Granted during the period		
- exercise date 31/03/2015	153	113,600
- exercise date 31/03/2016	147	170,400
Outstanding as at December 31, 2012	<b>829</b>	<b>919,501</b>

	<b>2012</b>	<b>2011</b>
Shares granted in 2010	1,070	1,070
Shares granted in 2011	6,025	6,025
Shares granted in 2012	6,809	-
Total expense recognised as personnel expense	<b>13,904</b>	<b>7,095</b>

The shares outstanding as at December 31, 2012 have an exercise price of 153 RON (those with an exercise date as at March 31, 2015) and of 147 RON (those with an exercise date as at March 31, 2016) and a contractual life of 4 years and 5 months and 5 years and 5 months respectively.

**33. Depreciation and amortization expense**

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

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

**34. Other operating expense**

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

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.

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**35. Credit loss expense**

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

**36. Cash and cash equivalents for cash flow purposes**

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

**Group**

	31 decembrie 2012	31 decembrie 2011
	Cash in hand (see note 5)	990,291
Current accounts and deposits with banks	131,864	674,739
<b>Total</b>	<b>1,122,156</b>	<b>1,336,933</b>

**Bank**

	31 decembrie 2012	31 decembrie 2011
	Cash in hand (see note 5)	990,281
Current accounts and deposits with banks	131,862	635,103
<b>Total</b>	<b>1,122,143</b>	<b>1,297,274</b>

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

**Group**

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

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**36. Cash and cash equivalents for cash flow purposes (continued)**

**Bank**

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

**37. Capital commitments**

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

The line Services includes operational leasing.

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### 38. Related parties

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

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

The interest expenses include an amount of 6,331 (2011: 10,221) relating to subordinated loans.

As of December 31, 2012, the Board of Directors and Managing Committee members own 304,530 shares (2011: 329,530).

The short-term benefits relating to the key management personnel (salaries, bonuses, other emoluments and related social security contributions) amounted to 8,023 (2011: 6,576).

The advances and loans granted by the Group to key management personnel were in amount of 1,121 (2011: 1,426)

### 39. Contingencies

As of December 31, 2012 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 9,767 (2011: 16,733). The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance.

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**40. Earnings per share**

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

**41. Dividends on ordinary shares**

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

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## **42. Risk management**

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

### **42.1 Credit risk**

Credit risk represents the loss, which the Group would suffer if a client or counterparty fails to meet its contractual obligations. The credit risk is inherent in traditional banking products – loans, commitments to lend and other contingent liabilities, such as letters of credit and fair value derivative contracts (refer to the notes 9, 10 and 37).

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

The Group regards the following Eurozone countries as higher risk: Portugal, Italy, Ireland, Greece and Spain.

The Group has assessed its sovereign and corporate net exposure to these countries not to exceed 1% of its total assets (31 December 2011: less than 1%). The Group believes this exposure is not impaired as at 31 December 2012 and 31 December 2011.

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**42. Risk management (continued)**  
**42.1 Credit risk (continued)**

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

	Group	
	December 31, 2012	December 31, 2011
<b>ASSETS</b>		
Due from Central Bank	8,393,494	8,743,127
Due from banks	394,461	1,035,020
Derivatives and other financial instruments held for trading	534,955	313,788
Loans, gross	35,681,800	34,315,492
Impairment reserve for loans	<u>(3,972,320)</u>	<u>(2,482,383)</u>
Loans and advances to customers	31,709,480	31,833,109
Financial lease receivables	661,339	732,665
Financial investments available for sale	4,549,005	4,877,014
Investments in associates and subsidiaries	112,045	95,427
Other assets	53,953	67,511
<b>Total in balance sheet</b>	<b><u>46,408,731</u></b>	<b><u>47,697,661</u></b>
Letters of guarantee granted	7,665,046	7,106,928
Financing commitments granted	<u>4,232,509</u>	<u>4,224,903</u>
<b>Total commitments granted</b>	<b><u>11,897,555</u></b>	<b><u>11,331,831</u></b>
<b>Total credit risk exposure</b>	<b><u>58,306,287</u></b>	<b><u>59,029,492</u></b>
	Bank	
	December 31, 2012	December 31, 2011
<b>ASSETS</b>		
Due from Central Bank	8,392,575	8,741,778
Due from banks	368,030	995,384
Derivatives and other financial instruments held for trading	535,915	316,478
Loans, gross	35,389,905	33,927,239
Impairment reserve for loans	<u>(3,912,276)</u>	<u>(2,398,125)</u>
Loans and advances to customers	31,477,629	31,529,114
Financial lease receivables	-	-
Financial investments available for sale	4,549,005	4,876,826
Investments in associates and subsidiaries	157,577	153,452
Other assets	48,505	36,950
<b>Total assets</b>	<b><u>45,529,236</u></b>	<b><u>46,649,982</u></b>
Letters of guarantee granted	7,898,833	7,191,162
Financing commitments granted	<u>4,227,102</u>	<u>4,272,428</u>
<b>Total commitments granted</b>	<b><u>12,125,935</u></b>	<b><u>11,463,590</u></b>
<b>Total credit risk exposure</b>	<b><u>57,655,171</u></b>	<b><u>58,113,572</u></b>

