BCR

Banca Comerciala Romana S.A.

Consolidated and Separate Financial Statements

(The Group and the Parent Bank)

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

31 December 2013

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

No. Cabinet of the President
Supervisory Board 6/20.03.2014

ADMINISTRATORS' REPORT
Romanian Commercial Bank

Regarding the Financial year 2013

A. Macroeconomic environment in 2013

Romanian economic growth picked up to 3.5% in 2013, from a mere 0.6% in the previous year. Clement weather conditions turned agriculture into a champion, delivering around 1% to the overall economic advance. External demand spurred industrial production, which also was one of the main contributors in terms of GDP formation. Export volumes rose more than 15% y/y in the first nine months, while the foreign trade balance with non-EU countries shifted to positive in 2013.

On a less positive note, domestic demand (private consumption and investments) flipped into negative territory, which also acted as a deterrent to imports. Thus, the overall trade deficit more than halved last year (EUR 3.4 bn) and this led to the C/A deficit narrowing substantially to EUR 1.5 bn, or around 1% of GDP (from 4.4% of GDP in 2012). Consumer confidence was rather shy, which had a knock-on effect on retail sales; they barely poked above zero on an annual level (0.5%). Consumer confidence did not seem to flinch too much, even after the full wage restoration in the public sector, which most likely was dulled by high inflation and the unrelenting specter of unemployment (the unemployment rate was 7.1% in December, up 0.4 pp y/y). Had it not been for the bountiful harvest last year, which supported own consumption among rural homesteads (a trademark for Romania), private consumption would have probably remained depressed.

Inflation stubbornly hovered above 5% in the first six months of 2013, well above the upper bound of the central bank's target range (3.5%). More expensive food, hikes in energy prices and an unfavorable base effect were the key drivers behind the elevated inflation, which ate into purchasing power (disposable income fell 2% y/y in real terms in the first six months of 2013). The inflation rate collapsed in the second half of the year (to 1.6% in December), thanks to the bumper crop (vegetables and fruits in particular) and the one-off cut to 9% in the VAT on bread and certain bakery products as of September.

Against a backdrop of quickly slowing prices, the central bank embarked on a new monetary policy easing cycle in July, repeatedly slashing the key by 125 basis points to 4% in December. The cut in the monetary policy rate was warranted not only by the slowing inflation, but the lopsided growth pattern of the country, relying solely on exports, whereas domestic demand was wallowing in the red zone. What is more, the sharp swing into RON lending led FC loans to spiral down into the red (-6.8% y/y, FX-adjusted), while the growth in the RON counterpart was too flimsy (+0.7% y/y) to withstand the downtrend. Interest rates on RON loans started to slide, but the pace was not entirely to the central bank's liking, which is why the relaxation of the monetary policy was continued in early 2014.

The successful completion of the second precautionary EUR 5 bn stand-by arrangement with the IMF and EU in June 2013 and the IMF's Board of Directors' approval, on September 27, of a third similar aid program worth EUR 2 bn running for two years was good news and redounded to the country's macro stability, especially against the highly skittish external backdrop. Romanian authorities had also asked for an additional EUR 2 bn in precautionary assistance from the European Union, while another EUR 1 bn would be granted by the World Bank.

Further good news came in June, when the European Commission officially announced Romania's exit from EDP (excessive deficit procedure), in acknowledgement of the country's efforts on the rough path of austerity, especially in 2010 and 2011, which laid the groundwork for the subsequent public finance stability and the consistent maintenance of the budget deficit target of a maximum 3% of GDP. Although budget revenue collection did not improve in 2013 (32% of GDP, from 32.9% in 2012), the government managed to deliver on the budget deficit target agreed with the IMF (2.5% of GDP, cash terms). However, reining in expenditures in the midst of a full restoration of the wages of clerks came at the expense of CAPEX, which was down 7.5% against the previous year. This was to a certain extent reflected by the slow advance of the infrastructure projects, as evidenced by data from the National Institute of Statistics.

Public debt related funding costs fell on both domestic and external markets. Romania tapped foreign markets three times in 2013 with euro- and dollar-denominated bonds in a total amount of EUR 2 bn (European market) and USD 1.5 bn (US market). The good confidence level in Romania led foreign investors to fill their bond portfolios with Romanian government notes (up to 22%, from a mere 5% in September 2012). Average yields on state bonds on the local market dropped to around 4.7% from as high as 6% in the previous year. We do not rule out the chance of higher yields in 2014, bearing in mind the Fed's move to continue dialing back its ultra-expansive monetary stimulus; inflation in Romania should start to trend up again the second half of the year.

B. Romanian Commercial Bank's Supervisory Board, Management Board, and Assets and Liabilities Committee structure during 01.01 - 31.12.2013

I. Supervisory Board

Period 1.01 – 22.04.2013

- **Andreas Treichl** - Chairman
- **Manfred Wimmer** - Deputy Chairman
- **Herbert Juranek** - member
- **Bernhard Spalt** - member
- **Florin Pogonaru** - member
- **Mihai Fercală** - member
- **Tudor Ciurezu** - member

Period 22.04 – 23.10.2013

- **Andreas Treichl** - Chairman
- **Manfred Wimmer** - Deputy Chairman
- **Herbert Juranek** - member
- **Gernot Mittendorfer** - member (appointed by SB on 23.04.2013 and granted approval by NBR on 18.10.2013)
- **Florin Pogonaru** - member
- **Brian O'Neill** - member (appointed by SB on 23.04.2013 and granted approval by NBR on 18.10.2013)
- **Tudor Ciurezu** - member

Period 23.10 – 31.12.2013

- **Manfred Wimmer** - Chairman
- **Andreas Treichl** - Deputy Chairman
- **Herbert Juranek** - member
- **Gernot Mittendorfer** - member
- **Florin Pogonaru** - member
- **Brian O'Neill** - member
- **Tudor Ciurezu** - member

II. Management Board

Period 1.01 – 1.10.2013

- **Tomas Spurny** – CEO
- **Michael Beitz** - executive vice – president
- **Wolfgang Schoiswohl** - executive vice – president
- **Martin Skopek** - executive vice – president
- **Sergiu Manea** - executive vice – president

- **Bernd Mittermair** - executive vice – president
- **Paul Ursaciuc** - executive vice – president

Period 1.10 – 31.12.2013

- **Tomas Spurny** – CEO
- **Michael Beitz** - executive vice – president
- **Wolfgang Schoiswohl** - executive vice – president
- **Martin Skopek** - executive vice – president
- **Sergiu Manea** - executive vice – president
- **Bernd Mittermair** - executive vice – president
- **Paul Ursaciuc** - executive vice – president
- **Jonathan Locke** - executive vice – president (appointed by SB on 1.10.2013 and granted approval by NBR on 17.01.2014)

III. Assets and Liabilities Management Committee

Period 1.01 – 1.10.2013

- **Tomas Spurny** – ALCO chairman
- **Bernd Mittermair** - ALCO deputy chairman
- **Michael Beitz** - member
- **Wolfgang Schoiswohl** - member
- **Martin Skopek** - member
- **Sergiu Manea** - member
- **Paul Ursaciuc** - member

Period 1.10 – 3.12.2013

- **Tomas Spurny** – ALCO chairman
- **Bernd Mittermair** - ALCO deputy chairman
- **Michael Beitz** - member
- **Wolfgang Schoiswohl** - member
- **Martin Skopek** - member
- **Sergiu Manea** - member
- **Paul Ursaciuc** - member
- **Jonathan Locke** - member (appointed by SB on 1.10.2013 and granted approval by NBR on 17.01.2014)

Period 3.12 – 31.12.2013

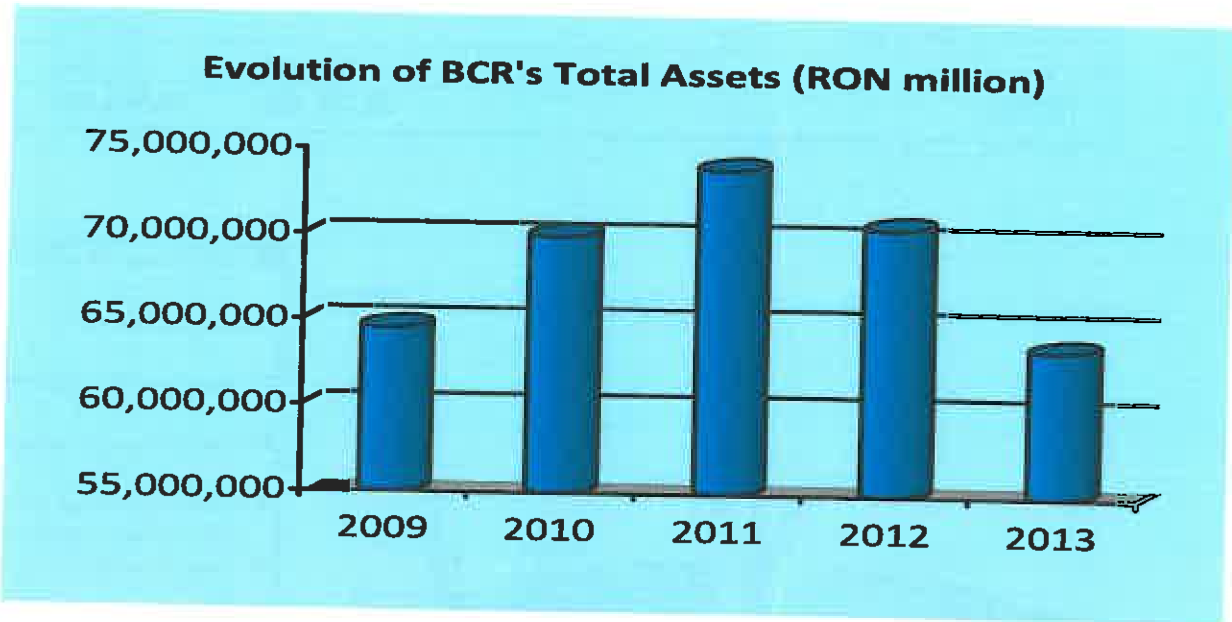
- **Bernd Mittermair** – ALCO chairman
- **Tomas Spurny** - ALCO deputy chairman
- **Michael Beitz** - member
- **Wolfgang Schoiswohl** - member
- **Martin Skopek** - member

- **Sergiu Manea** - member
- **Paul Ursaciuc** - member
- **Jonathan Locke** - member (appointed by SB on 1.10.2013 and granted approval by NBR on 17.01.2014)

C. Patrimony of the Romanian Commercial Bank

As of 31 December 2013, the Romanian Commercial Bank prepared its financial statements for the year ended on that date, in compliance with the Accounting law no. 82/1991, with its subsequent amendments and supplements and with the National Bank of Romania Order no. 27/2012 for approval of Accounting Regulations compliant with International Financial Reporting Standards applicable to credit institutions, amended and supplemented through the National Bank of Romania Order no. 26/2011 and 29/2011.

Total assets at 31 December 2013 amounted to RON 63,509,963 thousand, decreasing by 10.0% compared to 31 December 2012.

