Board of Directors Report

on the 2010 consolidated financial statements prepared according to International Financial Reporting Standards as adopted by the European Union

BRD
GROUPE SOCIETE GENERALE

CONTENT

1. GROUP BRD AND SOCIÉTÉ GÉNÉRALE PROFILE

BRD – Groupe Société Générale profile

BRD - Groupe Societe Generale („BRD” or „the Bank”) was set up on December 1st, 1990 as an independent bank with the legal status of a joint-stock company and with the share capital mainly held by the Romanian State; by taking over the assets and liabilities of Banca de Investitii (the Investment Bank).

In March 1999, Société Générale (SG) buys a stake representing 51% of the share capital, increasing its holding of shares to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State.

Starting 2001, BRD-Groupe Société Générale operates as an open joint-stock company, according to the legislation on trading companies, bank legislation, provisions of the Articles of Incorporation and the other internal regulations.

BRD Group („Group”) is made of the following entities:

- BRD - Groupe Societe Generale
- BRD Sogelease IFN SA
- BRD Finance IFN SA
- BRD Asset Management SAI SA
- BRD Corporate Finance SRL
- BRD Securities Groupe Societe Generale SA (entity under liquidation)

2011 strategy

The main objectives of the Group for 2011 relates, mainly, to:

- A more intensive and selective commercial development by:
  - Improved offer adapted to each client segment;
  - Network optimization;
  - Cross-selling increase;
  - Development of new markets.
- Increased efficiency of systems and processes

Bank's rating

- **Fitch:**	Long term rating for foreign currency	BBB
- **Moody's:**	Long term rating for deposits in foreign currency	Baa3
	Long term rating for deposits in local currency	Baa2

1. GROUP BRD AND SOCIÉTÉ GÉNÉRALE PROFILE (continued)

Société Générale profile

Société Générale was set up in 1864 as a banking company, registered in France. Its head office is located on 29 Boulevard Haussmann, 75009, Paris, France, and its shares are listed on the Paris Stock Exchange.

Société Générale is one of the main financial groups worldwide.

Société Générale focuses on the three following complementary lines of business:

- Retail Banking and financial services;
- Asset Management and Private Banking;
- Corporate & Investment Banking

Société Générale has over 30 million retail banking customers worldwide (including in Russia).

Société Générale is one of the largest banks in France by size, having two distribution networks, Société Générale and Crédit du Nord.

The Société Générale retail banking network outside France covers three key geographic regions:

- Central and Eastern Europe
- the Mediterranean area and
- Africa and the former French territories.

Société Générale is one of the first largest financing and investment banks in the Euro zone, in terms of net banking income. It is present in 33 countries, in Europe, Asia and on the American continent.

At present, the credit ratings given to Société Générale by the main rating agencies are:

- Standard and Poor's: A+
- Moody's: Aa2
- Fitch: A+

BRD
GROUPE SOCIETE GENERALE

1. GROUP BRD AND SOCIÉTÉ GÉNÉRALE PROFILE (continued)

BRD position within Société Générale

SG has been present in Romania since 1980, being the only significant bank in Western Europe that was present in Romania during the communist era.

In 1999, it takes part in the process of privatization of Banca Română pentru Dezvoltare and acquires 51% of the bank's assets.

Starting with this period, BRD lined up its operational procedures and business practices to those of the parent company.

BRD is part of the international network of Société Générale, managed by the Division of Retail Banking outside Metropolitan France (BHFM) - a structure created in March 1998 to coordinate the international retail banking activities of Société Générale in three geographical regions.

2. SECURITIES MARKET

Starting with January 15th, 2001, the Bank's shares are listed in the 1st category of the Bucharest Stock Exchange and are included in the BET and BET-C indexes. The Bank's shares are ordinary, nominative, dematerialised and indivisible. According to the Articles of Incorporation, article 17, letter j, the shares of the Bank are traded freely on those capital markets set by AGA, whereas complying with the legislation on the trade of shares issued by bank institutions.

During 2010, the BRD share had a similar trend with the BET index. The closing price for BRD share as at December 30th, 2010, the last 2010 trading day, was of 12.35 RON/share. On the same date, the market capitalisation was RON 8,606,733,747.

In addition, in November 2006, BRD issued bonds in RON, destined to non resident investors. The operation was performed on the Luxemburg market and amounts to RON 735 millions. The borrowing period is 5 years, and the interest rate is 7.75%.

During 2010 neither the Bank, nor its subsidiaries have bought back its own shares.

Dividends

According to the Romanian legislation and the Articles of Incorporation, dividends are paid from the funds created for this purpose after the approval of the General Assembly of Shareholders („AGA"), within maximum 60 days from the publication date of the AGA decision of approval of dividends in the Official Journal.

The net annual profit is distributed as dividends according to the decision of AGA. The annual distributable profit is based on the net result as per individual financial statements prepared in accordance with local accounting standards. The change in the volume of approved and distributed dividends is presented as follows:

	2009	2008	2007
Distributable profit (RON million)	779	1,353	917
Total dividends (RON million)	195	508	412
Number of shares (millions)	697	697	697
Dividend per share (RON), nominal	0.2795	0.7283	0.5921
Distribution rate from distributable profit	25%	37%	45%

The distribution of dividends is made according to the General Assembly decision, upon the Board of Directors' proposal and it depends on the value of the distributable profit and on the future capitalization need of the Bank.

2. SECURITIES MARKET (continued)

Dividends payment

The dividends are distributed to the shareholders proportionally to their participation in the share capital. The dividend income is subject to withholdings tax.

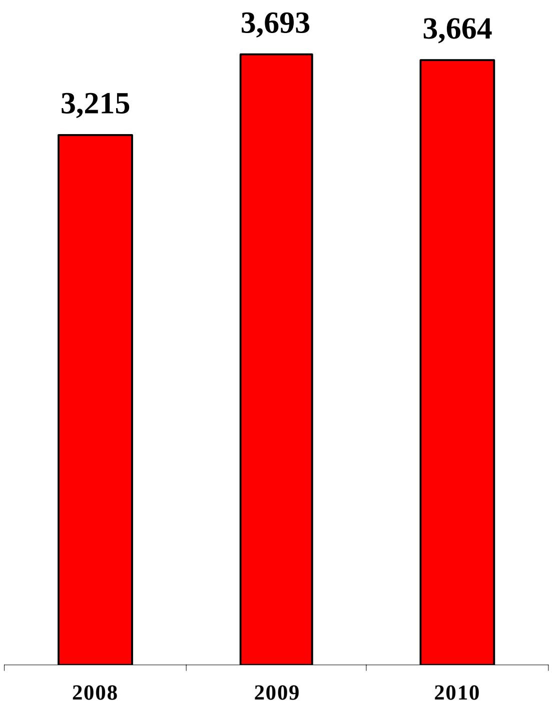
According to the Articles of Incorporation of the Bank, dividends are paid within no more than 2 months from the approval date of the annual financial statements for the year then ended, in cash or by bank transfer, according to the shareholders' choice.

Unclaimed dividends are prescribed within 3 years from the payment start date, according to legal provisions.

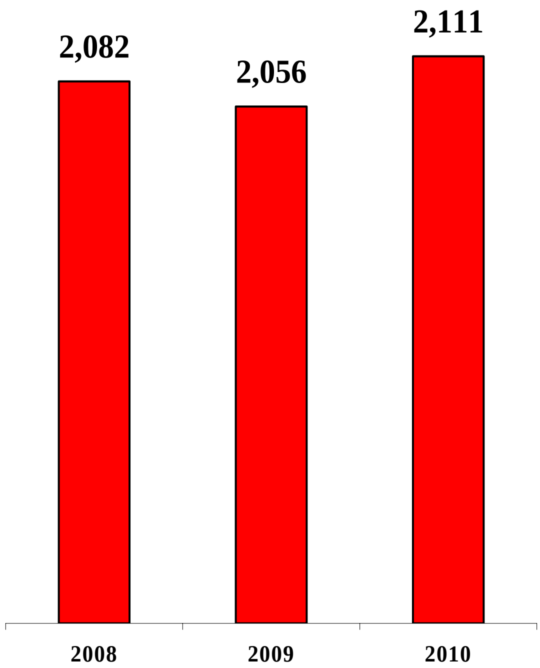
BRD started the payment of the 2009 dividends on June 25th, 2010.

3. KEY FIGURES 2010

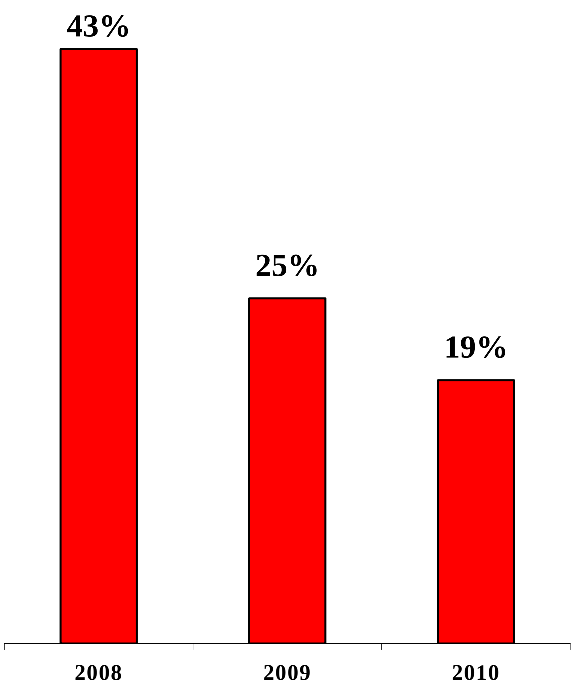
Net banking income *(RON million)*



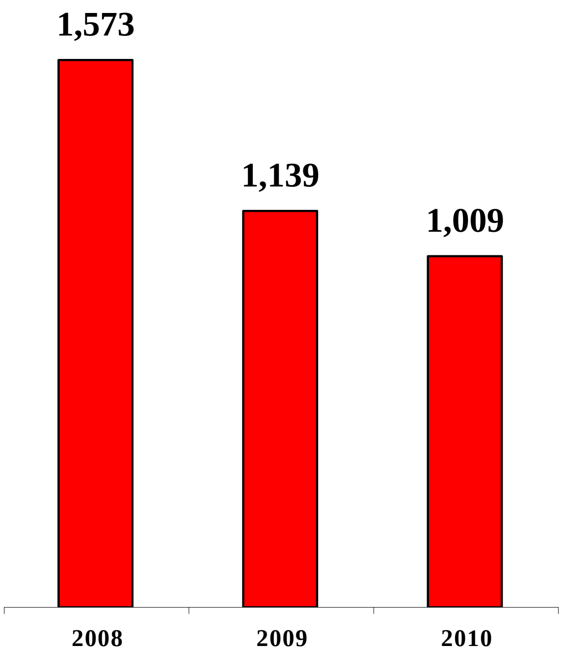
Operational profit *(RON million)*



Return on equity (ROE)