**Analysis of due from banks by credit rating**

	Group		Bank	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
AA	5,412	7,196	5,412	7,196
A	281,648	364,117	255,217	324,481
BBB	11,615	400,886	11,615	400,886
BB	31,374	95,669	31,374	95,669
B	3	-	3	-
Not rated*	64,409	167,152	64,409	167,152
<b>Total</b>	<b><u>394,461</u></b>	<b><u>1,035,020</u></b>	<b><u>368,030</u></b>	<b><u>995,384</u></b>

\*short term exposures, mainly amounts in settlement

The breakdown by rating of BRD's banking counterparties exposures is based on an internal counterparty rating system, presented in equivalent rating of Standard&Pooors:

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**42.1 Credit risk (continued)**

**Sector analysis**

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

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

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

**Group**

**December 31, 2012**

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

**December 31, 2011**

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



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**42.1 Credit risk (continued)**

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

**Bank**

December 31, 2012

	less than 30			more than 90	Total
	days	31 to 60 days	61 to 90 days	days	
Corporate lending	882,441	217,466	170,374	2,725	1,273,007
Small business lending	188,253	77,815	57,400	3,859	327,327
Consumer lending	1,938,254	443,388	234,462	25,655	2,641,759
Residential mortgages	574,764	175,530	70,141	1,202	821,637
<b>Total</b>	<b>3,583,712</b>	<b>914,199</b>	<b>532,377</b>	<b>33,442</b>	<b>5,063,730</b>

December 31, 2011

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

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

**Group**

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

**Bank**

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

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**42.1 Credit risk (continued)**

**Analysis of collateral coverage**

**Group**

**December 31, 2012**

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

**December 31, 2011**

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

**Bank**

**December 31, 2012**

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

**December 31, 2011**

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

As of December 31, 2012 the carrying value of repossessed assets is 214 (December 31, 2011: 214), representing two residential buildings.

The fair value of properties, letters of guarantee and cash that the Group and the Bank holds as collateral relating to loans individually determined to be impaired as at December 31, 2012 amounts to 4,128,012 (December 31, 2011: 3,354,285). The collaterals and guarantees are capped to the gross exposure level.

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**42.1 Credit risk (continued)**

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

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

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

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

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

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

December 31, 2012

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate leases	50,283	12,968	10,981	4,717	78,948
Retail leases	22,337	13,077	5,636	1,175	42,225
<b>Total</b>	<b>72,621</b>	<b>26,046</b>	<b>16,616</b>	<b>5,892</b>	<b>121,173</b>

December 31, 2011

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate leases	78,926	22,056	19,095	5,698	125,775
Retail leases	14,977	11,023	11,202	14,835	52,036
<b>Total</b>	<b>93,903</b>	<b>33,079</b>	<b>30,297</b>	<b>20,533</b>	<b>177,811</b>

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**42.1 Credit risk (continued)**