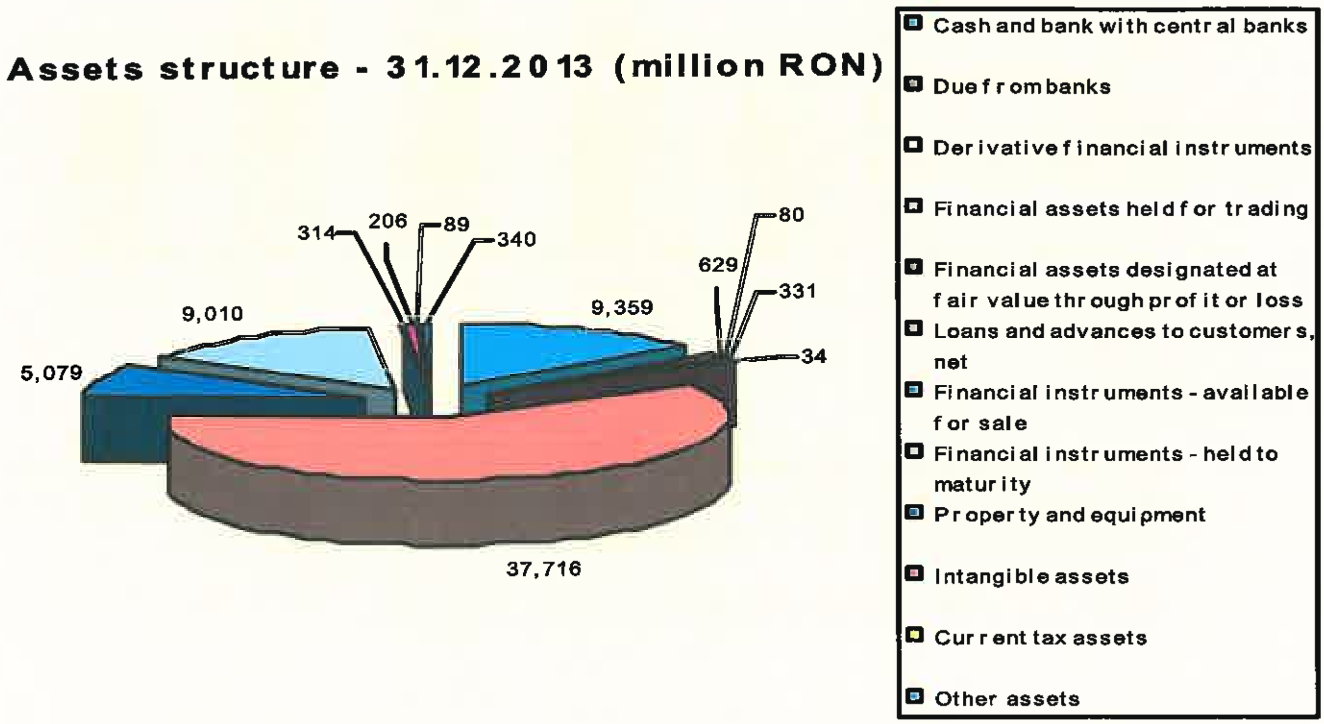


In EUR equivalent, total assets at 31 December 2013 represent 14,161.5 million, compared to EUR 15,925.9 million as at 31 December 2012 (converted at the exchange rates at the end of each corresponding financial year).

Assets in the balance sheet have the following structure:

ASSETS

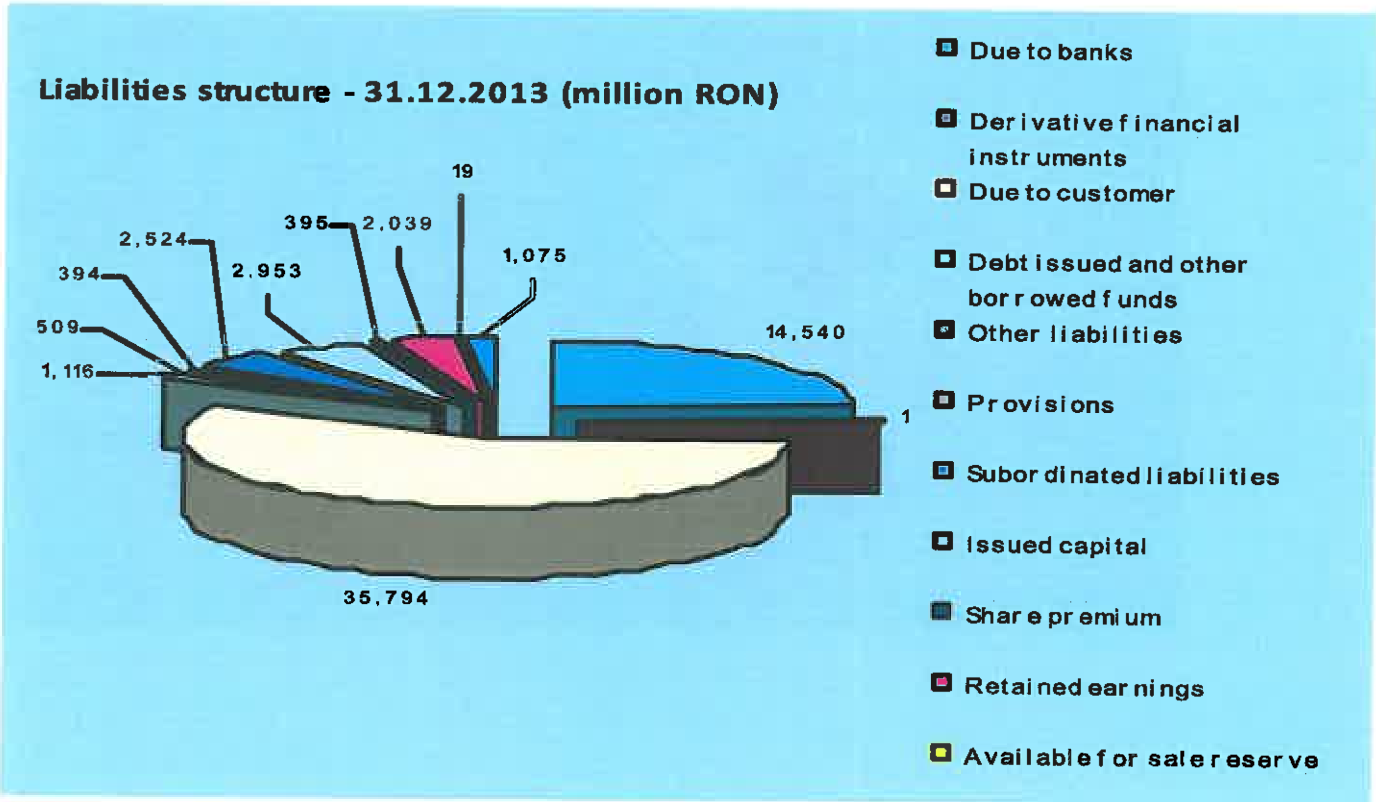
No	Asset	31.12.2012 - RON thousand -	31.12.2013 - RON thousand -	2013/2012 %
1.	Cash and balances with central banks	9,153,196	9,359,009	102.2
2.	Due from banks	285,271	629,028	220.5
3.	Reverse repurchase agreements	30,408	-	-
4.	Derivative financial instruments	130,417	80,179	61.5
5.	Financial assets held for trading	671,944	330,817	49.2
6.	Financial assets designated at fair value through profit or loss	44,736	34,351	76.8
7.	Loans and advances to customers, net	44,566,299	37,716,448	84.6
8.	Financial investments – available-for-sale	5,044,234	5,078,736	100.7
9.	Financial investments – held-to-maturity	9,418,386	9,009,939	95.7
10.	Investments in associate		7,509	-
11.	Property and equipment	414,557	314,334	75.8
12.	Intangible assets	234,918	206,146	87.8
13.	Current tax assets	177,283	89,042	50.2
14.	Deferred tax assets		314,563	-
15.	Other assets	359,534	339,862	94.5
	TOTAL	**70,531,183**	**63,509,963**	**90.0**



Liabilities and Equity in the balance sheet as at 31 December 2013, amounting to RON 63,509,963 thousand, have the following structure:

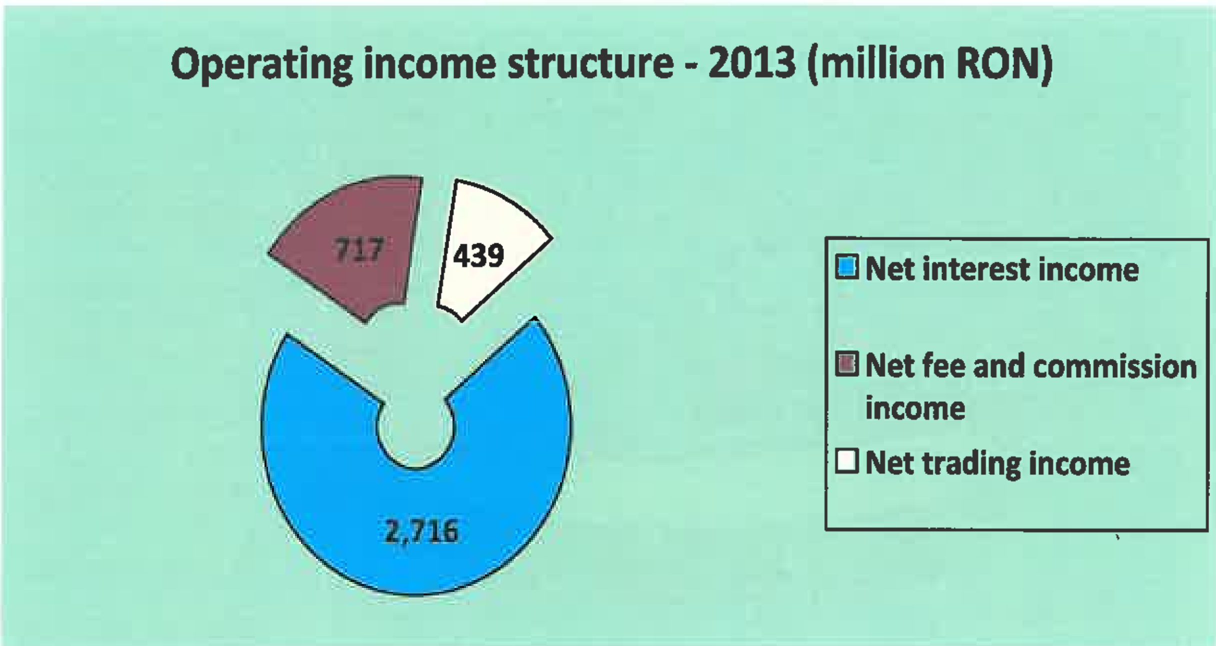
LIABILITIES AND EQUITY

No	Liability/equity	31.12.2012 - RON thousand -	31.12.2013 - RON thousand -	2013/2012 %
1.	Due to banks	20,123,674	14,540,124	72.3
2.	Derivative financial instruments	1,679,863	1,153,327	68.7
3.	Due to customers	36,818,475	35,793,600	97.2
4.	Debt issued and other borrowed funds	1,211,973	1,116,344	92.1
5.	Deferred tax liabilities	241,262	-	0.0
6.	Other liabilities	437,591	508,678	116.2
7.	Provisions	397,841	394,157	99.1
8.	Subordinated liabilities	2,497,199	2,523,883	101.1
9.	Issued capital	2,952,555	2,952,565	100.0
10.	Share premium	395,426	395,483	100.0
11.	Retained earnings	2,703,121	3,038,648	112.4
12.	Available-for-sale reserve	(15,379)	18,561	(120.7)
13.	Other capital reserve	1,087,582	1,074,593	98.8
	TOTAL	**70,531,183**	**63,509,963**	**90.0**