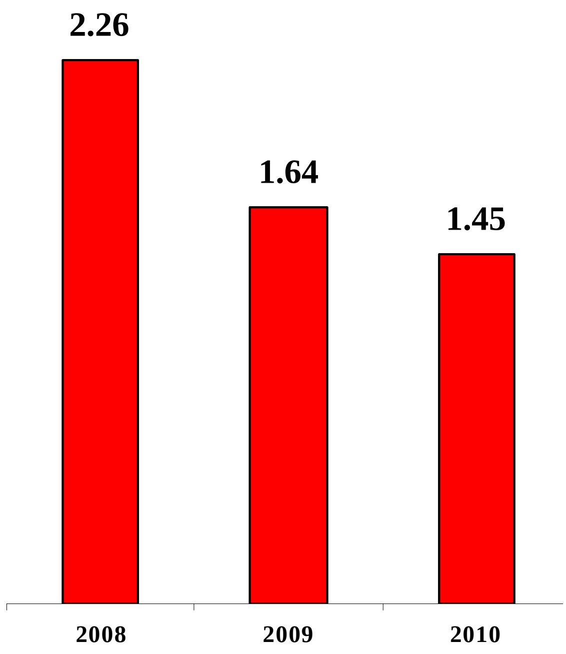


Net profit after minority interest *(RON million)*

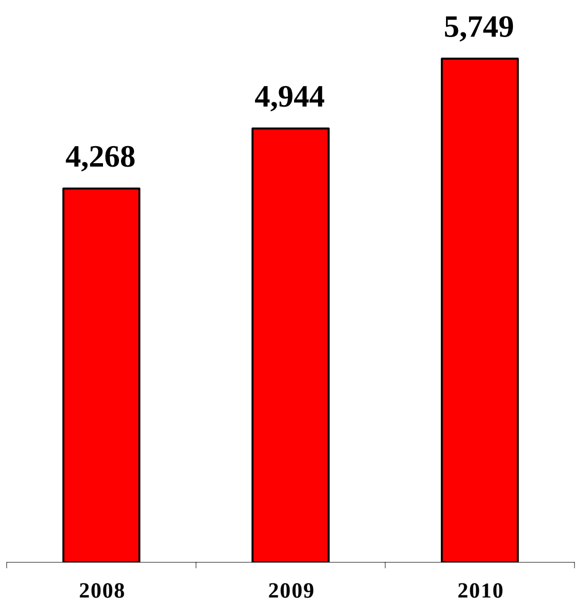


3. KEY FIGURES 2010 (continued)

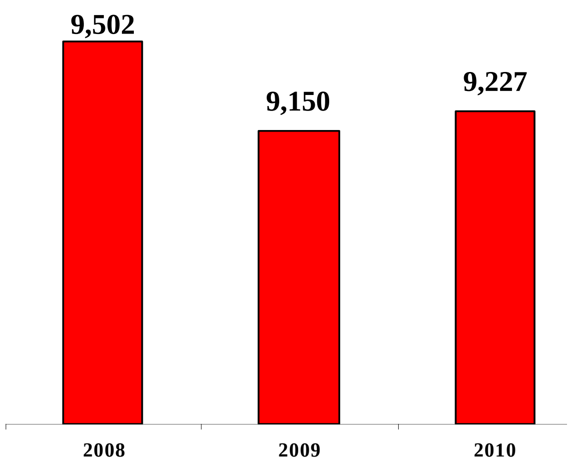
Earnings per share (RON)



Shareholders' equity *(RON million)*



Number of employees

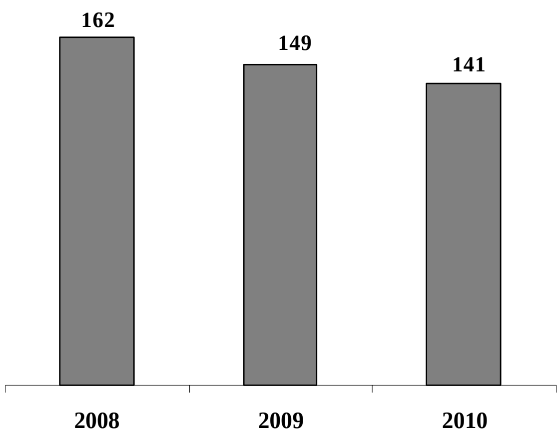


4. COMMERCIAL ACTIVITY

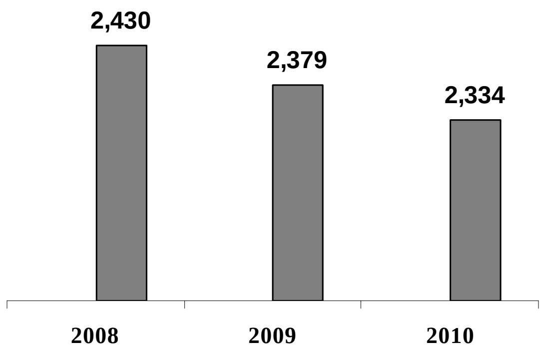
2010 allowed the continuation of network optimisation process. As at December 31st, 2010 the Group had more than 930 branches, which ensured the distribution of its products throughout the whole country.

The clientele bases remains robust in spite of slight decrease in number of clients due to the elimination of non-active clients and slow down of acquisition of new ones.

Corporates (x 1 000)



Individuals(x 1 000)



The Group's commercial offer includes a complete portfolio of financial, banking products, consultancy and services designed for both private and corporates customers.

BRD continued to be the second largest bank in Romania, having the following market shares as at December 31st 2009 and December 31st 2010:

	31.12.2009	31.12.2010
	(%)	*(%)*
Total assets	14.1	13.9
Loans to corporate customers	15.3	14.2
Deposits to corporate customers	18.4	17.8
Loans to individual customers	16.0	15.7
Deposits to individual customers	14.8	14.1

At the same time, the commercial offer has been adapted to the present economic conditions. The BRD Group has supported its clients with various lending facilities by offering them personalized solutions for debt rescheduling. In the mean time, the preoccupation for risk management improvement has not been ignored.

4. COMMERCIAL ACTIVITY (continued)

BRD continued to be a trend setter in the innovation field, to develop and promote offers of products and services adapted to its various clientele categories.

Thus, concerning the loans granted to individuals, BRD has actively participated as during 2009, to the program „Prima casa", the production of this type of loan being of RON 690 millions. Moreover, during the 2nd quarter of 2010, the Bank launched a promoting campaign meant for consumer lending (loan facility „Primavera") which generated a production of more than RON 600 millions.

A la Carte – the banking card with 100% personalized design has been launched in February 2010, being an innovation among the Romanian banking offer. Issued by BRD - under Visa Classic and MasterCard Standard logo – an exclusive product till now, the debit card A la Carte has been welcome by the clients.

Instant Pay – in March 2010, BRD was, likewise, the first bank which has introduced the contactless technology in Romania. It is about a debit card in local currency (MasterCard PayPass) which allows low value payments without using a PIN. The project was very well received both by the clients and the accepted sellers.

In 2010, BRD has launched a financing offer dedicated to small and medium enterprises ("SMEs") and to free lancers. The short, medium and long term loans are meant to meet the needs of this particular segment regarding working cashflows, but especially, investments, favorised by the governmental grants of maximum 200 thousands euro/SME.

Continuing the above mentioned facilities, BRD signed in 2010 convetions with the National Fund for Loans Guarantees granted to SMEs, Eximbank and the Fund for Guarantee of the Rural Loans.

In the same time, BRD supported its clients through restructuring and rescheduling of their facilities.

Moreover, financing activities meant for sustaing the SMEs segment in favorable contiouns sourced by fund from Eupropean Bank for Reconstruction and Development, have continued.

The EUROBRD programme (financing of investment projects benefiting from European grants) has also met a favourable evolution. The range of services offered includes: pre-financing and/or co-financing of beneficiary's contribution, financing of non-eligible expeses, covering working cashflow needs and new investments.

2010 was a difficult year also for large corporates customers. Nevertheless, BRD was also active in this area, both for the large private or public Romanian customers and for the multinational companies which are active on the Romanian market.

BRD has continued is policy of supporting the most important actors from various economic sectors, such as: retail, energy, contructions and infrastructure, car industry, food and hotel industry as well as institutional investors and local municipalities.

4. COMMERCIAL ACTIVITY (continued)

Subsidiaries activity

BRD Finance IFN SA ("BRD Finance")

BRD Finance has been from its setting up one of the main actors of consumer loans market, marking an accelerated development both in terms of products portfolio and in customers' base. Starting wih 2009 the difficult macroenomic conditions have gradually reduced the demand for consumer loans and directly influenced the activity of BRD Finance, but the commercial risk and operational strategies allowed the optimization of the results and recording a evolution according to the set objectives.

The most important commercial actions were the new partnerships with Altex-MediaGalaxy network and also the development of the relationship with Renault Group. In the mean time with these successful projects, BRD Finance has continued to develop the existing relations with parteners as Carrefour, Real, Dedeman or Praktiker.

The positive result obtained in 2010 was also due to reducing of risk costs and improvement in debt recovery performance.

One of the permanent improvement sources within the company – the operational costs – has decreased in value through operational efficiency programs, which will contine also in 2011.

BRD Sogelease IFN SA

Within an environment more and more competitive BRD Sogelease IFN, BRD leasing subsidiary finished 2011 with more than 1 400 leasing contracts, the value of the financed goods being of EUR 99 millions.

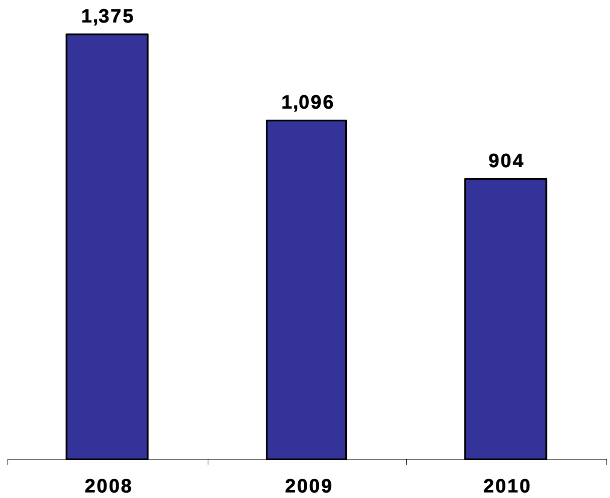
The most important increase in financing was related to sale&lease back contracts (meaning the sale of a building so as, based on a leasing agreement, the seller to keep its using rights in exchange for a rent), while the financing of vehicles and equipments decreased.

By the end of 2010, one third of the BRD Sogelease portfolio represented vehicles financing contracts, while the equipment financing was more than half and real estate represented 15%.

BRD Sogelease climbed in 2010 on the 3rd place in the top 10 of the largest leasing companies.

4. COMMERCIAL ACTIVITY (continued)

Balance of leasing financing *(RON millions)*



BRD Asset Management SAI

BRD Asset Management is on the third place on the Romanian UCITS market, having in its portfolio 6 open investment funds, out of which two have been launched in 2010: BRD Eurofond - May 2010 and Index Europa Regional - July 2010.

Simfonia fund has known a significant increase of its net assets (by 117.6%), remaining one of the most important fund on the Romanian market with net assets reaching RON 280.38 millions.

The fund BRD Obligatiuni, launched in 2006 succeeded to increase its net assets in 2010 by 64% and a positive performance of 5.89%, the investments being made mainly on bonds market and on fix rate instruments.

The Actiuni Europa Regional fund, launched in March 2009, targets is investing up to 90% in quoted shares on regional markets (Romania, Czech Republic, Poland, Hungary) or in investments in UCITS and/or non UCITS mainly investing in shares, and attained by the end of 2010 a performance of 9.94% and an increase in net assets of 113.1%.

Diverso Europa Regional fund, launched in the same period as Actiuni Europa Regional fund, targets is investing up to 50% in quoted shares on regional markets or in investments in UCITS and/or non UCITS mainly investing in shares. By the end of 2010 the fund performance was of 9.70% and the increase in net assets of 106.7%.

4. COMMERCIAL ACTIVITY (continued)

The EUR denomitated fund, BRD Eurofond has a prudent diversification assets policy between various investments, its assets being mainly invested in low risk markets, like monetary or fixed rate instruments markets. Compared to the launching date – May 2010, this fund had a performance of 4.87% and net assets of RON 109.12 millions.

Index Europa Regional fund has a balanced portfolio meant to invest minimum 75% of fund's assets in shares of listed companies which are part of a mix of indexes based on:

- BET-XT 50%,
- WIG-20 20%,
- Budapest SE Index-10% and
- Prague SE Index 20%..