**Analysis of collateral coverage for Group**

December 31, 2012

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

December 31, 2011

	Overdue but not impaired	Covered by collaterals & guarantees	Neither impaired nor past due	Covered by collaterals & guarantees
Corporate leases	125,775	102,793	325,040	313,625
Retail leases	52,036	41,643	125,016	121,648
<b>Total</b>	<b>177,811</b>	<b>144,436</b>	<b>450,056</b>	<b>435,273</b>

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

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

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**42.1 Credit risk (continued)**

**Guarantees and credit commitments**

**Guarantees and letters of credit**

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

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

**Credit related commitments**

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

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

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

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**42. Risk management (continued)**

**42.2 Market risk**

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

*Foreign exchange risk*

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

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

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

2012	Group				Bank		
	Currency	Change in currency rate %	Effect on profit before tax	Effect on equity	Change in currency rate %	Effect on profit before tax	Effect on equity
	EUR	+5	(51,678)	3,202	+5	(54,110)	3,202
	Other	+5	1,778	-	+5	1,730	-
2011	Group				Bank		
	Currency	Change in currency rate %	Effect on profit before tax	Effect on equity	Change in currency rate %	Effect on profit before tax	Effect on equity
	EUR	+5	(73,196)	152	+5	(77,398)	152
	Other	+5	1,186	-	+5	1,179	-

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**42. Risk management (continued)**

**42.2 Market risk (continued)**

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

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

The accompanying notes are an integral part of these financial statements

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**42. Risk management (continued)**  
**42.2 Market risk (continued)**

	Group 31 decembrie 2011			Bank 31 decembrie 2011				
	Total	RON	EUR	Other	Total	RON	EUR	Other
<b>ASSETS</b>								
Cash in hand	662,194	523,315	103,412	35,467	662,171	523,292	103,412	35,467
Due from Central Bank	8,743,127	3,743,317	4,999,810	-	8,741,778	3,741,968	4,999,810	-
Due from banks	1,035,020	790,574	171,516	72,930	995,384	750,938	171,516	72,930
Derivatives and other financial instruments held for trading	313,788	313,788	-	-	316,478	316,478	-	-
Loans and advances to customers	31,833,109	14,159,585	16,972,752	700,772	31,529,114	13,804,983	17,021,352	702,779
Financial lease receivables	732,665	4,694	725,969	2,002	-	-	-	-
Financial assets available for sale	4,877,014	2,990,300	1,849,835	36,879	4,876,866	2,990,152	1,849,834	36,879
Investments in associates and subsidiaries	95,427	95,427	-	-	153,412	153,412	-	-
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Non current assets and other assets	1,536,597	1,378,400	153,454	4,743	1,425,665	1,315,454	106,907	3,304
<b>Total assets</b>	<b>49,879,071</b>	<b>24,049,999</b>	<b>24,976,298</b>	<b>852,775</b>	<b>48,750,998</b>	<b>23,647,321</b>	<b>24,252,338</b>	<b>851,338</b>
<b>LIABILITIES</b>								
Due to banks	4,269,029	1,253,525	2,882,490	133,014	4,269,029	1,253,525	2,882,490	133,014
Due to customers	30,217,852	18,615,126	10,134,417	1,468,309	30,303,484	18,700,758	10,134,417	1,468,309
Debt issued and borrowed funds	7,716,276	307,041	7,409,235	-	6,793,165	25,129	6,768,036	-
Subordinated debt	874,161	-	874,161	-	874,161	-	874,161	-
Derivative financial instruments	170,811	103,705	67,107	-	170,812	103,705	67,107	-
Current tax liability	19,731	19,731	-	-	16,867	16,867	-	-
Deferred tax liability	148,089	148,089	-	-	145,812	145,812	-	-
Other liabilities	374,725	345,146	19,769	9,809	287,430	257,852	19,769	9,809
Shareholders' equity	6,088,396	6,088,396	-	-	5,890,237	5,890,237	-	-
<b>Total liabilities and shareholders' equity</b>	<b>49,879,070</b>	<b>26,880,760</b>	<b>21,387,178</b>	<b>1,611,132</b>	<b>48,750,998</b>	<b>26,393,886</b>	<b>20,745,980</b>	<b>1,611,132</b>
Position		(2,830,761)	3,590,415	(759,653)		(2,746,566)	3,506,359	(759,794)
Position off BS		2,384,235	(3,204,491)	820,256		2,384,235	(3,204,491)	820,256
Position total		(446,526)	385,924	60,603		(362,331)	301,868	60,462