D. Income statement for the year ended 31 December 2013

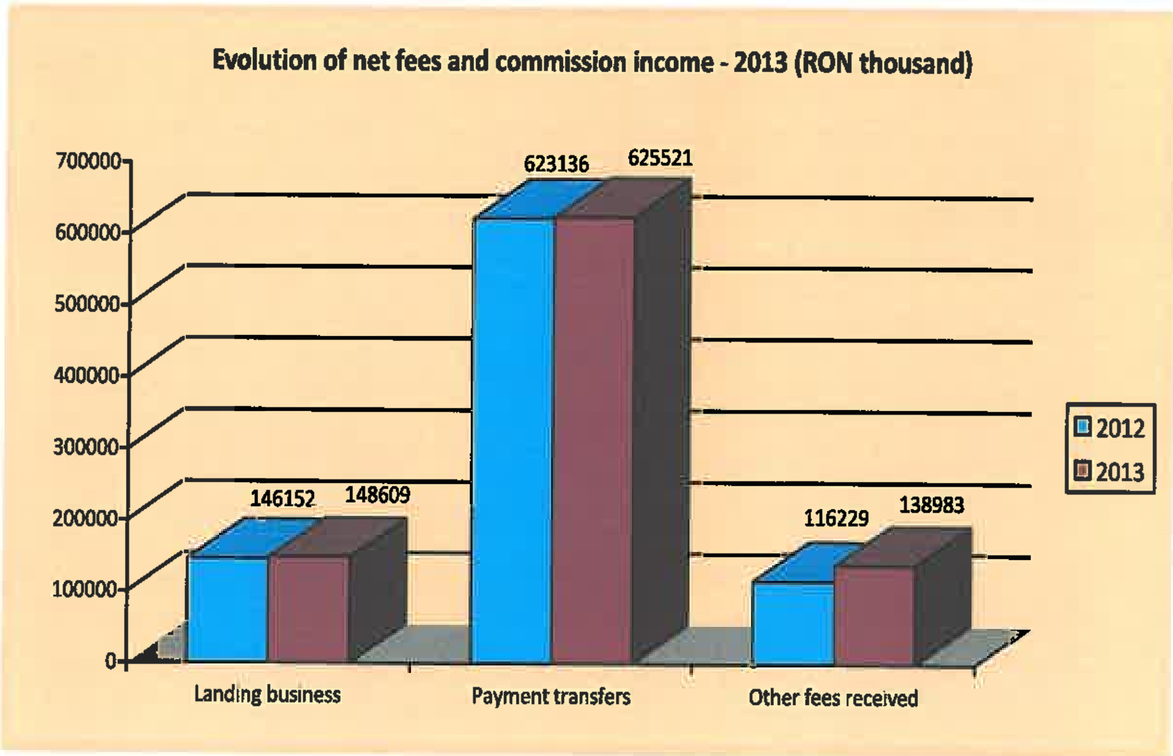
No.	Item	31.12.2012 - RON thousand -	31.12.2013 - RON thousand -	2013/2012 %
1.	Net interest income	2,872,650	2,716,457	94.6
2.	Net fee and commission income	605,778	717,464	118.4
3.	Net trading income	508,510	438,750	86.3
4.	Net gain or loss on financial assets designated at fair value through profit or loss	5,885	2,007	34.1
5.	Other operating income	69,677	136,935	196.5
6.	**Total operating income**	**4,062,500**	**4,011,613**	**98.7**
7.	Credit loss expense	(93,271,097)	(1,950,096)	59.6
8.	**Net operating income**	**791,403**	**2,061,517**	**260.5**
9.	Personnel expenses	(779,777)	(695,232)	89.2
10.	Depreciation and impairment of property and equipment	(95,122)	(93,180)	98.0
11.	Amortization and impairment of intangible assets	(60,585)	(77,489)	127.9
12.	Other operating expenses	(1,340,189)	(1,419,906)	105.9
13.	**Total operating expenses**	**(2,275,673)**	**(2,285,807)**	**100.4**
14.	**Profit/ (loss) before tax**	**(1,484,270)**	**(224,290)**	**15.1**
15.	Income tax expense	269,437	559,437	207.6
16.	**Net Profit/ (loss) for the year**	**(1,214,833)**	**335,527**	**(27.6)**



Net commission income in amount of RON 717,464 thousand (as of December 2013) compared to RON 605,778 thousand (as of December 2012), show a recovery of 18.4%, as follows:

NET FEES AND COMMISSION INCOME

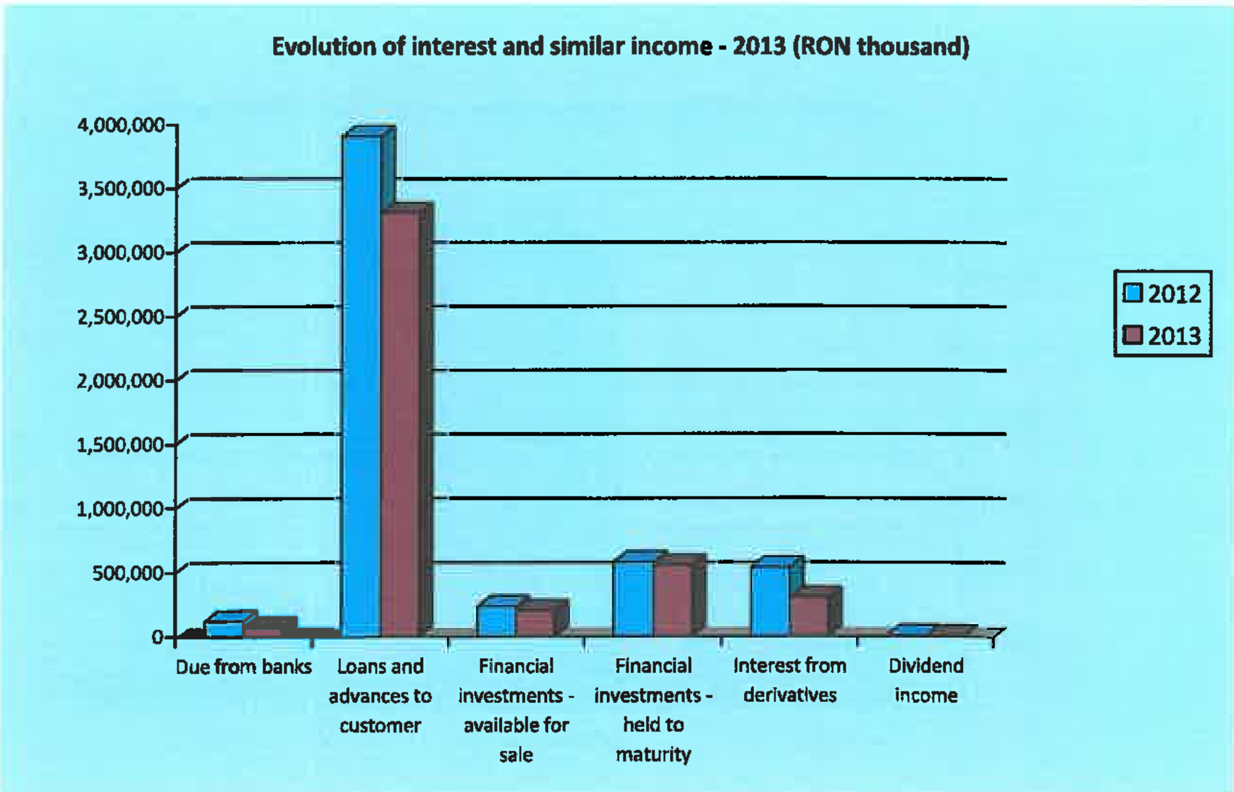
RON Thousand	2012	2013	2013/2012 %
Lending business	146,152	148,609	101.7
Payment transfers	623,136	625,521	100.4
Other fees received	116,229	138,983	119.6
Total fees and commission income	**885,517**	**913,113**	**103.1**
Lending business	19,586	20,717	105.8
Payment transfers	237,439	145,216	61.2
Other fees paid	22,714	29,719	130.8
Total fees and commission expense	**279,739**	**195,649**	**69.9**
Net fees and commission income	**605,778**	**717,464**	**118.4**



Net interest income declined by 17.4 % compared with December 31, 2012.

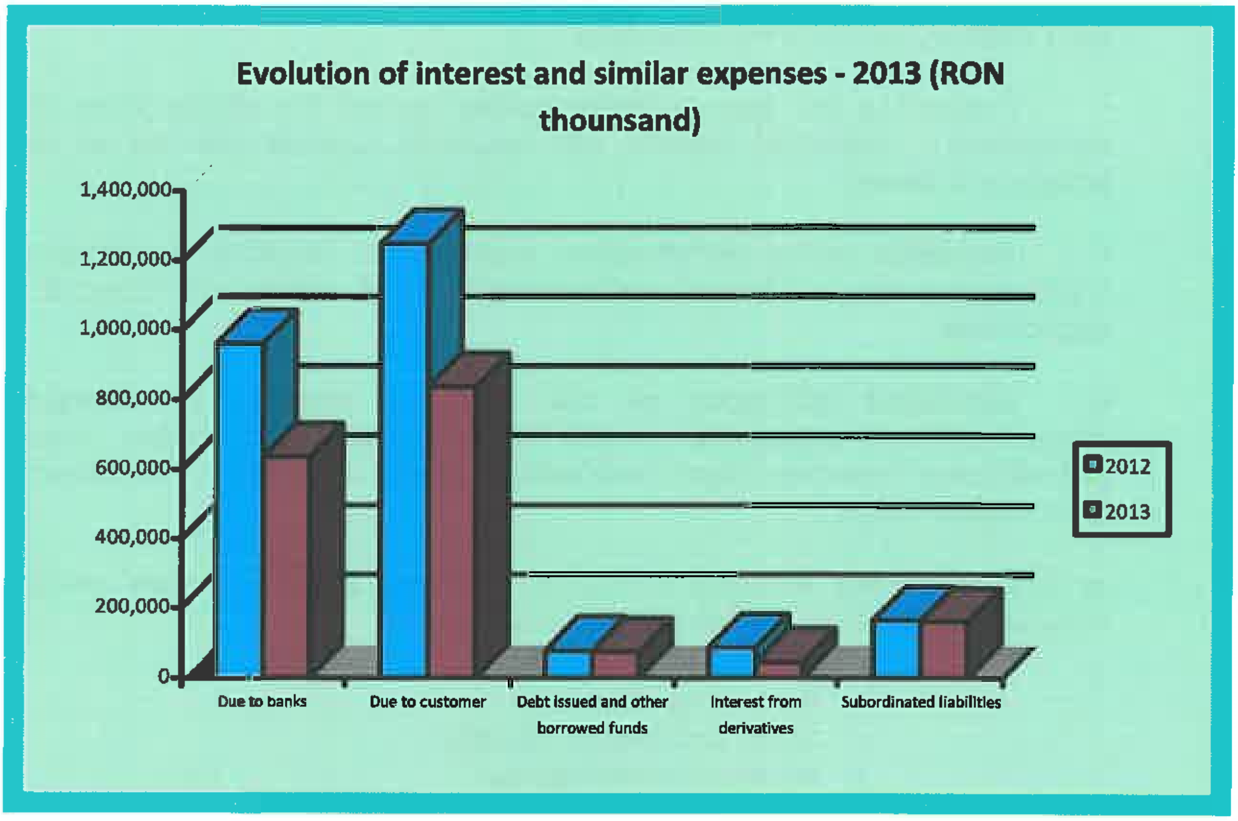
INTEREST AND SIMILAR INCOME

RON Thousand	2012	2013	2013/2012 %
Due from banks	118,885	72,344	60.9
Loans and advances to customers	3,911,202	3,311,661	84.7
Financial investments – available-for-sale	238,532	204,923	85.9
Financial investments – held-to-maturity	583,166	558,534	95.8
Interest from derivatives	542,592	307,586	56.7
Dividend income	7,608	6,418	84.4
Rental income	8,831	7,601	86.1
Other	1,962	2,130	108.6
	5,412,778	**4,471,197**	**82.6**



INTEREST AND SIMILAR EXPENSE

RON Thousand	2012	2013	2013/2012 %
Due to banks	961,657	636,310	66.2
Due to customers	1,249,724	837,587	67.1
Debt issued and other borrowed funds	77,228	74,632	96.6
Interest from derivatives	86,005	44,155	51.3
Subordinated liabilities	165,514	162,056	97.9
	2,540,128	**1,754,740**	**69.1**



The net result of 2013, calculated as the difference between revenues and their related expenses represents a gain of RON 335,527 thousand.

E. The bank risk profile

In order to protect the interests of its shareholders, deponents and other clients, BCR has established a **high risk overall exposure profile** across all its activities and its objectives, policies and exposure to **every significant risk**, including its outsourced activities. If throughout 2013 both its operational risk and its market risk profiles decreased by one category as compared to the levels stipulated in the risk strategy, while its credit risk profile remained aggressive, then the general risk profile of the bank would become aggressive.

A. The credit risk profile of BCR was rated as aggressive, considering that **credit risk is the main risk type undertaken** by BCR in 2013 and the impact the economic crisis has had upon the quality of the bank's loan portfolio.