The fund performance from July 2010 until the end of the year was 3.83%, and net assets of RON 2.34 millions.

BRD Corporate Finance SRL

BRD Corporate Finance, the BRD subsidiary involved in consultancy activities has an experience of over 13 years on local market. During this period the company has developed its expertise in:

- equity operations (mergers and acquisitions, separations, privatizations);
- operations related to securities market (acquisitions, selling of quoted companies, issuance of shares or bonds) ;
- corporate restructuring.

Neither Banks' revenues nor the Groups' revenues depend on a single customer or group of connected customers; hence there is no risk that the loss of a customer might significantly affect the income level.

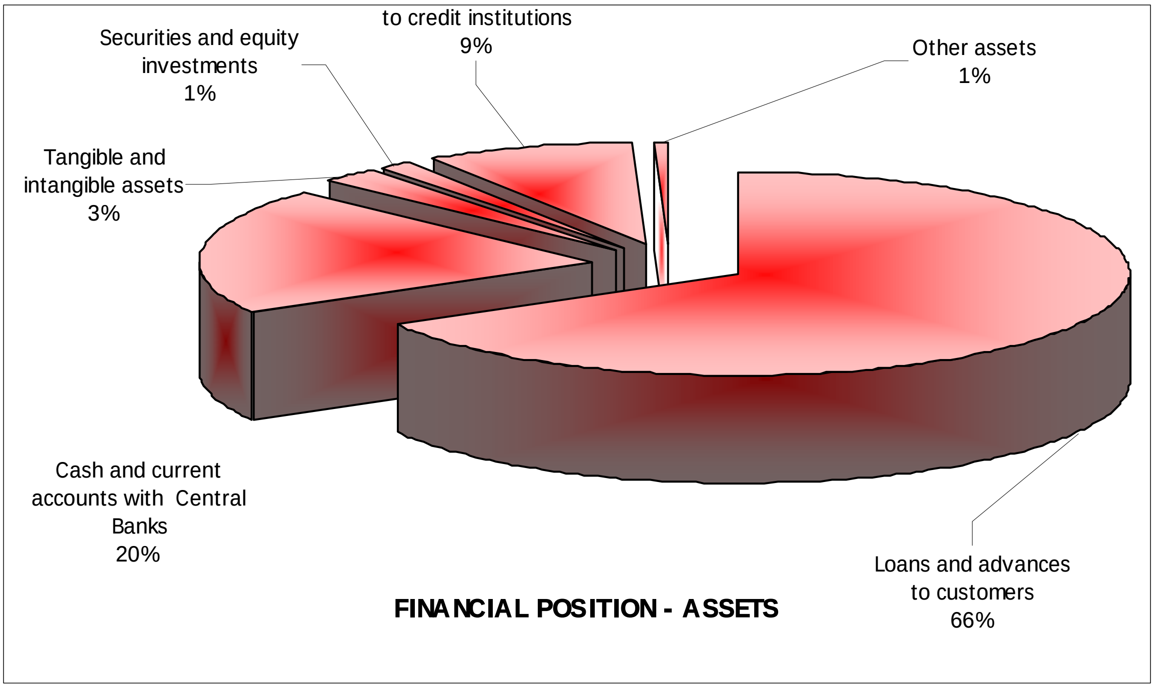
5. FINANCIAL POSITION ANALYSIS

Financial position – assets

The total assets increased by 3% as at Decemeber 31st, 2010 compared to prior yeaer. The main elements evolution was as follows:

Total sssets	2010	2009	10/09
Loans and advances to customers	33,115	33,762	-2%
Cash and current accounts with Central Banks	10,041	9,851	2%
Tangible and intangible assets	1,325	1,336	-1%
Securities and equity investments	662	585	13%
Loans and advances to credit institutions	4,246	2,445	74%
Other assets	279	312	-11%
Total assets	**49,667**	**48,291**	**3%**

Considering the structure of the financial position's assets at the end of 2010, the position looks as follows:



5. FINANCIAL POSITION ANALYSIS (continued)

Loans, net, including leasing

The net loans amounted to RON 33 115 millions represents 66% of the total operations reflected in the financial position of the Group.

Cash in hand, current accounts with the Central Bank and loans and advances to credit institutions

The Group liquid assets, including cash in hand and current account with the Central Bank recorde an increase of 2% compared to December 31st, 2009, and continue to represent 20% of the total financial position. The most important weight of this balance sheet item is held by the minimum compulsory reserve with the National Bank of Romania.

Other financial instruments

The significative increase of these elements is determined by the increase in treasury bills portfolio, having a balance of 3,964 RON millions as at December 31st, 2010, compared to 2,131 RON millions by the end of prior year.

Fixed and intangible assets

The net fixed assets amounted as at December 31st, 2010 to RON 1.325 millions, out of which the most important share is represented by land and buildings (more than 65%). Most of the buildings are recently constructed or modernized and they are situated all over the country, in most of the cities.

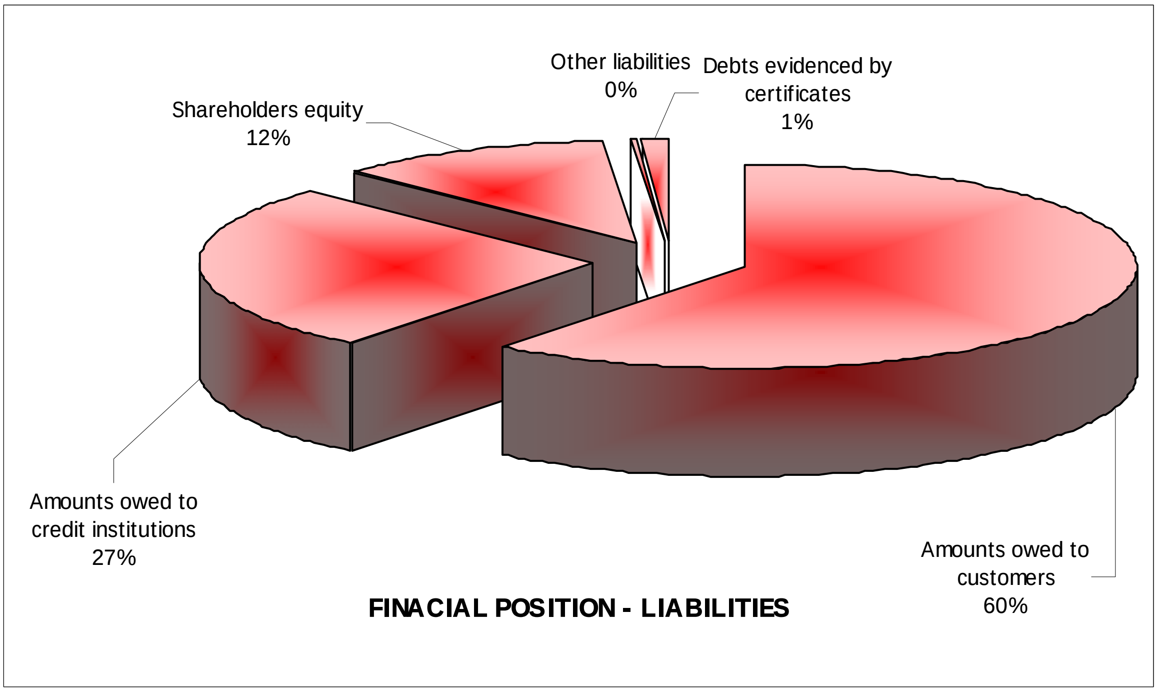
5. FINANCIAL POSITION ANALYSIS (continued)

Financial position - liabilities

The comparative statement of liabilities, for the financial years 2009 – 2010 is as follows:

Liabilities and shareholders equity (RON millions)	**2010**	**2009**	**10/09**
Amounts owed to customers	30,025	29,561	2%
Amounts owed to credit institutions	13,250	13,295	0%
Shareholders equity	5,749	4,944	16%
Other liabilities	92	63	44%
Debts evidenced by certificates	552	427	29%
Total liabilities and shareholders equity	**49,667**	**48,291**	**3%**

On December 31st, 2010, liabilities had the following structure:



Amounts owed to customers

These operations represent 60% of total liabilities with a 2% increase as compared to the previous year. On December 31st, 2010, the value of the operations was RON 30,025 millions.

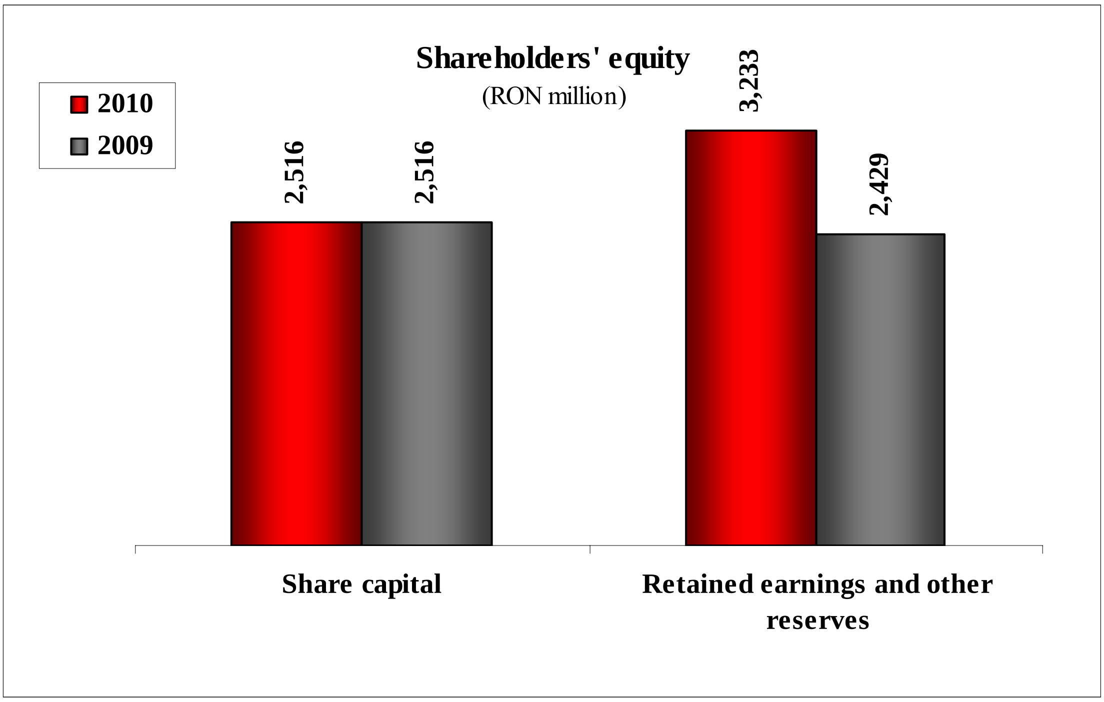
5. FINANCIAL POSITION ANALYSIS (continued)

Amounts owed to credit institutions

Debts to credit institutions represent 27% of total liabilities and consist of sight receivables from correspondent accounts, bank deposits, due amounts from operations with checques and cards, term receivables from deposits and financial borrowings from banks.

Shareholders' equity amounts to 5,749 RON millions, increasing by 16% compared to 2009.

The evolution of the shareholders equity elements for the period 2009-2010 is presented below:



5. FINANCIAL POSITION ANALYSIS (continued)

Financial results

Net profit of the Groupin 2010, before minority interest is of RON 1.009 millions.
The comparative position of the Group's results for the period 2010-2009 is presented below:

RON millions

	31.12.2010	31.12.2009	2010/2009
Net banking income, out of wich	**3,664**	**3,693**	***-1%***
- Interest income	2,320	2,239	*4%*
- Commissions	783	810	*-3%*
Operating expenses	**(1,553)**	**(1,637)**	***-5%***
Operating profit	**2,111**	**2,056**	***3%***
Net cost of risk	(883)	(605)	*46%*
Gross profit	1,228	1,450	*-15%*
Net profit	**1,009**	**1,139**	***-11%***

6. HUMAN RESOURCES

Key-figures:

- Over 9 200 employees in BRD Group
- 524 new employees
- 86% of the personnel followed at least one training course

During 2010, within the Human Resources Department, the activity and the projects developed were according to SG program, Ambitions 2015, which targets the development of human capital, forming a mnew leadership model and a closer communication with the employees.