The accompanying notes are an integral part of these financial statements



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**42. Risk management (continued)**

**42.2 Market risk (continued)**

*Interest rate risk*

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

<b>Group</b> <b>December 31, 2012</b>			<b>Bank</b> <b>December 31, 2012</b>		
Change in interest rate (b.p)	Effect on profit before tax	Effect on equity	Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	13,676	8,408	100	13,392	8,408
(100)	(13,676)	(8,408)	(100)	(13,392)	(8,408)

<b>December 31, 2011</b>			<b>December 31, 2011</b>		
Change in interest rate (b.p)	Effect on profit before tax	Effect on equity	Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	(17,266)	9,621	100	(14,054)	9,621
(100)	17,266	(9,621)	(100)	14,054	(9,621)

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

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

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**42. Risk management (continued)**

**42.2 Market risk (continued)**

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

The accompanying notes are an integral part of these financial statements

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Group	December 31, 2011	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>42. Risk management (continued)</b>							
<b>42.2 Market risk (continued)</b>							
<b>ASSETS</b>							
Cash in hand	662,194	-	-	-	-	-	662,194
Due from Central Bank	8,743,127	-	-	-	-	-	8,743,127
Due from banks	798,498	72	101,580	30,847	104,023	-	1,035,020
Derivatives and other financial instruments held for trading	313,788	-	-	-	-	-	313,788
Loans and advances to customers	13,137,463	11,076,267	2,367,258	4,471,336	780,785	-	31,833,109
Financial lease receivables	93,365	62,629	421,795	154,876	-	-	732,665
Financial assets available for sale	239,890	35,620	1,911,712	2,434,955	254,837	-	4,877,014
Investments in associates and subsidiaries	-	-	-	-	-	95,427	95,427
Goodwill	-	-	-	-	-	50,130	50,130
Non current assets and other assets	-	235,133	-	-	-	1,301,464	1,536,597
<b>Total assets</b>	<b>23,988,326</b>	<b>11,409,720</b>	<b>4,802,345</b>	<b>7,092,014</b>	<b>2,586,666</b>	<b>49,879,071</b>	
<b>LIABILITIES</b>							
Due to banks	4,053,045	-	21,599	86,394	107,993	-	4,269,030
Due to customers	22,448,938	4,388,415	2,407,810	837,588	135,101	-	30,217,852
Debt issued and borrowed funds	1,191,634	5,777,458	171,353	567,800	8,030	-	7,716,275
Subordinated debt	874,161	-	-	-	-	-	874,161
Derivative financial instruments	170,812	-	-	-	-	-	170,812
Current tax liability	-	-	19,731	-	-	-	19,731
Deferred tax liability	11,763	10,252	31,713	56,837	37,524	-	148,089
Other liabilities	372,653	2,072	-	-	-	-	374,724
<b>Total liabilities</b>	<b>29,123,008</b>	<b>10,178,196</b>	<b>2,652,206</b>	<b>1,548,618</b>	<b>288,648</b>	<b>43,790,675</b>	
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,088,396</b>	<b>(3,790,379)</b>	
<b>Net position</b>	<b>(5,134,682)</b>	<b>1,231,524</b>	<b>2,150,140</b>	<b>5,543,396</b>	<b>(3,790,379)</b>		

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**42. Risk management (continued)**

**42.2 Market risk (continued)**

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

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**42. Risk management (continued)**

**42.2 Market risk (continued)**

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

*The accompanying notes are an integral part of these financial statements*

#### **42. Risk management (continued)**

##### **42.3 Liquidity risk**

The liquidity risk is associated either with the difficulty of an enterprise to raise necessary funds in order to meet commitments or with its inability to realize a financial asset quickly and for an amount close to its fair value.

The Group permanently monitors the current liquidity gaps and forecasts regularly the future liquidity position. As well the Group uses stress scenarios as part of liquidity risk management.