In order to decrease its credit risk exposure, the **bank's credit risk strategy for 2013** targeted the following objectives:

▪ **Protecting the loan portfolio quality** against the effects of the crisis and maintaining a diversified portfolio, with moderate concentration risk on industries, groups and clients;

▪ **Improved rating performance** supported by regularly updating/improving/ implementing new, statistically validated scorings & ratings and financial analysis applications;

▪ **Increased efficiency of the selection process of industries/sub-industries/client segments** towards which the bank will further expose itself (infrastructure financing, export contributors, energy, agriculture, PI secured loans in RON, Public Sector);

In 2013, the bank enforced a restrictive lending policy, carefully analyzing the corporate clients from the following activity sectors:

- real estate constructions;
- car leasing/ dealers;
- textile and leather industry;
- metal and steel industry;
- trade;
- retail.

▪ **Increased loan exposure** towards existing BCR customers with good reimbursement histories (e.g. active current accounts, turnover, loans) in order to mitigate credit risk and increase investment volumes;

▪ Maintaining **proper levels of exposure collateralizations**;

- **Improved monitoring of the loan portfolio**, due to the utilization of an early warning system, as well as a system monitoring the depreciation of the financial and economic performances of corporate and retail loans;

- **Keeping NPL volumes in check** via improved workout processes. Concurrently, there is a need for gradual change in the approach of NPL-s, from "Restructure and Hold" to "Restructure and Sell".

B. In 2013, BCR had an **average market risk profile**. In order to achieve this goal in the context of the ongoing financial crisis, the bank has established its market risk profile focusing on the following:

- The bank's FX activities were transferred to EGB – which now manages the entire FX risk of BCR;
- Setting a trading book portfolio and budgets (profitability targets) for the Financial Markets Division;
- Setting market risk limits for the trading book portfolio – Delta, VaR, PVBP and S/L; the observance of these limits is monitored on a daily basis;
- Setting market risk limits for the BB securities portfolio – VaR and PVBP; the observance of these limits is monitored on a daily basis;
- Within ICAAP, among other things, BCR performs yearly stress tests regarding the interest rate risk of the banking book portfolio.

The bank's exposure to market risk is assessed by using proper tools:

- the Value at Risk method/ model;
- the Present Value Basis Point analysis for interest rate sensitive financial instruments;
- the monitoring and analysis of FX positions and the exchange rates of the main currencies in the bank's portfolio, performed on a daily basis.

C. The **liquidity risk** profile of BCR was **prudent**, due to:

- The bank's ability to obtain liquidities from treasury operations, external financing, capital markets, etc., including liquidities from the parent bank;
- The steady volume of incomes drawn from clients, due to its large network of territorial banking units;
- Maintaining an important portfolio of T-Bonds.

The systems used for the monitoring of liquidity and liquidity risk limits are standard for the Erste Group entities, as follows:

- **Short-term limits** – the bank must store a sufficient volume of T- bonds in order to cover all its net fund outputs for the next 5 work days;
- **The survival period analysis – SPA** is the key-instrument measuring insolvency risk at Group level, focusing on a short-term horizon of up to one year and using the dynamic stress test methodology;

- **The liquidity coverage ratio (LCR)** – ensures the maintenance of proper levels of highly qualitative liquidities, which may be converted into cash in a time horizon of 30 calendar days, should a stress test scenario of a severe lack of liquidities occur;
- **Net Stable Funding Ratio (NSFR)** is defined as the ratio of the amount of available stable funding to the amount of required stable funding.

D. The 2013 operational risk profile of BCR was rated as average-high, based on the following elements:

- The ongoing reorganization of the bank's business model, the optimization of its organizational structure and the size of its operational network, etc.;
- The ongoing centralization of archived/ stored original lending documents;
- Court claims in consumer protection cases (GEO no. 50/2010) regarding abusive contractual stipulations;
- the type and volume of outsourced activities;
- the number of audit recommendations with high risk of delays.

In order to decrease its exposure to operational risk, the bank's operational risk strategy for 2013 has focused on the following aspects:

- improving and increasing the efficiency of operational risk management instruments;
- constantly improving the Bank's Internal Controlling Culture regarding operational risk;
- monitoring and developing new key-risk indicators (Key Risk Indicators);
- improving fraud risk management abilities and instruments (prevention; early detection; investigations and recoveries);
- constantly working on, updating and testing the Emergency Response Plan;
- properly managing IT security risks.

The Bank seeks to constantly improve the value of its business by generating and expanding new businesses in relation to its risk appetite, as well as by improving its risk management abilities. All entities of the bank, across all hierarchic levels, are involved in the management of operational risks. The Bank will seek to develop its businesses in a well-balanced manner by constantly improving its risk management abilities, thereby expanding in a controlled environment.

Given the bank's advances in terms of operational risk management, in October 2010, the Financial Market Authority (Austria), in collaboration with the National Bank of Romania, has approved the implementation of the advanced approach in the calculation of the capital required to cover operational risk at BCR level.

Legal risk

In order to properly manage this risk and to maintain its legal and business interests, the Bank must:

- ensure an efficient legal framework and properly monitor its exposure to legal risk;
- regularly revise the internal regulatory framework and the legal drafts used in its current activities (e.g. credit and deposit contracts), as well as analyze their adequacy and alignment in relation to its activities, banking practices and legislative framework applicable;
- develop and implement processes and controls, in order to comply with the ongoing internal and external regulatory frameworks;
- monitor the evolution of its litigations portfolio and assess the causes that generated legal disputes, in order to improve its business practices and the legal drafts afferent to the products and services it provides; and
- provide proper, highly qualitative internal legal counseling to its personnel and management.

Reputation Risk

In order to properly manage this risk and to improve its reputation in relation to its clients, business partners, the entire banking segment, as well as normative and monitoring entities, the Bank:

- ensures reputational risk management across its communication, internal control and risk management functions, particularly seeking to eliminate all risks stemming from inconsistence and contradictions;
- promotes and enforces corporate values, corporate social responsibility and transparent business practices, as well as anti-discriminatory policies, by defining and implementing proper standards and conduct codes regulating the interaction between employees, clients and third parties, so that the bank comes across consistently in terms of mission and values;
- seeks in-depth knowledge and understanding of its clients' needs and opinions on the products and services it provides, as well as a high satisfaction degree for its clients and its partners in terms of the products and services provided, personnel attitude and work environment in its operative units;
- collects, analyzes and uses all information on how clients perceive the banking industry in order to improve its operations, products and services;
- ensures compliance with the ongoing regulations of the domain and selects clients and business partners in such manner so as not to become involved in illegal activities; and
- involves itself in corporate social responsibility and environmental projects, supporting the community in which it unfolds its activities.

E. The **reputational risk** profile of BCR was established **as prudent**, as the Group aims to maintain the trust of the public and of its business partners with respect to its economic and financial standing.

F. **Risk management**

BCR has continued to take all necessary actions to correlate its principles to the standards of Erste Bank Group, **Basel II principles (administered within a dedicated program) and the new Basel III requirements**:

Improving the performances of the Rating System:

- **The annual revision of rating models** based on the standard methodology of the Erste Bank Holding. Based on validation results, BCR rating models are confirmed and used in risk management activities or they are further developed, so that forecasts may be improved;
- The implementation of the Group's **Soft Corporate Facts Catalog** at Group level, in order to determine final Krimi ratings in the bank's system;
- **The constant development of BCR rating models** based on internal and external data (e.g. provided by the Credit Bureau), of business and risk strategies and of best model development practices (based on the history of EBG Competence Centers and on expert opinions);
- BCR has **improved the rating application for its PI segment** by implementing a new scoring, based on the information received from the Credit Bureau, given the new client segmentation within the rating architecture. The new model will replace FICO ratings, enabling the bank to effectively control the development methodology and the data used in the model, as it provides information on a client's reimbursement history in relation to other credit institutions as well. As part of the rating application, this model will improve the accuracy of forecasts, as well as the behavioural scoring of clients;
- Improved loan models for Large Corporate clients and for SL (Specialized Lending), as well as the local FASCOR rating model ;
- Revision of the entire rating allocation procedure for the corporate segment.

Improved measurement of Basel II risk parameters:

- Replacing the existing interim solution for **LGD and CCF** computations for Retail clients with the newly developed default database, so that the 90+DPD default definition may be supplemented in compliance with Basel II requirements, monitoring and using the value of collaterals and recoveries in loan loss assessment processes;

- Using new methodologies for **PD, LGD and CCF** in the RWA calculation as per the IRB approach, in the computation of IFRS provisions and of standard risk costs, risk-based pricing, risk and rating reports, etc. Leveling the complex definition of default across all areas of utilization (the current definition of default mainly features the 90+DPD criterion);

- Implementing a new **Standard Risk Cost** concept, in order to level and correlate these costs across all subsidiaries of ERSTE Group. The new SRC computation methodology allows the utilization of results in two directions:
- ➢ Establishing that the price is a strong indicator of EL (expected loss) compensation, loan restructuring and loan approval;
- ➢ Assessing profitability and monitoring loans at different levels, in order to generate a general short-term picture at borrower level, and making long-term strategic risk decisions at portfolio level.

- **Improved LDWH data quality**: processing, delivery and implementation of new fields in LDWH, in order to adapt the RWA calculation to Basel III requirements; a specialized DQ team was established at the beginning of 2013;

- Improved **RWA optimization in prudent and transparent manner**;

- Based on its **Risk Appetite Statement for 2013, the BCR Group has limited certain risks**, such as: the maximum value of capital used, the target for the leverage effect, concentrations on certain industrial segments, FX lending facilities, concentrations on individual clients/ groups of connected clients, SPA, loan to deposit ratio analysis, limited exposure to market risk for the Trading Book and Banking Book portfolios

    - o Implementation and reporting of new liquidity risk standards: survival period analysis, Basel III liquidity indicators: liquidity coverage indicator (LCR) and the net stable financial ratio (NSFR);
    - o Implementation of the IFRS methodology/ provisioning systems based on the standards of the Group.

In order to properly manage the **significant risks** that may affect its activities, BCR uses:

- a system of **procedures for the authorization of transactions**, which consists in the setting of approval competences/pouvoirs for the granting of loans and other credit products;
- a system for the **setting of monitoring of risk limits**, in compliance with the global risk profile of the Group, capital adequacy, liquidity, the quality of the loan portfolio, etc.;
- a system for the **reporting of exposure to risk** and other risk issues;
- a system of **responsibilities, policies, norms and procedures** regarding internal control at BCR level;
- a policy on the administration of **outsourced activities**;
- a system of procedures for **unexpected situations/crises** regarding significant risks, including the necessary steps which must be taken by the bank;
- a system of procedures preventing the unauthorized utilization of information, in order to avoid reputational issues, disclosure of confidential information and the utilization of such information for illicit/ improper personal gains;
- **personnel recruitment and payment policies**, involving high qualification, expertise and integrity standards;
- **employee training programs**.