Thus, this year human resources activity concentrated on the **career management** process, namely professional training, identification of key personnel, performance management system and also on the **optimization** of human resources actions from this year.

The career management is based on a single system of behavioral abilities set at Group Societe Generale level, which have been introduced also in performance managemnt system.

The personnel internal mobility has remained at a significant value (14.79%), thus reflecting the adaptability of the structures to the present macroeconomic context.
In the same time, the number of promotions slightly increase compared to 2009 and represented 7.68% of the total personnel.

Concerning the employees' *training*, at the level of the BRD Group, the training programs have continued in 2010, according to the development plans set by the time the employees' performance was evaluated, but also according to each employee career map. Moreover, new integrated management trainings have been initiated adaptated to each hierarchy level. The average number of training days per employees was of 4.2 days.

In 2010, the human resources policy concerning the salary package has remained the same. The BRD Group has continued to reward performance, both at group level and at individual level. In the same time, the elements insuring the social security have been maintained for all employees, both short term elements (medical services, meal tickets, various indemnity etc) and long term ones (private pension fund, accident insurance, post employment benefits).

7. CORPORATE GOVERNANCE

The corporate governance principles are transposed in the regulatory framework of BRD through its Articles of Incorporation, Internal Regulations and other in-house normative documents which regulate the organisation of the committees set up to support the Board of Directors and the executive management, the information flow, insider trading, professional ethics.

ADMINISTRATION AND MANAGEMENT OF THE BANK

BRD-Groupe Société Générale has adopted the unitary system of administration in full harmony with the principles of good corporate governance, transparency of relevant corporate information, protection of the shareholders and of other categories of concerned persons, as well as of an efficient operation on the banking market.

BOARD OF DIRECTORS

The Board of Directors is made up of 11 members, elected by the General Meeting of the Shareholders for a 4-year term of office.

The structure of the Board of Directors ensures a balance between the executive and the non-executive members, so that no person or limited group of persons can dominate, in general, the decision-making process of the Board of Directors. It includes three executive and 8 non-executive members, among which one independent non-executive member.

The year 2010 brought changes to the composition of the Board of Directors, as follows:

- On January 1, 2010, Mr Guy POUPET took over the position of Chairman – CEO of BRD, following the renunciation by Mr Patrick GELIN to his term of office;
- On March 19, 2010, Mrs Anne FOSSEMALLE gave up her term of office as director of BRD;
- On October 6, 2010, Mr Bernardo SANCHEZ INCERA took over the position of interim member of the Board of Directors of BRD, following the receipt of the approval of the National Bank of Romania.

BRD
GROUPE SOCIETE GENERALE

7. CORPORATE GOVERNANCE (continued)

Members of the Board of Directors (as at 31.12.2010)

Guy Marie Charles POUPET

Chairman - CEO

Born on January 5, 1952

With an experience of over 35 years within the Societe Generale Group, he first started in 1975 as inspector, then, in 1983, took over the management of the group Le Havre – Societe Generale France, as deputy manager. In 1987, he became the Deputy CEO of Banco Supervielle Societe Generale in Argentina and, in 1992, he took over the position of CEO of Societe Generale de Banques in Senegal. In 1995 he was appointed IT Project Manager within the International Division of Societe Generale, and in 1998 he took over the position of Head of Securities and Stock Market - Societe Generale Nantes. He resumed his international career within the Group in 2002, by taking over the position of Vice-Chairman and Deputy - CEO of Komerçni Banka in the Czech Republic and, as of 2004, the position of Vice-Chairman and CEO of NSGB (National Societe Generale Bank) in Cairo – Egypt.

He graduated from the Political Studies Institute in Paris. He has a Bachelor in Public Law and a Degree from the University Centre for European Communities Studies, delivered by the Paris University.

Since January 1st, 2010, he has been Chairman of the Board of Directors and CEO of BRD.

He also holds the following positions: Chairman of the Board of Directors of BRD Finance IFN SA, Member of the Board of Directors of ALD Automotive SRL, Vice-Chairman of the Council of Mobiasbanca – Moldova and Member of the Board of Directors of Societe Generale European Business Services SA.

Petre BUNESCU

Member of the Board of Directors

Deputy CEO

Born on November 15, 1952

In 1975, he becomes an employee of the Investment Bank, and in 1990 he is appointed as Deputy CEO of the Bucharest Branch. Once the Romanian Bank for Development is set up, on December 1st, 1990, he takes over the position of Vice-Chairman and member of the Board of Directors and of the Management Board of the bank until July 1999. Between November 1997 and May 1998, he holds the position of Interim Chairman of the Romanian Bank for Development. Since August 1999, he has been Deputy CEO and member of the Board of Directors of BRD - Groupe Societe Generale.

On April 18, 2007, he is re-elected director of BRD for a 4-year term of office.

7. CORPORATE GOVERNANCE (continued)

He is the First Vice-Chairman of the Romanian Banking Association and member of the Board of Directors of Transfond SA. Since 1997, he has been a permanent member of the teaching staff of the Romanian Banking Institute and of the Financial and Banking Studies Institute, and in 2007 he also became an associated member of the teaching staff of the Romanian-American University in Bucharest.

He graduated from the Economic Studies Academy in 1975. In 2003, he got his PhD in Economics.

Sorin - Mihai POPA

Member of the Board of Directors Deputy CEO

Born on September 5, 1964

Other positions held: member of the Board of Directors of BRD Sogelease IFN, member of the Board of Directors of BRD Societate de Administrare a Fondurilor de Pensii Private S.A., member of the Board of Directors of BRD Asigurari de Viata S.A.

After his internship in the commercial and accounting field, he works as inspector with the Pitesti Financial Administration, between 1990 and 1993. He becomes an employee of Societe Generale – Bucharest Branch in 1993, where he successively fills in the positions of Corporate Controller and of Executive Officer of the branch between 1996 and 1999.

He is then appointed Head of the Network Department within BRD-Groupe Société Générale, until 2003 when he takes over the position of Deputy CEO and becomes member of the Board of Directors of BRD. As of 2002, he manages directly the process of restructuring, reorganisation and modernisation of the network, and as of 2004 he coordinates the process of development of BRD and of densification of its agency network.

On April 18, 2007, he is re-elected director of BRD for a 4-year term of office.

He graduated from the Finance – Accounting Faculty – Economic Studies Academy in Bucharest and is the holder of an International Management Degree, delivered by the Business Management Institute within Ecole Supérieure de Gestion – Toulouse, France.

In 2005, the magazine “Saptamâna Financiara” awards him the “Banker of the Year” trophy.

In 2008, he receives the “Mr RON” award from “Saptamâna Financiara”, for “The Most Spectacular Development” regarding the development of the agency network of BRD in 2007.

7. CORPORATE GOVERNANCE (continued)

Didier Charles Maurice ALIX

Non-executive member of the Board of Directors

Born on August 16, 1946

He joined SOCIÉTÉ GÉNÉRALE in 1971.

Between 1972 and 1979, he was an inspector with the General Inspection and became the head of the Central Risk Control structure. In 1984, he was appointed Manager of the Levallois Group, then, in 1987, of the Paris Opera Group.

Between 1991 and 1993, he was assigned at the Specialised Financing Division, seconded at Franfinance, the consumer financing subsidiary, as CEO. In 1993, he was appointed Deputy Manager of the French Network, and Manager in 1995.

In 1998, he was appointed Deputy CEO in charge of private and corporate clients. In September 2006, Didier ALIX was appointed Deputy CEO of the Societe Generale Group.

On April 18, 2007, he was re-elected director of BRD for a 4-year term of office.

He graduated from the Political Studies Institute in Paris and has a degree in Economic Sciences.

Jean-Louis MATTEI

Non-executive member of the Board of Directors

Chairman of the Audit CommitteeChairman of the Remuneration Committee

Born on September 8, 1947

In 1973, he joined the Societe Generale Group and, in time, filled in the following positions: Controller of commitments with the Agencies' Division in Provence area, Training Manager – HR Division, Officer in charge of the Cost Laboratory (study of costs and profitability) within the Technical Management Division, Officer in charge with Management Control within the Organisation and Informatics Department within the Management Technique Division, Officer for the Africa Overseas Area.

Since 1998, he has been the Head of BHFM – the structure that coordinates the activity of the commercial banks - subsidiaries of Societe Generale in Central and Eastern Europe, the Mediterranean area, Africa and the French territories.

He has a degree in law and public services, and a diploma from the Centre of Higher Education in Banking.

On April 18, 2007, he was re-elected director of BRD for a 4-year term of office.

BRD GROUPE SOCIETE GENERALE

7. CORPORATE GOVERNANCE (continued)

Bogdan BALTAZAR

Non-executive member of the Board of Directors of BRD

Born on September 22, 1939

Between 1971 and 1981 he worked at the Ministry of Foreign Affairs as 1st Diplomatic Secretary and then as Manager of the Africa Division. He went back to the Ministry of Foreign Affairs in 1990, as General Manager of the Northern and Southern America Divisions. Between 1990 and 1991, he was a spokesman for the Government, and then, until 1996, a Senior Banking Adviser, coordinator of the group for Romania in the EBRD Headquarters - London. From 1997 until 1998, he was Vice-president of the State Property Fund (FPS).

Between 1998 and 2004, he was Chairman of the Board of Directors of the Romanian Bank for Development, after privatization called BRD-Groupe Societe Generale.

On April 18, 2007, he was re-elected director of BRD for a 4-year term of office.

He is known as publicist and analyst, and he participates with studies, analyses and communications regarding the banking restructuration / privatisation in numerous financial and banking forums: Crans Montana, Frankfurt, Atena, Salonika, Sofia, Viena, London, Bucharest, as well as “Invest – România” in London, Toronto, Istanbul, Viena, etc.

He graduated from the Polytechnics University in Bucharest and he ahs a PhD in Economy from the City University of New York.

Aurelian DOCHIA

Non-executive member of the Board of Directors

Member of the Audit Committee

Member of the Remuneration Committee

Born on March 8, 1950

Positions held in other companies: Member of the Board of Directors of the Romanian Centre for Economic Policies (CEROPE), a non-governmental centre for studies, Vice-Chairman and founding member of SOREC (Romanian Society of Economy), member of the Statistics Coordination Council (CCAS), an advisory organisation with the National Statistics Institute.

Until May 2007, he was the general manager of the subsidiary BRD Corporate Finance and the coordinator of the investment banking activities developed by BRD.

On April 18, 2007, he was re-elected director of BRD for a 4-year term of office.

Along his career, he combined a solid professional experience as consultant (for institutions such as the World Bank, the European Bank for Reconstruction and Development or OECD), with high-rank positions at the executive and legislative levels, as President of the National Agency for Privatization and member of the first freely elected Parliament (Constitutive Meeting) of Romania, between 1990 and 1992. OECD rapporteur for the first report regarding the corporate Governance in Romania (2001).

7. CORPORATE GOVERNANCE (continued)

Before 1990, he had an academic career, as researcher with the National Economy Institute of the Romanian Academy.

He's got a rich experience in teaching under university programmes. He gave speeches at conferences, seminars, etc.; published more than 80 articles and studies, as well as a few books.