The maturity structure of the Group's and the Bank's assets and liabilities, based on the expected maturity as of December 31, 2012 and 2011 is as follows:

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**42. Risk management (continued)**  
**42.3 Liquidity risk (continued) Group**  
Group

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

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**42. Risk management (continued)**  
**42.3 Liquidity risk (continued) Group**

December 31, 2011	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
<b>ASSETS</b>							
Cash in hand	662,194	662,194	-	-	-	-	-
Due from Central Bank	8,743,127	8,743,127	-	-	-	-	-
Due from banks	1,035,020	798,498	-	30,847	101,652	104,023	-
Derivatives and other financial instruments held for trading	313,788	313,788	-	-	-	-	-
Loans and advances to customers	31,833,109	4,046,476	1,905,508	7,175,598	10,564,566	8,140,961	-
Financial lease receivables	732,665	93,364	62,629	421,796	154,876	-	-
Financial assets available for sale	4,877,014	239,890	35,620	1,911,712	2,434,955	254,837	-
Investments in associates and subsidiaries	95,427	-	-	-	-	-	95,427
Goodwill	50,130	-	-	-	-	-	50,130
Non current assets and other assets	1,536,597	-	235,133	-	-	-	1,301,464
<b>Total active</b>	<b>49,879,071</b>	<b>14,897,337</b>	<b>2,238,890</b>	<b>9,539,953</b>	<b>13,256,049</b>	<b>8,499,821</b>	<b>1,447,021</b>
<b>LIABILITIES</b>							
Due to banks	4,269,030	4,053,045	-	21,599	86,394	107,993	-
Due to customers	30,217,852	22,448,938	4,388,415	2,407,810	837,588	135,101	-
Debt issued and borrowed funds	7,716,276	68,830	474,852	6,076,853	1,087,710	8,030	-
Subordinated debt	874,161	10,221	-	-	863,940	-	-
Derivative financial instruments	170,812	170,812	-	-	-	-	-
Current tax liability	19,731	-	-	19,731	-	-	-
Deferred tax liability	148,089	11,763	10,252	31,713	56,837	19,672	17,852
Other liabilities	374,724	372,652	2,072	-	-	-	-
<b>Total liabilities</b>	<b>43,790,675</b>	<b>27,136,261</b>	<b>4,875,591</b>	<b>8,557,706</b>	<b>2,932,469</b>	<b>270,796</b>	<b>17,852</b>
<b>Total shareholders equity</b>	<b>6,088,396</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,088,396</b>
<b>Gap</b>	<b>(12,238,924)</b>	<b>(2,636,701)</b>	<b>982,247</b>	<b>10,323,580</b>	<b>8,229,025</b>	<b>(4,659,227)</b>	<b>(4,659,227)</b>
<b>Cumulative gap</b>	<b>(12,238,924)</b>	<b>(14,875,625)</b>	<b>(13,893,378)</b>	<b>(3,569,798)</b>	<b>4,659,226</b>	<b>-</b>	<b>-</b>

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**42. Risk management (continued)**  
**42.3 Liquidity risk (continued) Bank**

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

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**42. Risk management (continued)**  
**42.3 Liquidity risk (continued) Bank**