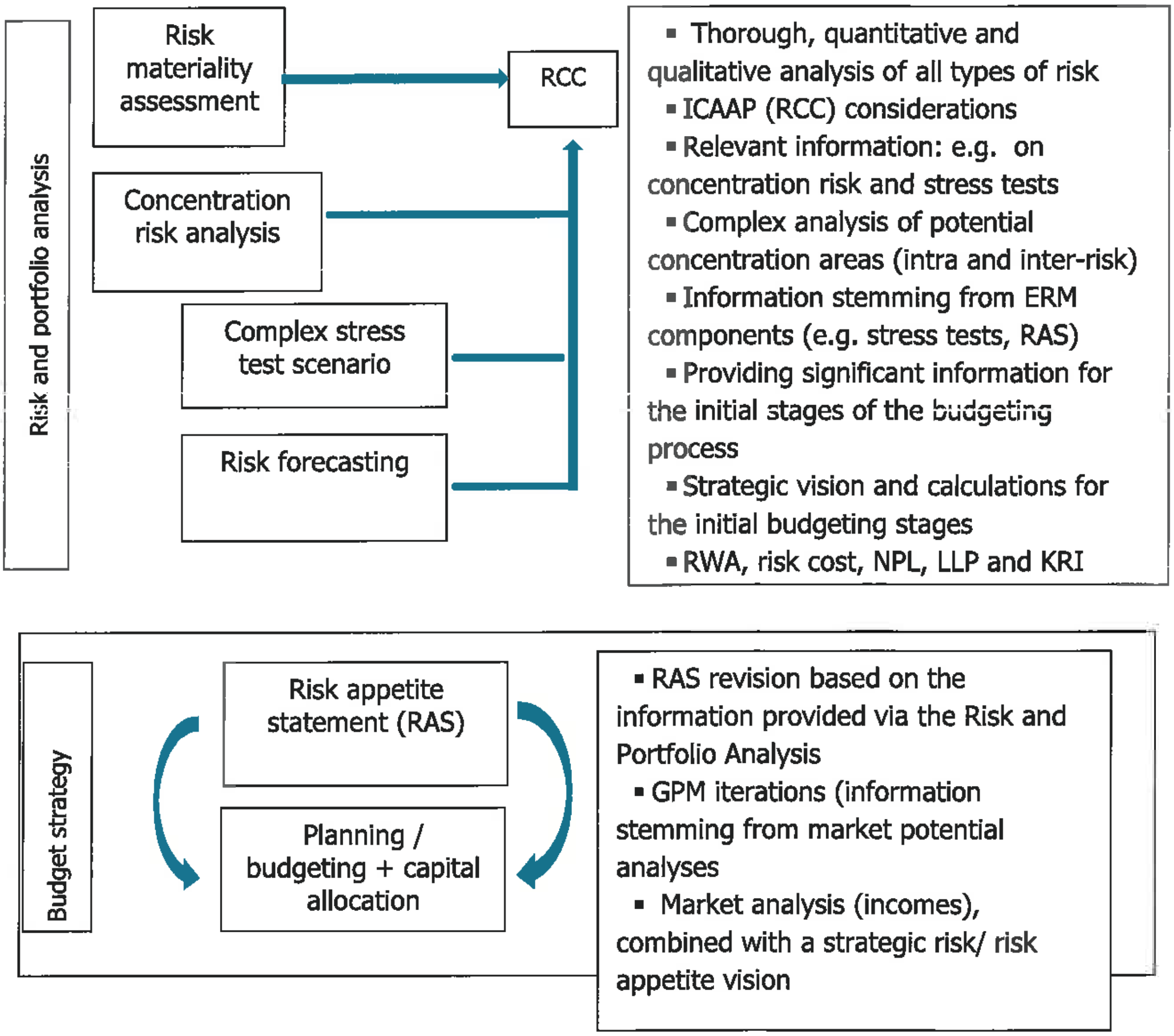
Internal capital Adequacy Assessment Process (ICAAP)

Since Q1 2011, BCR has been using the internal assessment of capital adequacy to risks **(ICAAP)** in order to assess the structure and distribution of capital required to cover all its material risks.

In terms of **documentation**, BCR has implemented the entire set of guidance and documentation regarding all ICAAP components.

In terms of **results**, the new capital allocation methodology, together with other ICAAP requirements (among other things, risk materiality assessments and concentration risk analyses, as well as stress test results and risk appetite statements as integrated parts of strategic planning) are now fully integrated in the BCR steering process, as per the standards of the Group.

In conclusion, the connections established between relevant ERM concepts are displayed below:



RCC = Risk Bearing Capacity calculation

G. <u>Important events since the end of 2013</u>

The central bank continued the monetary easing cycle, cutting the key rate 25bp in both early January and early February to 3.5%. In January, the central bank actually outdid itself, delivering across-the-board cuts (key rate and mandatory reserves ratios on RON- and FX-denominated liabilities to 12% and 18%, from the previous 15% and 20%, respectively). The National Bank could pause monetary policy relaxation through rate cuts, but we do not discount the possibility of further reductions in mandatory reserve ratios, provided that the domestic and external environments remain roughly stable.

Joint IMF/EU teams from the IMF and EU completed a combined first and second review under the third IMF Stand-By Agreement, while a staff level agreement was also reached. At the end of the mission, the IMF mentioned that all indicative targets were met, except for the arrears of state-owned companies. They added that the cabinet will present a remedy plan to set the uncomfortable situation right.

Economic sentiment again deteriorated in January, according to the European Commission monthly survey, amid softened confidence in industry, construction and retail sales. There were some improvements in consumer confidence and services, but not enough to offset the overall negative trend.

Yields on the primary market continued to grind down to 3.5%, while the average maturity lengthened to 3.7 years (from 2.4 years in December). The secondary market mirrored the moves on the primary, with investors remaining slightly keener on maturities of up to three years. However, the last few days of January marked a trend reversal in yields across the curve, with 5- and 10-year government notes drifting up to 4.6% and 5.6%, respectively (from 4.1% and 5.1% on January 22).

H. BCR policy regarding environmental issues

Romanian Commercial Bank

- Admits and accepts the fundamental importance of an integrated approach of the environmental and social factors, as well as of lasting development principles within its financing activity;
- Pays adequate attention to its financing processes, securing before making the financing decision, the compliance of the respective projects with the minimal environmental protection, social protection and occupational safety standards applicable in Romania.

Romanian Commercial Bank does not finance activities whose characteristics do not meet environmental requirements specified in the Romanian legislation and relevant international conventions and agreements to which Romania adhered expressly. In 2013, work on the environment was held in accordance with the requirements of environmental procedures that apply to all lending businesses. Analysis of environmental issues is part of the lending process (through application LAS - Loan Approval System) is mandatory for every transaction.
In Romanian Commercial Bank, environmental work is coordinated by the Department of Corporate Risk Strategy.

CHAIRMAN
OF THE SUPERVISORY BOARD

MANFRED WIMMER

CONSILIUL DE SUPRAVEGHERE BCR PREȘEDINTE

BCR

No. Cabinet of the Chairman
Supervisory Board 7/20.03.2014

CONSOLIDATED ADMINISTRATORS' REPORT
Banca Comerciala Romana Group
Year ended 31 December 2013

1. General information

During 2013, Banca Comerciala Romana Group ("BCR Group" or "the Group") comprised the parent bank, Banca Comerciala Romana S.A. and its subsidiaries, presented in the following table:

			Shareholding	
Company's Name	**Country of incorporation**	**Nature of the business**	**31 December 2013**	**31 December 2012**
BCR Chisinau SA	Moldova	Banking	100%	100%
Financiara SA	Romania	Financial	97.46%	97.46%
BCR Leasing IFN SA	Romania	Financial leasing	99.93%	99.87%
Bucharest Financial Plazza SRL	Romania	Real Estate	99.99%	99.99%
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%
BCR Banca pentru Locuinte SA	Romania	Housing loans	80.00%	80.00%
BCR Partener IFN SA	Romania	*liquidated*	0.00%	99.99%
BCR Finance BV	The Netherlands	Financial	100%	100%
Suport Colect SRL	Romania	Workout	100%	100%
BCR Procesare SRL	Romania	Cash processing and storing	99.99%	99.99%
BCR Real Estate Management SRL	Romania	Real estate	99.99%	99.99%
BCR Fleet Management SRL	Romania	Operational leasing	99.93%	99.87%
Good-Bee Service SRL	Romania	Mobile phone transactions	99.99%	99.99%
BCR Payments SPV	Romania	Payments transactions	99.99%	99.99%

2. The consolidated financial statements of the BCR Group for the year ended 31 December 2013

In accordance with the Accounting Law no. 82/1991 republished, a parent company must prepare both individual financial statements of the parent and consolidated financial statements of the Group. Order no. 27/2010 of the National Bank of Romania further specifies that the consolidated financial statements of credit institutions must be prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Consequently, the consolidated financial statements of the BCR Group for the year ended 31 December 2013 were prepared in accordance with IFRS, observing also the specific group accounting policies of Erste Group, to which BCR Group belongs.

Appendix 1 presents the consolidated income statement for the year ended 31 December 2013 (both in the layout in accordance with the published financial statements and in management accounts layout), while Appendix 2 presents the consolidated balance sheet at 31 December 2013.

3. Financial highlights*)

Operating performance in 2013 reached **RON 2,489.9 million** (EUR 563.4 million), up by 5.6% in comparison to RON 2,357.8 million (EUR 528.9 million) in 2012.

Operating income in 2013 recorded a slight decrease by 1.2% to **RON 3,990.1 million** (EUR 902.9 million) from RON 4,040.5 million (EUR 906.3 million) in 2012.

Operating expenses in 2013 significantly declined by 10.9% to **RON 1,500.2 million** (EUR 339.5 million) from RON 1,682.8 million (EUR 377.4 million) in 2012.
Cost-income ratio for the full year 2013 improved to **37.6%** versus 41.6% in 2012.

Net profit after tax and minority interests in 2013 stood at **RON 591.2 million (EUR 133.8 million)** as compared to a loss of RON 1,234.7 million (EUR 276.9 million) in 2012, delivering against the ambitious targets of the turnaround program running in BCR and also accounting for a positive one-off effect from release of deferred tax liabilities in Q2 2013.

BCR maintained leading market share by assets, despite the decline in **total assets** by 8.9% to **RON 66,728.8 million** (EUR 14,924.8 million) as of 30 December 2013, versus RON 73,287.6 million (EUR 16,489.5 million) as of 31 December 2012.

BCR has exceptionally strong capital and liquidity positions, well above regulatory minima: **Tier 1+2 capital ratio** (IFRS) for BCR group stood at **24.9%** as of December 2013, **solvency ratio** (local standards, bank standalone) at **14.65%** as of December 2013.

Prudential risk management

The net charge with **risk provisions** for loans has decreased by 41.2% YOY, being an important component that led to an improvement of the Group's results. NPL volumes have decreased by 4.2%, mainly due to portfolio sales, remains at a manageable level, whereas the **coverage ratio** remains comfortably at **110%** (collateral and provisions).

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*)sections **3) Financial Highlights** and **4) Business performance overview** refer to figures in Appendix 1 – Consolidated Income Statement in management accounts layout

4. Business performance overview*)

BCR Group achieved a solid **operating result** of **RON 2,489.9 million** (EUR 563.4 million), up by 5.6% in comparison to RON 2,357.8 million (EUR 528.9 million) in 2012, on lower income more than offset by the decrease in expenses, as result of the ambitious turnaround program.

Operating income in 2013 recorded a small decrease by 1.2% to **RON 3,990.1 million** (EUR 902.9 million) from RON 4,040.5 million (EUR 906.3 million) in 2012.

Net interest income in 2013 declined by 3%, to **RON 2,803.4 million** (EUR 634.3 million), from RON 2,891.5 million (EUR 648.6 million) in 2012, mainly due to subdued credit demand, despite new business gradually picking up.

Net fee income in 2013 was strongly up 17.7%, to **RON 747.4 million** (EUR 169.1 million), from RON 634.8 million (EUR 142.4 million) in 2012, on continuous focus on transaction banking and payment transfers.

Net trading result in 2013 decreased by 14.6%, to **RON 439.3 million** (EUR 99.4 million), from RON 514.3 million (EUR 115.4 million) in 2012, reflecting lower income from foreign exchange business.

Operating expenses in 2013 significantly declined by 10.9% to **RON 1,500.2 million** (EUR 339.5 million) from RON 1,682.8 million (EUR 377.4 million) in 2012, owing to comprehensive optimisation measures and strict cost management.
As such, **cost-income ratio** improved to **37.6%** in 2013 versus 41.6% in 2012.

Net profit after tax and minority interests stood at **RON 591.2 million (EUR 133.8 million)** as compared to a loss of RON 1,234.7 million (EUR 276.9 million) in 2012, on the back of good operating result offsetting still elevated risk costs, also accounting for a positive one-off effect from the release of deferred tax liabilities of RON 560.8 million (EUR 127.7 million) in Q2 2013.