Dumitru POPESCU

Non-executive member of the Board of Directors

Born on March 15, 1953

He has got 30 years of experience in the banking, financial, academic, administrative fields, both in operation and management, at the macro and microeconomic levels, and he filled in the following positions: Deputy Secretary of State in the Ministry of Economy and Finance – Economic Strategy and Orientation Department, National Coordinator of Technical and Economic Assistance for Romania, State Advisor of the Deputy Prime Minister, Secretary of State – Chairman of the Romanian Agency for Restructuring, Vice-Chairman of TEC MIACO, a Romanian-American Enterprise Fund, Project Manager within PSAL II – a World Bank Program for Romania, Senior Consultant for the Chairman of APAPS within the programme "High Technical Assistance for Evaluating the Effects of Privatization in Romania", Senior Consultant for the United States Agency for International Development within a project regarding a complex analysis of the agricultural system in Romania.

He has 27 years of experience in the university field, now a professor at the Academy of Economic Studies in Bucharest in the fields of economic and financial analysis of companies. He is also the author of 14 books and 45 articles of financial analysis.

On April 18, 2007, he was re-elected director of BRD for a 4-year term of office.

Bernardo Sanchez INCERA

Non-executive member of the Board of Directors of BRD

Born on March 9, 1960

Between 1984 and 1992, he was a customer consultant and deputy manager of the corporate branch La Defense of the Credit Lyonnais bank. Until 1994, he held the position of manager and chairman of the Credit Lyonnais subsidiary in Belgium. Between 1994 and 1996, he was Deputy Manager of the JOVER bank.

From 1996 until 2009, he held several managerial positions, such as Chairman of Zara France, International Operational Director of Inditex Group, Chairman of LVMH Mode et Maroquinerie Europe and LVMH Fashion Group France, Executive General director of Monoprix France, General Director of Viavarte Group.

7. CORPORATE GOVERNANCE (continued)

Since 2009, he has been Delegated CEO of Societe Generale France, in charge of the International Retail Banking Division (BHFM) and of the Specialised Financial Services activity.

He graduated the Institue of Political Studies in Paris and has a Master in Business Administration INSEAD

His appointment as director will be submitted to the BRD General Meeting of the Shareholders on April 14, 2011.

Sorin Marian COCLITU

Independent member of the Board of Directors

Member of the Audit Committee

Member of the Remuneration Committee

Born on July 16, 1948

Positions held in other companies: Chairman – CEO of Fondul Român de Garantare a Creditelor pentru Intreprinzatorii Privati, General Secretary of the SIF Muntenia Shareholders' Representative Council.

Sorin Marian Coclitu is an economist and, over the years, filled in the following positions: economist with SC Grivita Rosie, main inspector within the State Planning Committee – Synthesis Division, expert with the Ministry of National Economy – Secretariat for Privatization, consultant with the Strategy and Reform Council – Government of Romania, Sub-Secretary of State - Ministry of Economy and Finance, and Advisor of the President and General Manager of the Coordination, Strategy and Control Department with the National Privatization Agency.

He graduated the Economic Computation and Economic Cybernetics Faculty within the Economic Studies Academy in Bucharest.

On April 18, 2007, he was re-elected director of BRD for a 4-year mandate, and on April 22nd , 2008, the General Meeting appointed him an independent director of BRD.

Ioan CUZMAN

Non-executive member of the Board of Directors

Born on October 3, 1944
As of 1981, he filled in the positions of: economist with the Enterprise Electrobanat Timisoara, Financial Office Manager with the Machine-Tools Factory in Arad, Deputy Commercial Manager with the Confections Factory in Arad, Sub-prefect of Arad County, University Lecturer at the West University in Timisoara, Chairman – CEO at Fondul Proprietatii Private no. 1 Banat-Crisana.
He has been a member of the Board of Directors of BRD since July, 25th, 2007, date of approval of the National Bank of Romania.

7. CORPORATE GOVERNANCE (continued)

He graduated the Faculty of Economic Sciences; section “Economics of industry, constructions and commerce” within the West University in Timisoara.
He has a PhD in Economics and is a university reader.

BRD shares held by the members of the Board of Directors as at December 31st, 2010

Name:	Number of shares
Petre BUNESCU	340,150
Ioan CUZMAN	3,500
TOTAL	343,650

Attributions and responsibilities of the Board of Directors

The main attributions of the Board of Directors, including those that cannot be delegated to members of the executive management, are set by law and by the Articles of Incorporation. In cases permitted by law, the General Meeting of Shareholders can delegate to the Board of Directors other attributions, as well.

The Board of Directors sets the main business and development directions of the bank and supervises the activity of the bank and of the executive management structure, and also has the ultimate responsibility for the operations and the financial strength of the bank. The Board of Directors decides on the accounting and financial control system and approves the financial planning.

The Board of Directors approves the general strategy of development of the bank, of identification of significant risks and of management of such risks, and makes sure that the activity of the executive management structure complies with the approved strategy and policies.

The Board of Directors approves the organisational structure of the bank, risk management policy, general remuneration policy regarding the employees, as well as the directors and officers of the bank.

The members of BRD’s Board of Directors meet the eligibility conditions and criteria required for an efficient administration of BRD, meaning they:

- Have a good reputation and carry out their business in compliance with the rules of prudent and healthy banking practices;
- Have the professional experience that implies theoretical and practical knowledge adequate to the nature, extent and complexity of the banking business and of the entrusted responsibilities, as well as experience in a management position, acquired in an entity comparable, in terms of size and activity, to the bank;
- Ensure the conditions of the collective competence of the Board for an efficient and highly performing administration of the bank’s activity.

To designate an independent director, the Board of Directors and the General Meeting of the Shareholders take into account the compliance with the independence criteria stipulated by the Companies’ Act no. 31/1990.

7. CORPORATE GOVERNANCE (continued)

Meetings of the Board of Directors

The Board of Directors meets any time it is necessary, but at least once every 3 months.

The notices of meeting of the Board of Directors specify the place, date and draft of the agenda of the respective meeting, and no decision can be made regarding unexpected issues, except for emergency cases and provided they are ratified by the absent members at the next meeting.

Minutes are drafted for each meeting and include the names of the participants, the order of the deliberations, the decisions made, the number of votes cast and the separate opinions.

Activity of the Board of Directors in 2010.

In 2010, 9 meetings of the Board of Directors took place, and the decisions of the Board were made with the unanimity of the votes.

The Board of Directors was regularly informed of the economic, monetary and financial environment, the evolution of the regulations in force, the market risk, the risk of financial counterparties, the operational risks and permanent supervision, as well as on the main events that took place within BRD.

Remuneration of the members of the Board of Directors

For 2010, the Ordinary General Meeting of Shareholders approved a remuneration for the non-executive members of the Board of Directors amounting to EUR 1,500 / month (gross amount, in lei equivalent), as well as a general limit for the directors' and officers' additional remunerations for 2010, amounting to RON 6,5 million, gross amount.

COMMITTEES SET UP IN SUPPORT OF THE BOARD OF DIRECTORS

In order to develop and maintain good practices of business administration, the Board of Directors set up three committees that assist it in performing its attributions, and for which organisation and operation rules are set and defined in the internal regulations.

Audit Committee

The Audit Committee is made up of 3 non-executive directors, one of which is independent, elected by the Board of Directors from among its members: Jean-Louis MATTEI (Chairman), Aurelian DOCHIA (Member), and Sorin Marian COCLITU (Member).

The members of the Audit Committee have the experience required for their specific attributions within the Committee.

7. CORPORATE GOVERNANCE (continued)

The Audit Committee meets at least once a half-year.

The Audit Committee assists the Board of Directors in performing its responsibilities in terms of internal control and financial audit. To this effect, the Audit Committee makes recommendations to the Board of Directors regarding the strategy and policy of the credit institution in the field of internal control and financial audit.

In 2010, 2 meetings of the Audit Committee took place, where it was analysed the internal control activity of the bank.

After each meeting, minutes were drafted, specifying the aspects that required improvements, as well as recommendations for their application.

Remuneration Committee

It is a committee set up to support the Board of Directors, in order to elaborate and supervise the implementation of the remuneration policy of the bank.

The Committee is made up of 3 non-executive directors, one of which is independent, elected by the Board of Directors from among its members: Jean-Louis MATTEI (Chairman), Aurelian DOCHIA (Member), and Sorin Marian COCLITU (Member).

It meets annually or any time necessary.

In order to perform the attributions entrusted to it, the Remuneration Committee presents to the Board of Directors, for approval, the proposed policy of remuneration of the directors and officers, the proposals of remuneration of the directors and officers; it supervises the application of the principles of the bank staff remuneration policy and informs the Board of Directors in this respect.

Risk Management Committee

Chairedby the CEO, the Risk Management Committee meets on a quarterly basis or more often, if necessary. Its objective is the management of significant risks, risks with high impact on the assets and/or image of the bank (credit risk, market risk, liquidity risk, operational risk, and reputational risk), as well as the risks associated to the outsourced activities.

The committee is made up of the members of the Management Board and the officers in charge of the internal structures, with an important role in risk management.

In 2010, 4 meetings of the Risk Management Committee took place.

7. CORPORATE GOVERNANCE (continued)

EXECUTIVE MANAGEMENT

The operational management and the coordination of the daily activity of the bank is delegated by the Board of Directors to the executive officers.

The executive officers of the bank are elected by the Board of Directors, among directors or from outside the Board, and together they represent the Management Board.

The Management Board is made up of the CEO and the Deputy CEOs. The Management Board is run by the CEO who is also the Chairman of the Board of Directors.

Members of the Management Board (as at December 31st, 2010)

Guy Marie Charles POUPET

Chairman - CEO

He has line authority over all the structures and activities in the Bank and, in 2010, the following structures were directly subordinated to him: General Secretariat, Human Resources, Major Corporate Clients and Factoring.

Petre BUNESCU

Member of the Board of Directors

Deputy CEO

He organises and coordinates the financial, means of payment, legal and compliance activities.

Member of the Board of Directors, Management Board and other specialised committees within the bank.

Sorin Mihai POPA

Member of the Board of Directors

Deputy CEO

He coordinates the commercial and marketing activity, as well as the general administration and supervision of the network.

Member of the Board of Directors, Management Board and other specialised committees within the Bank.

7. CORPORATE GOVERNANCE (continued)

Alexandru-Claudiu CERCEL-DUCA

Deputy CEO

Born on February 17, 1968

He coordinates the activity of the Financial Market Arm, made up of the structures: Financial Markets and Securities.

Between 1992 and 1993, he was a sales manager in the field of communications products. He has worked within BRD since 1993, and filled in the positions of Treasury Officer, FX technical analyst, FX trader, Treasury Deputy Manager, Market Operations Manager and Executive Officer of Financial Markets.

He graduated the Economic Studies Academy - Cybernetics Faculty, in 1992, as well as varous management and leadership training courses organised both by Societe Generale and other banking institutions: Nomura Bank (London), Bank of America (San Francisco), or the Montreal University and London Business School. He graduated from the Executive Master of Business Administration (EMBA) - ASEBUSS BUCHAREST / UNIVERSITY OF WASHINGTON, USA.

Since October 2, 2008, he has been a Deputy CEO.

BRD shares held by the members of the Management Board as at December 31st, 2010

Name	Number of shares
Petre BUNESCU	340,150
Claudiu CERCEL - DUCA	1,030
TOTAL	341,180

Attributions and responsibilities

Each executive office is vested with all the powers to act on behalf of the Bank and to represent it in the relationships with third parties, in any circumstances related to the activities they coordinate, in compliance with the legal provisions and the Articles of Incorporation.

Within the limit of the powers and responsibilities set for the Board of Directors, the executive officers act jointly, organised in the Management Board, for a series of activities / operations specific to the activity of the bank, detailed in the Articles of Incorporation and in the Internal Regulations of the bank.

7. CORPORATE GOVERNANCE (continued)

Changes in the structure of the Management Board in 2010

On July 1st, 2010, Mr Hervé BARBAZANGE ended his term of office as Deputy CEO of BRD.