December 31, 2011	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
<b>ASSETS</b>							
Cash in hand	662,171	662,171	-	-	-	-	-
Due from Central Bank	8,741,778	8,741,778	-	-	-	-	-
Due from banks	995,384	796,521	-	18,294	89,099	91,470	-
Derivative financial instruments	316,478	316,478	-	-	-	-	-
Loans and advances to customers	31,529,114	4,046,950	1,904,179	7,155,934	10,334,347	8,087,704	-
Financial assets available for sale	4,876,866	239,930	35,620	1,911,710	2,499,130	190,476	-
Investments in associates	153,412	-	-	-	-	-	153,412
Goodwill	50,130	-	-	-	-	-	50,130
Non current assets and other assets	1,425,665	-	163,810	-	-	-	1,261,855
<b>Total assets</b>	<b>48,750,998</b>	<b>14,803,828</b>	<b>2,103,610</b>	<b>9,085,938</b>	<b>12,922,576</b>	<b>8,369,650</b>	<b>1,465,397</b>
<b>LIABILITIES</b>							
Due to banks	4,269,030	4,053,045	-	21,599	86,394	107,993	-
Due to customers	30,303,484	22,489,464	4,400,968	2,407,810	855,141	150,101	-
Debt issued and borrowed funds	6,793,165	7,920	448,389	5,436,573	899,600	682	-
Subordinated debt	874,161	10,221	-	-	863,940	-	-
Derivative financial instruments	170,812	170,812	-	-	-	-	-
Current tax liability	16,867	-	-	16,867	-	-	-
Deferred tax liability	145,812	11,976	10,343	31,979	56,135	19,572	15,807
Other payables	287,430	285,358	2,072	-	-	-	-
<b>Total liabilities</b>	<b>42,860,761</b>	<b>26,977,722</b>	<b>4,912,847</b>	<b>7,914,827</b>	<b>2,761,210</b>	<b>278,347</b>	<b>15,807</b>
<b>Total shareholders equity</b>	<b>5,890,237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,890,237</b>
<b>Gap</b>	<b>(12,173,894)</b>	<b>(12,173,894)</b>	<b>(2,809,238)</b>	<b>1,171,111</b>	<b>10,161,366</b>	<b>8,091,302</b>	<b>(4,440,647)</b>
<b>Cumulative gap</b>	<b>(12,173,894)</b>	<b>(12,173,894)</b>	<b>(14,983,132)</b>	<b>(13,812,021)</b>	<b>(3,650,655)</b>	<b>4,440,647</b>	<b>-</b>

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**42. Risk management (continued)**  
**42.3 Liquidity risk (continued)**

*Future undiscounted cash flows*

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

**Group**

December 31, 2012	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
<b>LIABILITIES</b>							
Due to banks	4,240,269	3,903,917	379	158,665	123,128	54,181	-
Due to customers	32,017,843	17,985,584	3,847,321	5,024,099	4,257,718	903,121	-
Debt issued and borrowed funds	5,744,748	1,16,734	1,473,943	2,389,406	1,764,285	380	-
Subordinated debt	906,807	7,033	-	447,902	451,872	-	-
Derivative financial instruments	109,867	31,882	(2,253)	84,644	(15,554)	11,149	-
Current tax liability	1,923	-	-	1,923	-	-	-
Deferred tax liability	115,478	8,129	11,168	39,145	63,088	20,395	(26,448)
Other liabilities except for fair values of derivatives	395,857	395,247	610	-	-	-	-
Letters of guarantee granted	7,665,046	7,665,046	-	-	-	-	-
<b>Total liabilities</b>	<b>51,197,838</b>	<b>30,113,572</b>	<b>5,331,168</b>	<b>8,145,784</b>	<b>6,644,537</b>	<b>989,226</b>	<b>(26,448)</b>
<b>December 31, 2011</b>							
<b>LIABILITIES</b>							
Due to banks	4,312,956	4,055,193	992	26,448	106,049	124,275	-
Due to customers	30,577,790	22,515,171	4,452,588	2,522,741	912,190	175,099	-
Debt issued and borrowed funds	7,841,663	71,571	485,071	6,176,286	1,100,766	7,968	-
Subordinated debt	927,375	11,304	-	10,896	905,175	-	-
Derivative financial instruments	(16,550)	12,309	188	31,523	(60,733)	163	-
Current tax liability	19,731	-	-	19,731	-	-	-
Deferred tax liability	148,089	11,763	10,252	31,713	56,837	19,672	17,852
Other liabilities except for fair values of derivatives	374,723	372,652	2,071	-	-	-	-
Letters of guarantee granted	7,106,928	7,106,928	-	-	-	-	-
<b>Total liabilities</b>	<b>51,189,471</b>	<b>34,041,105</b>	<b>4,963,715</b>	<b>8,819,338</b>	<b>3,037,838</b>	<b>309,624</b>	<b>17,852</b>

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**42. Risk management (continued)**  
**42.3 Liquidity risk (continued)**