The volume of aggregate **loans to customers** (before provisions, IFRS) decreased by 12.2% to **RON 46,735.5 million** (EUR 10,453.0 million) from RON 53,243.0 million (EUR 11,979.5 million) at year-end 2012, with new lending, impacted by weak demand, only partially offsetting redemptions and loan book contraction. BCR plans to keep focus on RON lending, so as to reverse the currency mix of the loan book in favour of local currency on medium to long term and fully use the strong self-funding capacity in RON.

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*)sections **3) Financial Highlights** and **4) Business performance overview** refer to figures in Appendix 1 – Consolidated Income Statement in management accounts layout

Amounts owed to customers slightly decreased by 1.0% at **RON 37,494.9 million** (EUR 8,386.3 million) as of 30 December 2013, versus RON 37,875.1 million (EUR 8,521.8 million) as of end December 2012. Customer deposits remain BCR's main funding source, while the bank enjoys strong support from its parent bank, at the same time benefiting from diversified funding sources and agreements with other International Financial Institutions.

BCR maintained leading market share by assets, despite decline in **total assets** by 8.9% to **RON 66,728.8 million** (EUR 14,924.8 million) as of 30 December 2013, versus RON 73,287.6 million (EUR 16,489.5 million) as of 31 December 2012.

Risk costs

The net charge with **risk provisions for loans and advances** totaled **RON 2.132,7 million** (EUR 482,6 million), down by 41.2% YOY (RON 3.625,9 million as of YE 2012), reflecting the improved quality of the loan portfolio and the beginning of economic recovery. **NPL** volumes amounted to **29.2%** of the total loan portfolio at end of December 2013. BCR Group enjoys a comfortable NPL **coverage ratio** of approx. **110%** (collateral and provisions). The main contributing factors to the decrease in NPL volumes were loan portfolio sales (both corporate and retail) and the recovery and collection processes.

BCR has maintained its focus on proactive and prudent risk management measures, mainly loan rescaling and selective restructuring processes for clients faced with financial hardships, as well as improved collection, approval and monitoring processes.

The **solvency indicators** remain above the minimum requirements threshold. Tier 1+2 capital ratio at the EO 2013: approx. **14.65%** (BCR standalone, computed as per NBR regulations – interim figures) as compared to minimum 10%, as per the current requirements of the National Bank of Romania. Furthermore, the bank's solvency rate of **24.89%** (BCR Group, IFRS, 31.12.2013, interim figures) clearly reflects the strong position of BCR and the constant support of Erste Group.

5. 2013 Business performance overview and 2014 outlook for the subsidiaries

BCR owns at 31.12.2013 equity investments in 25 companies, 12 being subsidiaries, respective BCR has the power to govern their financial and operating policies in order to obtain benefits from their activities. BCR Group consist, directly or indirectly, of the following companies: Banca Comerciala Romana SA, BCR Chisinau SA, BCR Banca pentru Locuinte SA, BCR Leasing IFN SA, BCR Pensii-Societate de Administrare a Fondurilor de Pensii Private SA, BCR Partener Mobil SRL, BCR Fleet Management SRL, BCR Real Estate Management SRL, Bucharest Financial Plazza SRL, Suport Colect SRL, BCR Procesare SRL, BCR Payments Services SRL, Financiara SA, BCR Finance BV si BCR Partener IFN SA (the last one, being liquidated during 2013).

Bucharest Financial Plazza SRL is wholly owned by BCR Real Estate Management SRL and BCR Fleet Management SRL is wholly owned by BCR Leasing IFN SA.

The developments highlighted below are the most significant ones performed at the level of the companies members of BCR Group in 2013.

BCR Chisinau SA

2013 was a transition year for BCR Chisinau. A deep analysis of portfolio was done and loans were classified according to the new risk management structure and procedures based on group approach. This reclassification set the bases for a healthier growth expected in 2014 based on conservative lending.
Non-performing loans increased in 2013 to 28.1% from 5.3% in 2012. Liquidity ratio increased to 45% in 2013 compared with 32% in previous year, solvency ratio improved to 93.4% in 2013 compared to 54.2% in 2012.
BCR Chisinau increased the Loans/Deposits ratio (excluding banks) to 138%, compared to 169% in 2012.

BCR Banca pentru Locuinte SA

Activity of Banca pentru Locuinte SA consists in the sale and management of savings and loan products for housing (type Bauspar).
On 31.12.2013, BCR Banca pentru Locuinte SA had a total of 56,703 net contracts (new contracts signed, in amount of RON 2.4 bn. The total portfolio of BCR Banca pentru Locuinte SA was 339,555 net contracts for which customers have realized savings of more than RON 1.99 bn. Estimated market share on deposits (domestic banks) was approx. 87% at the end of 2013. Lending activity recorded a substantially growth rate, as of the end of 2013 (RON 76.5 mn) - 1.6 times higher than at the end of 2012 (RON 47.6 mn), as the estimated market share for loans granted by BCR Banca pentru Locuinte SA in 2013 was about 63% .
The company's goal for next years is to be the leader of the savings banks , both based on total deposits, as well as total loans, and thus to sustain and further develop leadership in the savings and loan industry .

BCR Leasing IFN SA

In 2013 we continued the efforts to improve asset quality and efficiency of the company. Although total assets continued to decline, 21% in 2013 vs. 2012 operating result recorded a limited contraction of -8% (RON 26.4 mn in 2013 vs. RON 28.7 mn RON in 2012), due mainly to lower administrative costs with 26%.

BCR Leasing IFN SA profitability was affected by the year end of significant increase in risk costs related to a limited number of exposures (5 customer totaling RON 127 mn provision).
In 2013 was completed the bank's outsourcing of accounting processing and integration of workout activity. Also was completed outsourcing of security management and

logistics activity (registration/deregistration autovehicule, customs processes) to external suppliers.
The total value of leased assets in 2013 was EUR 56 mn, the bank beeing the main sales channel, with 53 % of sales.
In 2014 BCR Leasing IFN SA estimates a doubling of sales compared to 2013, focusing on developing sales through the bank and dealers, improving portfolio quality and increase efficiency.

BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA

BCR Pensii SAFPP is a company that performs its activity on the private pensions market in Romania, including mandatory (Pillar II) and voluntary private pensions (Pillar III).
As at the end of 2013 the company ranked 5th in the top of mandatory private pension funds management companies acting on the Romanian market, in terms of total number of subscribers, with a market share of 7.80% and 474,983 subscribers.
The Pillar II pension fund managed by BCR Pensii ranked 2nd in the top of the Romanian mandatory private pension funds as of 31.12.2013 (continuous adherence and randomly distribution performed by the National House of Pensions and other Social Insurance Rights).
As of the end of 2013 BCR Pensii SAFPP ranked 2nd on the voluntary pensions market in terms of total number of subscribers, with a market share of 27.48%, corresponding to a number of 86,114 participants.

BCR Partener Mobil (good.bee Service RO) SRL

BCR Partener Mobil SRL was set up in 2008 as Erste Bank subsidiary, being part of the global initiative „banking the unbanked" at the initiative of Erste, becoming a BCR subsidiary in July 2010. The company's activity is exclusively based on the distribution of bank services for the unbanked Romanian population segment. BCR Partener Mobil SRL is a BCR subsidiary through which the bank addresses the un(der)banked population segment of Romania. Through Simplu BCR pack BCR Partener Mobil SRL is offering easy access to BCR products, without going to the bank's office.

During 2013 (as of 15.10.2013 when BCR decided to stop the selling of BCR SIMPLU Product), operational results of the company was the following:
- New clients: 19,163 new clients compare 31,190 new clients in 2012 (full year)
- Total clients portfolio as of 15.10.2013: 47,137 clients
- Total number of transactions (mobile and card): 382,285 transactions compare 481,877 in 2012 (full year).

Due to the financial losses acumulated between 2009-2013, losses caused by business model which concentrates the activity of the company in rural unbanked areas, company GSM decided on 25.10.2013 to voluntary liquidate the company.

BCR Real Estate Management SRL

The company's core business is the management of the real estate based on tariffs or lease agreements. According to the strategy, BCR Real Estate Management SRL exercises the function as a real estate excellence center and process owner within BCR Group for services and real estate management function.
In 2013, BCR Real Estate Management SRL continued performing its core business activity represented by the management of the real estate assets owned as of the costs optimization process regarding real estate assets owned.

Bucharest Financial Plazza SRL

Bucharest Financial Plazza SRL is wholly owned by BCR Real Estate Management SRL. In 2013, the company continued performing its core business activity represented by the management of the real estate assets owned, including the management of the office building located in Bucharest, 15 Calea Victoriei.

Suport Colect SRL

The company's activity consists in monitoring, recovery and acquisition of corporate and retail receivables from customers.
Beginning of 2013, the debt collection activities have been outsourced to BCR-R3 Unit. At the end of 2013 the volume recoveries represent approx. 27% of the debt under the administration of the company.

BCR Procesare SRL

Set-up in Aug 2009, as a spin off from BCR, BCR Procesare had gradually matured and is now the 2nd largest cash transport and processing company in Romania by turnover/ business portfolio, staff, fleet and processing capacity.
While providing consistent and cost effective cash processing and transportation services to the BCR retail & ATM businesses, BCR Procesare has supported the corporate business line as well by continuously developing its corporate client's portfolio and acquiring important clients from industries such as retail, telecom, utilities, etc. The projects deployed in 2013 aiming the increase of efficiency, control and flexibility were: implementation of a new operational flow throughout the Processing Centers' network, EDA (Electronic Digital Assistant) implementation si resizing the processing centers' network by consolidating the activity in 13 processing centers. In parallel a new commercial strategy focused on generating revenues from other banking clients was designed and started to be implemented. Also, during 2013 BCR Procesare had run a significant investment program in order to enhance the security level of the processing centers.

BCR Payments Services SRL

BCR Payments Services is a subsidiary of the BCR Group, founded in 2011, following the outsourcing of payment processing, which were made until then integrated into the same unit BCR Sibiu Processing Center of the Banking Operations Department. The company is responsible for centralized processing of payment transactions in local and foreign currency, debt instruments in local currency and foreign currency, accounts opening and maintenance of corporate clients, Micro and PFA. BCR Payments Services has 100 specialized employees and serves all local units of BCR, Banking Operations Division, and other directions of BCR, on the base of the outsourcing contract signed between the two parties.
During 2013 were processed 6.2 million transactions. Also, the signatures specimens capturing and closing of accounts were internalized.

6. The Risk Exposure Profile of BCR Group

In order to protect the interests of its shareholders, deponents and other clients, BCR Group established a **high risk overall exposure profile** across all its activities and its objectives, policies and **exposure to every significant risk**, including its outsourced activities.

If throughout 2013 both its operational risk and its market risk profiles decreased by one category as compared to the levels stipulated in the risk strategy, while its credit risk profile remained aggressive, then the general risk profile of the bank would become aggressive.

In order to unfold safe and prudent activities and to ensure proper levels of capitalization, liquidity, profitability and quality for its loan portfolio, BCR must base its policies, approaches and **exposures to all significant risks** on an **acceptable ratio** (for the bank) **between the risks undertaken and the profit forecasted** (at the level of the entire portfolio, activities and transactions).

a. **The credit risk profile of BCR Group was rated as aggressive,** considering that **credit risk is the main risk type undertaken** by BCR in 2013 and the impact the economic crisis has had upon the quality of the bank's loan portfolio.

In order to decrease its credit risk exposure, **the bank's credit risk strategy for 2013** targeted the following objectives:

- **Protecting the loan portfolio quality** against the effects of the crisis and **maintaining a diversified portfolio**, with moderate concentration risk on industries, groups and clients;

- **Improved rating performance supported by regularly** updating/improving/ implementing new, statistically validated scorings & ratings and financial analysis applications;

- **Increased efficiency of the selection process of industries/sub-industries/client segments** towards which the bank will further expose itself (infrastructure financing, export contributors, energy, agriculture, PI secured loans in RON, Public Sector);

In 2013, the bank enforced a restrictive lending policy, carefully analyzing the corporate clients from the following activity sectors:

- real estate constructions;
- car leasing/ dealers;
- textile and leather industry;
- metal and steel industry;
- trade;
- retail.