The Board of Directors decided to appoint as Deputy CEO, subject to the approval by the National Bank of Romania, Mr Jean Luc GRASSET and Mrs Gabriela Stefania GAVRILESCU.

On February 24, 2011, they both received the approval from the National Bank of Romania.

Meetings of the Management Board

The meetings of the Management Board are held at least once every two weeks, or any time the activity of the bank requires it.

The decisions of the Management Board are made with the absolute majority of the votes cast by its members. Voting cannot be delegated within the meetings of the Management Board.

The minutes of the meeting are signed by the officers who attended the meeting immediately after their drafting.

The executive management provided the Board of Directors regularly and comprehensive detailed information about all the important aspects of the bank's activity, including risk management, potential risk assessment and compliance matters, measures taken and recommended, irregularities found while performing its attributions. Any major event is communicated at once to the Board of Directors.

RIGHTS OF THE SHAREHOLDERS

BRD respects the rights of its shareholders and ensures equal treatment for all of them.

Voting right

The bank's shares are indivisible and confer equal rights to their holders, each share entitling to one vote in the General Meeting of Shareholders.

General meetings are called by the Board of Directors.

General meetings are ordinary and extraordinary. The Ordinary General Meeting of the Shareholders meets at least once a year, within no more than 5 months as of the end of the financial year, and the Extraordinary General Meeting of Shareholders meets whenever necessary. In 2010, there was an Ordinary General Meeting of Shareholders and an Extraordinary General Meeting of the Shareholders, on April 27th, 010.

7. CORPORATE GOVERNANCE (continued)

The notice of meeting is sent at least 30 days before the date set, in compliance with the legal provisions regarding the publicity and notification of the National Securities Commission ("CNVM") and of the Bucharest Stock Exchange ("BVB").

In order to ensure equal treatment and full and equitable exercise of the shareholders' rights, the bank makes available to them all the information related to the General Meeting of Shareholders and to the adopted decisions, both by mass communication means and in the special section on its own Internet page (www.brd.ro).

The shareholders can participate in the works of the general meetings personally, through a representative or they can vote by correspondence. Forms of power of attorney and vote by correspondence are made available to the shareholders in the special section on the bank's own Internet page.

The procedures regarding the works of the General Meeting of the Shareholders are submitted to the shareholders' approval, in order to ensure an orderly and efficient development of such works.

Within the General Meetings of the Shareholders, dialogue between the shareholders and the members of the Board of Directors and/or executive management is allowed and encouraged. Each shareholder can ask the directors questions regarding the activity of the bank.

Right to dividends

Each share of the bank, held by a shareholder at the registration date (set according to the specific regulations and approved by the General Meeting of Shareholders) entitles the shareholder to dividends for the prior financial year, in the quantum and conditions established by the General Meeting of Shareholders.

In 2010, the General Meeting approved the distribution of a gross dividend of RON 0.27947/share and established the dividend distribution procedure.

Right to information

BRD makes sure its shareholders have access to relevant information, so that they may exercise all their rights in an equitable manner. The communication strategy of the bank relies on the following principles:

a. Equal access to information for all shareholders and immediate availability of relevant information;

b. Meeting deadlines for the publication of the results;

c. Transparency and coherence of the provided information.

BRD set up and maintains an adequate structure for its relation with the investors, in general, and with its own shareholders, in particular. The staff of this structure has the necessary knowledge to carry out this activity and periodically attend professional training courses aimed at the development of their professional skills specific to this activity.

7. CORPORATE GOVERNANCE (continued)

Shareholders / investors may send their requests to the bank through e-mail or over the telephone, at the contact data displayed on the institutional site. Also, all the shareholders receive an annual individual letter of information regarding their shares and the dividends due to them for the ended financial year.

The relevant information is published on the bank's Internet page, both in Romanian and in English.

For the information of shareholders and investors, the bank sets at the beginning of the year a financial reporting calendar, which it sends to the Bucharest Stock Exchange and to the National Securities Commission. Financial reporting is made according to the accounting regulations imposed through the NBR Order no. 13/2008 for the approval of the Accounting Regulations compliant with the European Directives, applicable to credit institutions, non-banking financial institutions and to the Bank Deposit Guarantee Fund (on a quarterly basis), as well as to the highest financial reporting standards – the International Financial Reporting Standards (IFRS) (on an annual basis) – and in compliance with the regulations specific to the capital market.

In order to communicate on its financial results, BRD organises reunions with financial analysts, investment consultants, brokers and investors. These reunions during which the annual results of the bank are presented are an opportunity for Bank management and the financial market analysts to exchange opinions. The same policy of transparency has been adopted regarding the communication with the rating agencies and with the capital market institutions.

Financial calendar for the year 2011 is the following:

Presentation of preliminary results as at December 31, 2010 during the meeting with analists	February 14, 2011
Annual General Meeting of Shareholders	April 14, 2011
Presentation of annual results for 2010	April 14, 2011
Presentation of quarterly results Q1	May 3, 2011
Presentation of quarterly results Q2	August 1, 2011
Presentation of quarterly results Q3	November 1, 2011

OTHER CORPORATE GOVERNANCE ELEMENTS

1. Conflicts of interest

In 2010, there were not identified any conflicts of interests between the members of the Board of Directors and of the Management Board and the interests of the bank.

7. CORPORATE GOVERNANCE (continued)

The main obligations respected by the members of the Board of Directors and of the Management Board, imposed at the bank level in order to prevent and avoid conflicts of interests at such level, are:

- the obligation to act only in the interest of the bank and to make decisions without allowing themselves to be influenced by any own interests that could occur in their activity;
- -the obligation to keep the confidentiality of any fact, data or information which they became aware of while performing their duties, understanding that they do not have the right to use or reveal such information either during or after the end of their activity;
- the obligation to inform other members of the Board of Directors and the internal auditors of any operation in which they have direct or indirect interests, which are contrary to the interests of the bank, and not to take part in any deliberation regarding such operation.

2. Transactions with affiliated persons

The internal regulations establish a set of rules to be observed by all members of the Board of Directors, members of the executive management and employees of the bank when performing their own transactions, and also in order to avoid any real or apparent (potential) conflict of interest.

The approval of the loans to affiliated private and corporate persons falls within the competence of the Board of Directors.

3. Insider trading

In order to set a preventive and secured action framework for market operations performed by persons who, on account of their position within the bank, have access to privileged information, the bank established and applied a series of professional ethics rules which must be observed by directors, executive officers and other initiated persons, in order to avoid the breach of the legal framework applicable to trading with financial instruments issued by BRD.

In addition, for the purpose of protecting persons who have access to privileged information, trading financial instruments issued by BRD is forbidden before publication of the periodical reports of the Bank. Also, there have been set obligations to report to the Bank the transactions made.

The characteristics of the internal control and of the risk management system in relation to the finanial reporting process are described in chapter 8 - Risk Management.

8. RISK MANAGEMENT

Framework

The Group approaches risk prudently, in line with its long-term strategy. The risk management policies and activities are designed in line with the practices of Société Générale and focus on identifying and assessing risks as early as possible. The bank implements this approach by means of the risk management function that is independent from the business. The implementation combines centralizing the risk management policies and decentralizing risk control and follow-up.

Risk governance

The Bank's Board of Directors (BoD) sets the strategic risk view, which is then translated into policies by the Executive Committee (EC). A part of the EC's responsibilities are delegated to two main committees, namely the Risk Management Committee (RMC) and the Asset and Liabilities Committee (ALCO).

The Central Risk Control Unit (CRCU) is responsible for monitoring and managing the credit risk, the operational risk and a part of the market risks, while the Financial Department monitors and manages the liquidity risk and the „banking book" interest risk.

Risk Management Function

The Risk Management Committee (RMC) is the most senior structure with attributions, delegated by the MC, in credit, market and operational risk management. The committee is made up of the Chairman CEO, the Deputy CEOs, the head of CRCU and other departments and divisions heads of the bank. RMC follows up periodically the main aspects related to risk management, including:

- Risks generated by the launch of new activities and products;
- Credit risk concentration on industries and counter parties;
- Level of default by customer and portfolio;
- Watch list customers;
- Cost of risk and its future evolution;
- Use of derivatives;
- Exposure to sovereign risk;
- Losses from operational risks;
- Business continuity planning.

The risk management function is accomplished on two-levels:

- Transversal risk management extended to the territorial and departmental levels;
- Risk control made by the Central Risk Control Department (CRCU)

8. RISK MANAGEMENT (continued)

CRCU is directly subordinated to the Chairman - CEO. The credit risk management function is extended to the local level by the network through the risk controllers, who have dual reporting lines to the network line structures and to the head of CRCU.

Assets and Liabilities Management

The Assets and Liabilities Committee (ALCO) manages the Bank's balance sheet. The ALCO members come from the finance, treasury, risk function, as well as from the business areas. Its main objective is the managing of the exposure to foreign exchange, interest banking book liquidity risks and, consequently, the protection of the bank's capital and profitability against such risks.

Credit risk

Credit risk is mainly the risk that a counter party may fail to fulfill its payment obligations towards the Bank and also that a counterparty's or an issuer's credit quality may deteriorate.

The Group's management of credit risk is well integrated with SG's risk management processes. Some of the main principles employed in managing credit risk are as follows:

- Review and approval by senior management of new products and activities involving risks;
- Use of well-defined credit-granting criteria by type of customer, including thorough knowledge of the borrower as well as the purpose and structure of the credit, and of the source of repayment; the request of collateral or personal guarantees to mitigate credit risk;
- Well formalized processes for credit approval, including a clear system of delegated approval limits;
- Ongoing follow-up of exposures, at single or group level, if such may be the case;
- Regularly monitoring and reporting to senior management the quality of the credit portfolios;
- Regular internal independent review of lending activity by the Internal Audit position; and
- Identification and management of non-performing loans and various other workout situations, using objective indicators.

The Bank's primary exposure to credit risk arises through the loan, including leasing and guarantees it issues..

8. RISK MANAGEMENT (continued)

Corporate credit risk

The main features of lending to commercial customers are as follows:

- Consolidation of the exposures to a single obligor: consolidation of all direct and indirect exposures to a given relationship first at the Romanian level and then worldwide (SG);
- Use of the internal rating system: the Bank's internal rating system is a version of SG's rating system, customized and calibrated to the local business environment.
- Transfer of non-performing customers to a division independent from the business.

Retail credit risk

Lending to individuals and to certain small and medium-sized enterprises is approached in a standardized manner, by designing products in line with identified market needs. Thus, the credit products are aimed at an identified target customer segment and have standard risk acceptance criteria attached, implemented by means of credit scores. BRD constantly monitors the risk of this portfolio, using objective and verifiable criteria, such as the debt service. Once a customer has reached a certain number of days of delay, the exposure is transferred to the responsibility of a well equipped recovery unit that is independent from the originating business function.

Interest rate risk and foreign exchange risk in the banking book (structural risks)

The interest rate and foreign exchange risks incurred both by the commercial activities and proprietary activities (transactions regarding the shareholders’ equity, investments and issues of bonds) are hedged, to the extent possible, on an individual basis or by means of macro-hedging techniques, the remaining part is maintained within pre-established limits at prudent levels.

The main tool used in managing the interest rate risk is the gap analysis, along with a measure of the balance sheet sensitivity to the movements in the market interest rates. A set of limits is applied to such sensitivity and the compliance within those limits is monitored by ALMC on a monthly basis.

For the foreign exchange position (banking and trading book), the Bank has a set of limits set at prudent levels, monitored daily by CRCU.

8. RISK MANAGEMENT (continued)

Liquidity risk

The liquidity risk is associated with the incapacity to meet one’s payment obligations on the due date, with reasonable costs.