*Future undiscounted cash flows (continued)*

Bank		Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
December 31, 2012								
<b>LIABILITIES</b>								
Due to banks		4,240,269	3,903,917	379	158,665	123,128	54,181	-
Due to customers		32,022,729	17,985,740	3,847,352	5,024,099	4,260,220	905,316	-
Debt issued and borrowed funds		5,695,632	114,109	1,468,019	2,370,950	1,742,554	0	-
Subordinated debt		906,807	7,033	-	447,902	451,872	-	-
Derivative financial instruments		110,838	31,873	(1,724)	85,093	(15,354)	11,149	-
Current tax liability		-	-	-	-	-	-	-
Deferred tax liability		106,975	8,204	11,292	38,826	62,297	20,340	(33,984)
Other liabilities except for fair values of derivatives		338,089	337,479	610	-	-	-	-
Letters of guarantee granted		7,898,833	7,898,833	-	-	-	-	-
<b>Total liabilities</b>		<b>51,320,172</b>	<b>30,287,189</b>	<b>5,325,928</b>	<b>8,125,535</b>	<b>6,624,519</b>	<b>990,986</b>	<b>(33,984)</b>
December 31, 2011								
<b>LIABILITIES</b>								
Due to banks		4,312,956	4,055,193	992	26,448	106,049	124,275	-
Due to customers		30,663,422	22,555,697	4,465,141	2,522,741	929,743	190,099	-
Debt issued and borrowed funds		6,914,288	9,338	457,077	5,526,795	920,397	682	-
Subordinated debt		927,375	11,304	-	10,896	905,175	-	-
Derivative financial instruments		(13,854)	12,309	644	32,377	(59,347)	163	-
Current tax liability		16,867	-	-	16,867	-	-	-
Deferred tax liability		145,811	11,976	10,343	31,979	56,135	19,572	15,806
Other liabilities except for fair values of derivatives		287,430	285,358	2,072	-	-	-	-
Letters of guarantee granted		7,191,162	7,191,162	-	-	-	-	-
<b>Total liabilities</b>		<b>50,342,224</b>	<b>34,029,104</b>	<b>4,936,269</b>	<b>8,168,103</b>	<b>2,858,152</b>	<b>334,791</b>	<b>15,806</b>

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#### **43. Capital management**

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

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

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

#### **44. Fair value**

##### ***Determination of fair value and fair value hierarchy***

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

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

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

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

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

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**44. Fair value (continued)**

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

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**44. Fair value (continued)**

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

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**44.Fair value (continued)**

**Financial instruments recorded at fair value**

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the 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.

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

*Financial liabilities*

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



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**44. Fair value (continued)**

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

	Group				Bank	
	December 31, 2012		December 31, 2011		December 31, 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>						
Cash in hand	990,291	990,291	662,194	662,194	990,281	662,171
Due from Central Bank	8,393,494	8,393,494	8,743,127	8,743,127	8,392,575	8,741,778
Due from banks	394,461	394,461	1,035,020	1,035,020	368,030	995,384
Loans and advances to customers	31,709,480	31,984,729	31,833,109	32,028,088	31,477,629	31,529,114
Financial lease receivables	661,339	590,245	732,665	687,796	-	-
	<b>42,149,065</b>	<b>42,353,220</b>	<b>43,006,115</b>	<b>43,156,225</b>	<b>41,228,515</b>	<b>41,928,447</b>
					<b>41,213,271</b>	<b>42,158,665</b>
<b>Financial liabilities</b>						
Due to banks	4,215,258	4,215,258	4,269,030	4,269,030	4,215,258	4,269,030
Due to customers	31,785,717	31,790,238	30,217,852	30,207,134	31,892,477	30,292,733
Debt issued and borrowed funds	5,557,607	5,555,421	7,716,276	7,761,737	4,791,283	6,833,187
Subordinated debt	892,071	892,306	874,161	873,664	892,071	874,161
	<b>42,450,653</b>	<b>42,453,222</b>	<b>43,077,319</b>	<b>43,111,565</b>	<b>41,791,089</b>	<b>42,239,840</b>
					<b>41,687,199</b>	<b>42,268,614</b>

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**44.Fair value (continued)**

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

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

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

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