- **Increased loan exposure** towards existing BCR customers with good reimbursement histories (e.g. active current accounts, turnover,loans) in order to mitigate credit risk and increase investment volumes;

- Maintaining **proper levels of exposure collateralizations**;

- **Improved monitoring of the loan portfolio,** due to the utilization of an early warning system, as well as a system monitoring the depreciation of the financial and economic performances of corporate and retail loans;

- **Keeping NPL volumes in check** via improved workout processes. Concurrently, there is a need for gradual change in the approach of NPL-s, from "Restructure and Hold" to **"Restructure and Sell"**.

b. In 2013, BCR had an **average market risk profile**. In order to achieve this goal in the context of the ongoing financial crisis, the bank has established its market risk profile focusing on the following:

- The bank's FX activities were transferred to EGB – which now manages the entire FX risk of BCR;
- setting a trading book portfolio and budgets (profitability targets) for the Financial Markets Division;
- setting market risk limits for the trading book portfolio – Delta, VaR, PVBP and S/L; the observance of these limits is monitored on a daily basis;
- setting market risk limits for the BB securities portfolio – VaR and PVBP; the observance of these limits is monitored on a daily basis;
- Within ICAAP, among other things, BCR performs yearly stress tests regarding the interest rate risk of the banking book portfolio.

c. The **liquidity risk profile** of BCR Group was **prudent**, due to:

- The bank's ability to obtain liquidities from treasury operations, external financing, capital markets, etc., including liquidities from the parent bank;

- The steady volume of incomes drawn from clients, due to its large network of territorial banking units;
- Maintaining an important portfolio of T-Bonds.

d. **The 2013 operational risk profile of BCR was rated as average-high,** based on the following elements:

- The ongoing reorganization of the bank's business model, the optimization of its organizational structure and the size of its operational network, etc.;
- The ongoing centralization of archived/stored original lending documents;
- Court claims in consumer protection cases (GEO no. 50/2010) regarding abusive contractual stipulations;
- the type and volume of outsourced activities;
- the number of audit recommendations with high risk of delays

e. The **reputational risk** profile of the BCR Group was established as **prudent**, as the Group aims to maintain the trust of the public and of its business partners with respect to its economic and financial standing.

Risk management

The BCR Group has continued to take all necessary actions to correlate its principles to the standards of Erste Bank Group, **Basel II principles (administered within a dedicated program) and the new Basel III requirements**:

Improving the performances of the Rating System:

- **The annual revision of rating models** based on the standard methodology of the Erste Bank Holding. Based on validation results, BCR rating models are confirmed and used in risk management activities or they are further developed, so that forecasts may be improved;

- The implementation of the Group's **Soft Corporate Facts Catalog** at Group level, in order to determine final Krimi ratings in the bank's system;

- **The constant development of BCR rating models** based on internal and external data (e.g. provided by the Credit Bureau), of business and risk strategies and of best model development practices (based on the history of EBG Competence Centers and on expert opinions);

- BCR has **improved the rating application for its PI segment** by implementing a new scoring, based on the information received from the Credit Bureau, given the new client segmentation within the rating architecture. The new model will replace FICO ratings, enabling the bank to effectively control the development methodology and the data used in the model, as it provides information on a client's reimbursement history in relation to other credit institutions as well. As part of the rating application, this model will improve the accuracy of forecasts, as well as the behavioral scoring of clients;

- Improved loan models for Large Corporate clients and for SL (Specialized Lending), as well as the local FASCOR rating model;

- Revision of the entire rating allocation procedure for the corporate segment.

Improved measurement of Basel II risk parameters

- Replacing the existing interim solution for **LGD and CCF** computations for Retail clients with the newly developed default database, so that the 90+DPD default definition may be supplemented in compliance with Basel II requirements, monitoring and using the value of collaterals and recoveries in loan loss assessment processes;

- Using new methodologies for **PD, LGD and CCF** in the RWA calculation as per the IRB approach, in the computation of IFRS provisions and of standard risk costs, risk-based pricing, risk and rating reports, etc. Leveling the complex definition of default across all areas of utilization (the current definition of default mainly features the 90+DPD criterion);

- Implementing a new Standard Risk Cost concept, in order to level and correlate these costs across all subsidiaries of ERSTE Group. The new SRC computation methodology allows the utilization of results in two directions:
  - ➢ Establishing that the price is a strong indicator of EL (expected loss) compensation, loan restructuring and loan approval
  - ➢ Assessing profitability and monitoring loans at different levels, in order to generate a general short-term picture at borrower level, and making long-term strategic risk decisions at portfolio level.

- **Improved LDWH data quality:** processing, delivery and implementation of new fields in LDWH, in order to adapt the RWA calculation to Basel III requirements; a specialized DQ team was established at the beginning of 2013;

- Improved **RWA optimization in prudent and transparent manner.**

- Based on its **Risk Appetite Statement for 2013, the BCR Group has limited certain risks,** such as: the maximum value of capital used, the target for the leverage effect, concentrations on certain industrial segments, FX lending facilities, concentrations on individual clients/ groups of connected clients, SPA, loan to deposit ratio analysis, limited exposure to market risk for the Trading Book and Banking Book portfolios;

- Implementation and reporting of new liquidity risk standards: survival period analysis, Basel III liquidity indicators: liquidity coverage indicator (LCR) and the net stable financial ratio (NSFR).

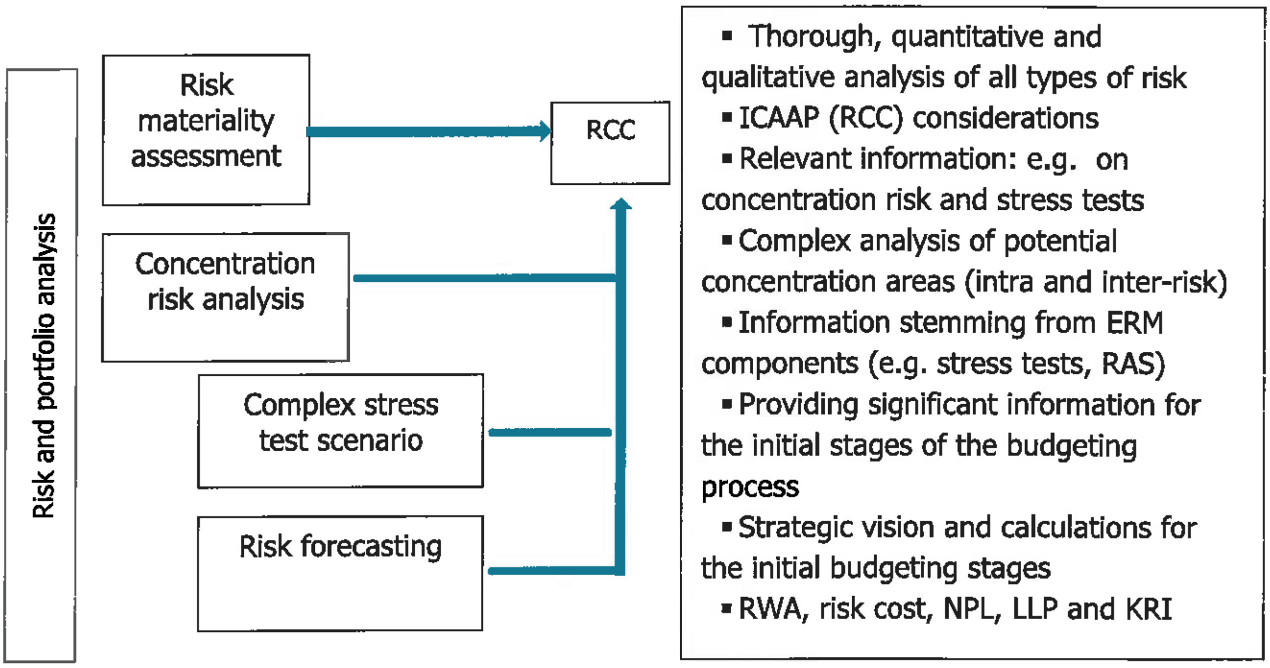
Implementation of the IFRS methodology/provisioning systems based on the standards of the Group.

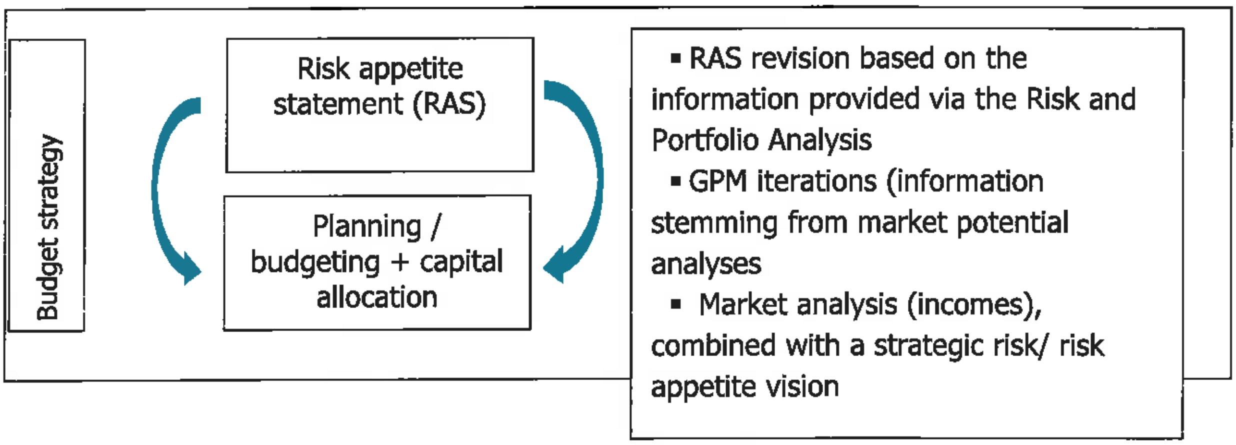
Internal capital Adequacy Assessment Process (ICAAP)

Starting with Q1 2011, BCR has been using the internal assessment of capital adequacy to risks **(ICAAP)** in order to assess the structure and distribution of capital required to cover all its material risks.

In terms of **results**, the new capital allocation methodology, together with other ICAAP requirements (among other things, risk materiality assessments and concentration risk analyses, as well as stress test results and risk appetite statements as integrated parts of strategic planning) are now fully integrated in the BCR steering process, as per the standards of the Group.

In conclusion, the connections established between relevant ERM concepts are displayed below:





RCC = Risk Bearing Capacity calculation

In order to identify and assess significant risks, the BCR Group must consider both internal (e.g.: the complexity of its organizational structure, the nature of the activities it unfolds, the quality of its personnel and potential migrations) and external factors (the economic environment, legislative changes, competition in the banking sector, technological progress, etc.).

In order to manage the risks which may affect its activities and financial performance, the Group must take all necessary measures to **identify all risk sources, to assess and monitor its exposures**, to set risk limits in relation to various counterparties such as countries, sovereign entities, banks, financial institutions affiliated to banking groups, corporate clients/groups of clients (including the risk limits set for groups of affiliated clients), market risk limits, liquidity risk monitoring limits, etc.

In 2013, BCR has implemented a complex framework for the administration of limits, thus complying with the NBR regulations on the development, monitoring and reporting of limits and connecting it with its Risk Appetite Statement. This management framework defines the methodological aspects regarding the drawing up of limits, roles and responsibilities, as well as the processes and instruments used for this purpose.

Significant risks are identified and assessed for the entire bank, across all its organizational levels, for all transactions and activities.