The bank’s liquidity management has two major components:

- monitoring the liquidity position and estimating the financing needs of the bank on the short, medium and long term, based on forecasts, and identifying the adequate financing solutions;
- contingency planning including ongoing assessment of potential trends, events and uncertainties that could impact on the Bank's liquidity position.

For foreign currencies funding, the Bank's liquidity management is well integrated with Société Générale.

ALCO validates the basic principles for the organisation and management of liquidity risk, validates the Bank's financing programs, examines the reports on the future liquidity position, reviews the contingency scenarios and proposes appropriate actions to the Executive Committee.

Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal procedures, human errors, system-related errors and also external events.

The Bank employs the following three methodologies in managing operational risk: Risk and Controls Self-Assessment Methodology (RCSA); Operational Loss Data Collection (OLDC); and Key Risk Indicators Methodology (KRI).

RCSA is a structured preventive approach for identifying and assessing risks and implementing appropriate actions to prevent the risks identified and assessed as unacceptable, given the Bank's tolerance to such risks. OLDC is a methodology that allows for the systematic collection of operational risk losses exceeding a certain threshold, followed by direct reporting to the senior management. KRI is an approach using a set of indicators (by areas assessed as high risk) whose monitoring indicate possible adverse changes in the operational risk profile and triggers appropriate actions.

Besides these risk management methodologies, the Bank mitigates certain operational risks through insurance policies.

9. SOCIAL AND ENVIRONMENT RESPONSIBILITY

The Bank pays special attention to its contribution to the development of the Romanian society, as a whole.

BRD gets involved in fields such as culture, sports, teaching and education, humanitarian actions and protection of the environment. To this end, the bank has entered into partnerships with the civil society, under programmes aimed at the Romanian public.

Also, BRD is particularly engaged in growing the awareness and involvement of its employees in social and environmental responsibility, in humanitarian actions and civic actions.

Social and environmental responsibility at BRD manifests internally through responsible HR policies, and externally through a smaller impact of the bank's activities over the environment and through projects of involvement in the community.

Responsibility towards the community

BRD's priorities in this respect are: education, the fight against dropping out of school and the professional insertion of the persons excluded from the labour market.

A few of the 2010 projects

- The employees' involvement programme *"Change a destiny. Give value to life."* Through this programme, 800 disadvantaged children and young people were helped to continue their education, to keep a job or to pursue their talent. 14 NGOs were supported with a total amount of EUR 130,000, 50% of which were donated by the employees.

- Week of Solidarity: more than 4,000 BRD employees were volunteers for partner organisation for one week. Results: more than 6,000 donated hours, over EUR 38,000 raised from clients and colleagues for the benefit of the organisation.

- Youth Bank. The programme through which more than 300 high school students learn to manage funds and to build projects for their communities.

- The programme through which we addressed the floods of the summer of 2010. More than EUR 100,000 were donated by BRD to rebuild the damaged houses, to provide emergency supplies and to send 75 children from the families affected by the floods to camps, in the BRD training centres.

Cultural Patronage

BRD got involved in 2010, as well, in supporting modern and contemporary art, the Romanian cultural patrimony and classical music. We've got traditional partnerships with institutions such as: the Romanian Opera, the National Museum of Contemporary Art, the Village Museum, etc.

9. SOCIAL AND ENVIRONMENT RESPONSIBILITY (continued)

Sports Partnerships

For 11 years, BRD has been the Official Partner of the Romanian Cycling and Triathlon Federation and the sponsor of the Romanian Cycling Tour.
The bank has continued its partnership with Hagi Academy, through which it supports a programme dedicated to young talented footballers.
BRD also started a partnership with the Romanian handball Federation, becoming one of the supporters of Romanian handball.

Environmental responsibility

Reduction of CO2 emissions. The objective is to reduce the CO2 emission by 11% / employee between 2008 and 2012, which includes the consumption of energy, travels for professional purposes and office paper.

By applying the same policy, BRD started in 2010 to apply a measure plan which would reduce the negative impact and which focuses in 3 main directions:

- Optimised consumption (electricity, paper, water) and travels for professional purposes;
- Energetic efficacy of the buildings;
- Decreased negative impact of the IT activity.

BRD also favours the eco behaviours of its collaborators and builds trustworthy relations with its suppliers, based on the development of eco-responsible practices, as well.

BRD undertakes to enforce its commitments and to make continuous progresses.

The consolidated financial statements prepared according to International Financial Reporting Standards as adopted by the European Union are attached to this report.

President – Chief Executive Officer

Guy Charles Marie POUPET

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, 2010

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION
as of December 31, 2010
(Amounts in thousands RON)

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

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

Guy Poupet
President and Chief Executive Officer

Petre Bunescu
Deputy Chief Executive Officer

(Amounts in thousands RON)

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

(Amounts in thousands RON)

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

(Amounts in thousands RON)

Group

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

Bank

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

(Amounts in thousands RON)

	Note	Group 2010	Group 2009	Bank 2010	Bank 2009
Cash flows from operating activities					
Profit before tax		**1,228,081**	**1,450,390**	**1,206,006**	**1,428,235**
Adjustments for non-cash items					
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets		131,555	170,948	128,091	162,785
Share based payment		1,070	-	1,070	-
Loss/(gain) from investment revaluation		(4,950)	3,803	(12,424)	-
Net expenses from impairment of loans and from provisions	35	912,795	625,210	857,673	537,810
Income tax paid		(111,050)	(285,833)	(104,752)	(285,656)
Operating profit before changes in operating assets and liabilities		**2,157,501**	**1,964,518**	**2,075,664**	**1,843,174**
Changes in operating assets and liabilities					
Current account with NBR		(210,180)	4,093,622	(210,476)	4,094,718
Accounts and deposits with banks		93,698	7,247	93,698	7,247
Available for sale securities		(1,816,578)	(1,364,811)	(1,843,674)	(1,337,916)
Loans		(476,398)	(1,369,093)	(460,683)	(1,435,046)
Lease receivables		210,307	283,729	-	-
Other assets		(60,519)	(7,421)	(93,596)	17,734
Demand deposits		(653,788)	(2,642,017)	(659,976)	(2,646,742)
Term deposits		(3,164,182)	1,414,233	(3,362,898)	1,522,140
Other liabilities		151,542	(22,459)	160,501	(4,147)
Total changes in operating assets and liabilities		**(5,926,098)**	**393,030**	**(6,377,104)**	**217,988**
Cash flow from operating activities		**(3,768,597)**	**2,357,548**	**(4,301,440)**	**2,061,162**
Investing activities					
Acquisition of equity investments		(7,237)	-	(6,591)	(5,050)
Proceeds from equity investments		5,984	-	6,294	-
Acquisition of tangible and intangible assets		(126,572)	(190,045)	(125,631)	(159,784)
Proceeds from sale of tangible and intangible assets		5,854	-	5,810	-
Cash flow from investing activities		**(121,971)**	**(190,045)**	**(120,118)**	**(164,834)**
Financing activities					
Increase in borrowings		4,236,442	(1,934,612)	4,767,423	(1,650,198)
Dividends paid		(195,043)	(506,742)	(195,043)	(506,742)
Net cash from financing activities		**4,041,399**	**(2,441,354)**	**4,572,380**	**(2,156,940)**
Net movements in cash and cash equivalents		**150,831**	**(273,851)**	**150,822**	**(260,612)**
Cash and cash equivalents at beginning of the period	35	**876,092**	**1,149,943**	**836,440**	**1,097,052**
Cash and cash equivalents at the end of the period	35	**1,026,923**	**876,092**	**987,262**	**836,440**

Operational cash flows from interest and dividends	Group 2010	Group 2009	Bank 2010	Bank 2009
Interest paid	1,376,857	2,504,361	1,398,351	2,274,173
Interest received	3,477,652	4,500,676	3,326,887	4,091,448
Dividends received	2,342	2,121	2,342	2,121

(Amounts in thousands RON)

1. Corporate information

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

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

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

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

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

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

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

The shareholding structure of the Bank is as follows:

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

2. Basis of preparation

a) Basis of preparation

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, BRD prepared consolidated and individual financial statements for the year ended December 31, 2010 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU") and in force at that date (these standards are available on European Commission Website http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

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

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

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

b) Basis for consolidation

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2010. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. Control is presumed to exist when direct or indirect ownership exceeds 50% of the voting power of the enterprise. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2009: 99.98%), BRD Finance IFN S.A (49% ownership, 2009: 49%, control through the power to govern the financial and operating policies of the entity under various agreements), BRD Securities - Groupe Société Générale S.A. (99.9996% ownership, 2009: 99.9996%), BRD Corporate Finance SRL (100% ownership, 2009: 100 %) and BRD Asset Management SAI SA (99.95% ownership, 2009: 99.95%). All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

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

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

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

2. Basis of preparation (continued)

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

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

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

- **IFRS 5** ***Non-current Assets Held for Sale and Discontinued Operations*** (as part of Improvements to IFRSs issued in 2009)
  The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

- **IAS 1** ***Presentation of Financial Statements*** (as part of Improvements to IFRSs issued in 2009)
  The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current.

- **IAS 1** ***Presentation of Financial Statements*** (as part of Improvements to IFRSs issued in 2010)
  The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendments have been applied retrospectively.

- **IAS 7** ***Statement of Cash Flows*** (as part of Improvements to IFRSs issued in 2009)
  The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 should resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 *Intangible Assets* for capitalisation as part of an internally generated intangible asset.

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

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

2. Basis of preparation (continued)

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

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

- IAS 27 (revised in 2008) *Consolidated and Separate Financial Statements*
In specific conditions, early application is permitted. According to the revised standard, changes in the acquiree's interest in its subsidiary that do not result in a loss of control are accounted for in equity as transactions with owners in their capacity as owners. For such transactions, no financial profit/loss is recognized or goodwill remeasured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. The Standard defines accounting procedures to be applied by the parent if control of a subsidiary is lost. Amendments to IAS 28 and IAS 31 extend requirements regarding accounting for loss of control. If therefore an investor has lost significant impact on its associate, the entity should be derecognized and the difference between the total of cash inflows and the preserved interest in fair value and the carrying value of investment in the associate as at the date of losing the significant impact recognized in the profit/loss. A similar approach is required if an investor loses control over a jointly controlled entity.

- IAS 28 (revised in 2008) *Investments in Associates*
When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

2. Basis of preparation (continued)

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

The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.
As part of Improvements to IFRSs issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively.

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

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

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

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

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

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

2. Basis of preparation (continued)

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

- IFRIC 17 *Distributions of Non-cash Assets to Owners*
The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The most significant conclusion reached by the IFRIC is that the dividend should be measured at the fair value of the assets distributed, and that any difference between this amount and the previous carrying amount of the assets distributed should be recognised in profit or loss when the entity settles the dividend payable. The Interpretation does not apply to non-cash assets if distribution does not result in a change of control.

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

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

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

- IAS 24 *Related Party Disclosures (Amendment)*
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The bank does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

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

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

2. Basis of preparation (continued)

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

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

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

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

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

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

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

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates

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

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

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

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

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

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

Impairment of available-for-sale investments
The Group reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.
The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Impairment of goodwill
The Group determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2010 was 50,151 (December 31, 2009: 50,151).

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

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

f) Segment information

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

(Amounts in thousands RON)

3. Summary of significant accounting policies

a) Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.
The exchange rates of the currencies with the most significant impact on the Group's financial statements as of December 31, 2010 and 2009 were as follows:

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

b) Cash and cash equivalents

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

c) Current accounts and deposits with banks

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

d) Loans and advances to customers and finance lease receivables

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

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

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

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.

3. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

i) Tangible assets

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

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

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

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

3. Summary of significant accounting policies (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 is not amortized any longer and is reviewed for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of cash-generating unit is less than the carrying amount, an impairment loss is recognized.

m) Intangible assets

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

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

All intangible assets of the Group carried as of December 31, 2010 and 2009 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 5 years. The amortization period and the amortization method are reviewed at least at each financial year end.

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

n) Derivative financial instruments

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

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

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

The Group did not apply hedge accounting.

3. Summary of significant accounting policies (continued)

o) Borrowings

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

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

p) Offsetting of financial assets and liabilities

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

q) Sale and repurchase agreements

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

r) Customers' deposits and current accounts

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

s) De-recognition of financial assets and liabilities

Financial assets
A financial asset is derecognized where:

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

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

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

3. Summary of significant accounting policies (continued)

t) Recognition of income and expenses

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

Interest and similar income

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

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

Fee and commission income

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

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

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

(ii) Fee income from providing transaction services

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

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

Net trading income

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

3. Summary of significant accounting policies (continued)

u) Employee benefits

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

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

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

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

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

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

The cost of equity–settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity–settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in "Personnel expenses" and represents the movement in cumulative expense recognized as at the beginning and end of that period.

3. Summary of significant accounting policies (continued)

u) Employee benefits (continued)

Share–based payment transactions (continued):
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, reported in the statutory financial statements, computed in accordance with Romanian tax rules and accrued for in the period to which it relates.

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

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

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

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

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

w) Provisions

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

3. Summary of significant accounting policies (continued)

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 for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2010 and 2009 there were no dilutive equity instruments issued by the Group.

z) Dividends on ordinary shares

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

aa) Related parties

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

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

ab) Subsequent events

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

ac) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.
Financial guarantees are initially recognized in the financial statements at fair value, in ‘Other liabilities’, being the premium received / receivables. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.
Any increase in the liability relating to financial guarantees is taken to the income statement in ‘Credit loss expense’. The premium received is recognized in the income statement in ‘Net fees and commission income’ on a straight line basis over the life of the guarantee.

3. Summary of significant accounting policies (continued)

ad) Comparatives

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

(Amounts in thousands RON)

4. Cash in hand

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

5. Due from Central Bank

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

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

6. Due from banks

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

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

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

	Group		Bank	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
AA	311,783	387,633	272,145	348,002
A	14,877	26,895	14,877	26,895
BBB	-	10,140	-	10,140
BB	260,257	90,039	260,257	90,039
Not rated*	75,085	70,160	75,085	70,160
Total	**662,001**	**584,867**	**622,363**	**545,235**

*short term exposures, mainly amounts in settlement

(Amounts in thousands RON)

7. Derivative financial instruments

Group

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

	December 31, 2009		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	-	12,419	750,881
Currency swaps	40,160	27,446	2,801,632
Forward foreign exchange contracts	32,994	6,541	761,874
Currency options	17,012	17,012	1,682,317
Total	**90,166**	**63,418**	**5,996,704**

Bank

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

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

7. Derivative financial instruments (continued)

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

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

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

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

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.
The Group purchases and sells options in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option.
The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.
Options written by the Group provide the purchaser the opportunity to purchase from or sell to the Group the underlying asset at an agreed-upon value either on or before the expiration of the option.

(Amounts in thousands RON)

8. Loans and advances to customers

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

The structure of loans is the following:

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

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

The analysis of portfolio by type of ownership

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

Sector analysis

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

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

(Amounts in thousands RON)

8. Loans and advances to customers (continued)

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

Impairment allowance for loans

Group

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

Bank

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

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

Ageing analysis of past due but not impaired loans

Group

December 31, 2010

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

(Amounts in thousands RON)

8. Loans and advances to customers (continued)

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

December 31, 2009

	less than 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Corporate lending	1,031,609	404,012	274,734	154,331	1,864,686
Small business lending	240,065	113,081	95,836	-	448,982
Consumer lending	910,512	311,512	243,111	-	1,465,135
Residential mortgages	195,708	59,872	62,870	-	318,450
Total	**2,377,894**	**888,477**	**676,551**	**154,331**	**4,097,253**

Bank

December 31, 2010

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

December 31, 2009

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

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

Group & Bank

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

(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Analysis of collateral coverage

Group

December 31, 2010

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

December 31, 2009

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

Bank

December 31, 2010

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

December 31, 2009

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

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

The fair value of properties, letters of guarantee and cash that the Group and the Bank holds as collateral relating to loans individually determined to be impaired as at December 31, 2010 amounts to 2,797,387 (December 31, 2009: 1,319,710). The amounts are capped to the gross exposure level.

(Amounts in thousands RON)

8. Loans and advances to customers (continued)

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

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

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

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

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

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

(Amounts in thousands RON)

9. Lease receivables

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

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

Ageing analysis of past due but not impaired lease receivables

December 31, 2010

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

December 31, 2009

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

(Amounts in thousands RON)

9. Lease receivables (continued)

Analysis of collateral coverage

December 31, 2010

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

December 31, 2009

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

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

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

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

(Amounts in thousands RON)

10. Financial assets available for sale

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

Treasury notes

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

Equity investments

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

Other securities

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

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

10. Financial assets available for sale (continued)

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

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

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

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

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

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

(Amounts in thousands RON)

11. Investments in subsidiaries and associates

Group

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

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

(Amounts in thousands RON)

11. Investments in subsidiaries and associates (continued)

Bank

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

(Amounts in thousands RON)

11. Investments in subsidiaries and associates (continued)

The subsidiaries and associate summary of financial position and income statement as at December 31, 2010 are as follows:
The amounts for the subsidiaries are not audited.

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

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

(Amounts in thousands RON)

12. Property, plant and equipment

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

(Amounts in thousands RON)

12. Property, plant and equipment (continued)

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

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

(Amounts in thousands RON)

13. Goodwill

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

14. Intangible assets

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

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

15. Other assets

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

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

(Amounts in thousands RON)

16. Demand deposits and current accounts

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

17. Term deposits

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

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

18. Borrowed funds and debt issued

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

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

Borrowings from related parties include an amount of EUR 200,000,000, RON 856,960,000 equivalent (2009: EUR 200,000,000, RON 845,640,000 equivalent) representing two subordinated loans, EUR 100,000,000 received in 2005, at EURIBOR6M+0.5%, due in 2015 and a EUR 100,000,000 loan received in 2006, at EURIBOR6M+0.99%, due in 2013.

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

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

(Amounts in thousands RON)

19. Taxation

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

The deferred tax liability/asset is reconciled as follows:

	Group December 31, 2010		
	Temporary differences	**Consolidated Statement of Financial Position**	**Consolidated Income Statement**
Deferred tax liability			
Loans and advances to customers	(1,071,297)	(171,410)	(97,067)
Investments and other securities	(38,327)	(6,132)	1,991
Tangible and intangible assets	(210,645)	(33,703)	(9,152)
Total	**(1,320,269)**	**(211,245)**	**(104,228)**
Deferred tax asset			
Provisions and other liabilities	113,004	18,081	(1,610)
Total	**113,004**	**18,081**	**(1,610)**
Taxable items	**(1,207,265)**	**(193,164)**	
Deferred tax expense			**(105,838)**

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

(Amounts in thousands RON)

19. Taxation (continued)

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

19.

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

(Amounts in thousands RON)

19. Taxation (continued)

Movement in deferred tax is as follows:

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

Reconciliation of total tax charge

Group

	2010	2009
Gross profit (before income tax)	**1,228,081**	**1,450,390**
Income tax (16%)	197,842	232,062
Non-deductible elements	185,401	209,336
Non-taxable elements	(163,985)	(130,365)
Income tax at effective tax rate	**219,258**	**311,033**
Effective tax rate	17.9%	21.4%

Bank

	2010	2009
Gross profit (before income tax)	**1,206,005**	**1,428,235**
Income tax (16%)	194,310	228,518
Non-deductible elements	181,047	203,126
Non-taxable elements	(165,690)	(123,587)
Income tax at effective tax rate	**209,667**	**308,057**
Effective tax rate	17.4%	21.6%

(Amounts in thousands RON)

20. Other liabilities

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

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

The movement in provisions is as follows:

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

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

(Amounts in thousands RON)

20. Other liabilities (continued)

Post-employment benefit plan

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

Expenses recognised in profit and loss

Expenses recognised in profit and loss

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

Movement in defined benefits obligations

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

Main actuarial assumptions

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

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

(Amounts in thousands RON)

21. Share capital

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

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

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

22. Retained earnings

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

23. Capital management

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

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

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

24. Interest income

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

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

(Amounts in thousands RON)

25. Interest expense

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

26. Fees and commissions, net

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

27. Foreign exchange gain

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

28. Income from associates

	Group		Bank	
	2010	2009	2010	2009
Share of increase/(decrease) in net assets from associates	(7,502)	(3,804)	-	-
Dividends from associates	1,755	1,528	1,755	1,527
Net gain from sale of interest in associates	5,984	-	6,294	-
Total	**237**	**(2,276)**	**8,049**	**1,527**

29. Other income

Other income includes income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, both for the Group and the Bank, is 2,390 (2009: 2,930).

(Amounts in thousands RON)

30. Contribution to the Deposit Guarantee Fund

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

31. Salaries and related expenses

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

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

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

Share based payment transactions

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

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

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

(Amounts in thousands RON)

31. Salaries and related expenses (continued)

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

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

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

32. Depreciation and amortization expense

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

33. Other operating expense

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

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

The Group has operating leases that are cancellable with prior notice much shorter than the remaining contract period and/or with penalties to be paid which are much lower than lease expense for the remaining contract period.

(Amounts in thousands RON)

34. Credit loss expense

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

35. Cash and cash equivalents for cash flow purposes

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

Group

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

Bank

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

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

Group

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

(Amounts in thousands RON)

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

Bank

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

36. Guarantees and other financial commitments

Guarantees and letters of credit

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

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

Credit related commitments

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

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

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

(Amounts in thousands RON)

37. Capital commitments

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

38. Related parties

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

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

The interest expenses include an amount of 15,271 (2009: 24,257) relating to subordinated loans.

As of December 31, 2010, the Board of Directors and Managing Committee members own 344,680 shares (2009: 367,080).

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

(Amounts in thousands RON)

39. Contingencies

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

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

40. Earnings per share

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

41. Dividends on ordinary shares

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

42. Risk management

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

42.1 Credit risk

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Maximum exposure to credit risk before considering any collaterals or guarantees

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk

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

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

The table below indicates the currencies to which the Group had significant exposure as at December 31 on its assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against RON, with all other variables held constant, on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against RON would have resulted in an equivalent but opposite impact
The impact on equity does not contain the impact in income statement.

Group

2010

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

2009

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

Bank

2010

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

2009

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

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

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

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Interest rate risk

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

Group			Bank		
December 31, 2010			**December 31, 2010**		
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	(4,509)	9,665	100	636	9,665
(100)	4,509	(9,665)	(100)	(636)	(9,665)

December 31, 2009			**December 31, 2009**		
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	4,078	7,103	100	4,078	7,103
(100)	(4,078)	(7,103)	(100)	(4,078)	(7,103)

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Group

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

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Group

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

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Bank

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

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Bank

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

42. Risk management (continued)

42.3 Liquidity risk

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

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

The maturity structure of the Group's and the Bank's assets and liabilities, based on the expected maturity as of December 31, 2010 and 2009 is as follows:

(Amounts in thousands RON)

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

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

(Amounts in thousands RON)

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

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

(Amounts in thousands RON)

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

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

(Amounts in thousands RON)

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

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

(Amounts in thousands RON)

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

Future undiscounted cash flows

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

Group

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

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

(Amounts in thousands RON)

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

Future undiscounted cash flows (continued)

Bank

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

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

43. Fair value

Determination of fair value and fair value hierarchy

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

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

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

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

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

(Amounts in thousands RON)

43. Fair value (continued)

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

(Amounts in thousands RON)

43. Fair value (continued)

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

43. 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.

(Amounts in thousands RON)

43. Fair value (continued)

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

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

43. Fair value (continued)

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

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

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

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