The proper management of **significant risks** at BCR level requires:

- a system of **procedures for the authorization of transactions**, which consists in the setting of approval competences/pouvoirs for the granting of loans and other credit products;
- a system for the **setting of monitoring of risk limits**, in compliance with the global risk profile of the Group, capital adequacy, liquidity, the quality of the loan portfolio, etc.;
- a system for **the reporting of exposure to risk** and other risk issues;
- a system of **responsibilities, policies, norms and procedures** regarding internal control at BCR level;
- a policy on the administration of **outsourced activities;**
- a system of **procedures for unexpected situations/crises** regarding significant risks, including the necessary steps which must be taken by the bank;
- a system of procedures preventing the unauthorized utilization of information, in order to avoid reputational issues, disclosure of confidential information and the utilization of such information for illicit/improper personal gains;
- **personnel recruitment and payment policies**, involving high qualification, expertise and integrity standards;
- **Employee training programs**.

The Group takes all the necessary measures in order to maintain a proper informing system for the identification, assessment, monitoring and systematic documentation of significant risks, both at bank level and at structural level.

Risks are assessed by Group specialists who have no direct responsibilities in achieving commercial and financial targets.

The BCR Group properly assigns tasks at all organizational levels, making sure that its personnel does not have to perform conflicting tasks (e.g. dual responsibilities in domains such as: both front-office and back-office activities – approving draw-downs and performing the actual draw-downs, credit documentation assessments and client monitoring activities, etc.)

The Group must systematically monitor its compliance with the ongoing procedures regarding significant risks and take all necessary measures to solve any deficiency uncovered.

The Group uses internal credit scoring models in order to set limits for countries, banks, sovereign entities, financial institutions affiliated to banking groups, based on EBG standards.

The bank's exposure to market risk is assessed by using proper tools:

- the Value at Risk method/model;
- the Present Value Basis Point analysis for interest rate sensitive financial instruments;
- regular position analyses for the main currencies on interest rate types;
- the monitoring and analysis of FX positions and the exchange rates of the main currencies in the bank's portfolio, performed on a daily basis.

The systems used for the monitoring of liquidity and liquidity risk limits are standard for the Erste Group entities, as follows:

- **Short-term limits** – the bank must store a sufficient volume of T- bonds in order to cover all its net fund outputs for the next 5 work days;
- The **survival period analysis – SPA** is the key-instrument measuring insolvency risk at Group level, focusing on a short-term horizon of up to one year and using the dynamic stress test methodology;
- The **liquidity coverage ratio** (LCR) – ensures the maintenance of proper levels of highly qualitative liquidities, which may be converted into cash in a time horizon of 30 calendar days, should a stress test scenario of a severe lack of liquidities occur;
- **Net Stable Funding Ratio** (NSFR) is defined as the ratio of the amount of available stable funding to the amount of required stable funding;
- Other internally defined liquidity indicators which are monitored on a daily basis.

In order to decrease its exposure to operational risk, the bank's operational risk strategy for 2013 has focused on the following aspects:

- improving and increasing the efficiency of operational risk management instruments;

- constantly improving the bank's Internal Controlling Culture regarding operational risk;
- monitoring and developing new key-risk indicators (Key Risk Indicators);
- improving fraud risk management abilities and instruments (prevention; early detection; investigations and recoveries);
- constantly working on, updating and testing the Emergency Response Plan;
- properly managing IT security risks.

The Bank constantly seeks to improve the value of its business by generating and expanding new businesses in relation to its risk appetite, as well as by improving its risk management abilities. All entities of the bank, across all hierarchic levels, are involved in the management of operational risks. The Bank will seek to develop its businesses in a well-balanced manner by constantly improving its risk management abilities, thereby expanding in a controlled environment.

Given the bank's advances in terms of operational risk management, in October 2010, the Financial Market Authority (Austria), in collaboration with the National Bank of Romania, has approved the implementation of the advanced approach in the calculation of the capital required to cover operational risk at BCR level.

Legal risk

In order to properly manage this risk and to maintain its legal and business interests, the Bank must:

- ensure an efficient legal framework and properly monitor its exposure to legal risk;
- regularly revise the internal regulatory framework and the legal drafts used in its current activities (e.g. credit and deposit contracts), as well as analyze their adequacy and alignment in relation to its activities, banking practices and legislative framework applicable;
- develop and implement processes and controls, in order to comply with the ongoing internal and external regulatory frameworks;
- monitor the evolution of its litigations portfolio and assess the causes that generated legal disputes, in order to improve its business practices and the legal drafts afferent to the products and services it provides; and
- provide proper, highly qualitative internal legal counseling to its personnel and management.

Reputation Risk

In order to properly manage this risk and to improve its reputation in relation to its clients, business partners, the entire banking segment, as well as normative and monitoring entities, the Bank:

- ensures reputational risk management across its communication, internal control and risk management functions, particularly seeking to eliminate all risks stemming from inconsistence and contradictions;

- promotes and enforces corporate values, corporate social responsibility and transparent business practices, as well as anti-discriminatory policies, by defining and implementing proper standards and conduct codes regulating the interaction between employees, clients and third parties, so that the bank comes across consistently in terms of mission and values;
- seeks in-depth knowledge and understanding of its clients' needs and opinions on the products and services it provides, as well as a high satisfaction degree for its clients and its partners in terms of the products and services provided, personnel attitude and work environment in its operative units;
- collects, analyzes and uses all information on how clients perceive the banking industry in order to improve its operations, products and services;
- ensures compliance with the ongoing regulations of the domain and selects clients and business partners in such manner so as not to become involved in illegal activities; and
- involves itself in corporate social responsibility and environmental projects, supporting the community in which it unfolds its activities.

7. Important events since the end of 2013

The central bank continued the monetary easing cycle, cutting the key rate 25bp in both early January and early February to 3.5%. In January, the central bank actually outdid itself, delivering across-the-board cuts (key rate and mandatory reserves ratios on RON- and FX-denominated liabilities to 12% and 18%, from the previous 15% and 20%, respectively). The National Bank could pause monetary policy relaxation through rate cuts, but we do not discount the possibility of further reductions in mandatory reserve ratios, provided that the domestic and external environments remain roughly stable.

Joint IMF/EU teams from the IMF and EU completed a combined first and second review under the third IMF Stand-By Agreement, while a staff level agreement was also reached. At the end of the mission, the IMF mentioned that all indicative targets were met, except for the arrears of state-owned companies. They added that the cabinet will present a remedy plan to set the uncomfortable situation right.

Economic sentiment again deteriorated in January, according to the European Commission monthly survey, amid softened confidence in industry, construction and retail sales. There were some improvements in consumer confidence and services, but not enough to offset the overall negative trend.

Yields on the primary market continued to grind down to 3.5%, while the average maturity lengthened to 3.7 years (from 2.4 years in December). The secondary market mirrored the moves on the primary, with investors remaining slightly keener on maturities of up to three years. However, the last few days of January marked a trend reversal in yields across the curve, with 5- and 10-year government notes drifting up to 4.6% and 5.6%, respectively (from 4.1% and 5.1% on January 22).

8. BCR Group's policy regarding environmental issues

BCR Group

- Admits and accepts the fundamental importance of an integrated approach of the environmental and social factors, as well as of lasting development principles within its financing activity;
- Pays adequate attention to its financing processes, securing before making the financing decision, the compliance of the respective projects with the minimal environmental protection, social protection and occupational safety standards applicable in Romania.

BCR Group does not finance activities whose characteristics do not meet environmental requirements specified in the Romanian legislation and relevant international conventions and agreements to which Romania adhered expressly. In 2013, work on the environment was held in accordance with the requirements of environmental procedures that apply to all lending businesses. Analysis of environmental issues is part of the lending process (through application LAS - Loan Approval System) is mandatory for every transaction.
In Romanian Commercial Bank, environmental work is coordinated by the Department of Corporate Risk Strategy.

9. Outlook for BCR Group's activity

In the current business environment BCR's ambition is to ensure long term sustainability and banking leadership in Romania, delivering value to our shareholders and constantly improving quality of products and services for our clients.

BCR Group's mid-term strategy is developed around five major goals addressing asset quality, commercial and risk management capabilities, financial excellence and operational leverage.

The initiatives started in late 2012 to resolve the NPL legacy issues and clean up **asset quality** will be continued through reinforced remedial, restructuring and recovery activities. The bank will also focus on significant improvement of its **risk management capabilities** by implementing an effective risk steering framework and enhanced risk management culture.

In 2014 we expect the bank to benefit from stronger **commercial capabilities**, following the business and operating model review carried on last year. BCR will profit from the new network structure, the new corporate clients coverage model and enhanced incentive schemes and processes, which will drive increased customer satisfaction, productivity gains and healthy business growth.

Reaching the **financial excellence** will continue with the institutionalization of an effective framework for performance steering throughout BCR Group via regular reviews of comprehensive set of commercial, risk and financial metrics and governance best practices.

Keeping costs under control and increasing **operational leverage** will remain a major objective, essential for sustainable business development. Process improvements in terms of stability and predictability will continue this year based on developing IT systems and platforms.

Another key priority for BCR is reinforcement of **performance management and staff development**. We consider that efficient motivation schemes, complemented by the right training programs are prerequisite for delivering quality and value to our customers.

Though challenged by the still fragile business conditions and a tougher regulatory environment, BCR is prepared to capture a significant share of the market opportunities in all the segments it operates through the bank and its subsidiaries.

CHAIRMAN of the SUPERVISORY BOARD

MANFRED WIMMER

CONSILIUL DE SUPRAVEGHERE BCR PRESEDINTE

Appendix 1

Consolidated income statement for the year ended 31 December 2013

(layout in accordance with the published financial statements)

in RON million	2013	2012	% change
Net interest income	2,811.2	2,898.3	-3.0%
Net fee and commission income	747.4	634.8	17.7%
Net trading income	439.3	514.3	-14.6%
Net gain or loss on financial assets and liabilities designated at fair value through profit or loss	2.0	5.9	-65.9%
Other operating income	135.9	102.1	33.1%
Total operating income	**4,135.8**	**4,155.4**	-0.5%
Credit loss expense	-2,132.7	-3,625.9	-41.2%
Net operating income	**2,003.1**	**529.5**	278.3%
Personnel expenses	-764.9	-872.2	-12.3%
Depreciation and impairment of property and equipment	-131.1	-142.8	-8.2%
Amortization of intangible assets	-95.5	-69.5	37.4%
Other operating expenses	-948.4	-931.0	1.9%
Total operating expenses	**-1,939.9**	**-2,015.5**	-3.8%
Operating profit	**63.2**	**-1,485.9**	-104.3%
Share of profit of associate	3.5	0.0	0.0%
Profit/(loss) before tax	**66.8**	**-1,485.9**	-104.5%
Income tax release/(expense)	531.9	256.3	107.5%
Profit/(loss) for the year	**598.7**	**-1,229.6**	-148.7%
Attributable to:			
Equity holders of the parent	591.2	-1,234.7	-147.9%
Non-controlling interests	7.5	5.1	48.4%

Appendix 1

Consolidated income statement for the year ended 31 December 2013

(management accounts layout)

in RON million	2013	2012	% change
Interest and similar income	4,636.7	5,522.8	-16.0%
Interest and similar expense	-1,833.3	-2,631.3	-30.3%
Net interest income	**2,803.4**	**2,891.5**	**-2.9%**
(Risk provisions for loans and advances)	-2,132.7	-3,625.9	-41.2%
Fee and commission income	962.2	932.2	3.2%
Fee and commission expenses	-214.8	-297.5	-27.8%
Net fee and commission income	**747.4**	**634.8**	**17.7%**
Net trading result	439.3	514.3	-14.6%
Personnel expenses	-764.9	-872.2	-12.3%
Other administrative expenses	-528.9	-609.2	-13.2%
Depreciation of fixed assets	-206.3	-201.4	-2.4%
Other operating result	-306.5	-226.4	35.4%
Result from financial assets – at fair value through profit or loss	2.0	5.9	-65.9%
Result from financial assets – available for sale	14.0	2.7	442.8%
Pre- tax profit/(loss)	**66.8**	**-1,485.9**	-104.5%
Income tax release/(expense)	531.9	256.3	107.5%
Net profit/(loss) before non-controlling interests	**598.7**	**-1,229.6**	-148.7%
Non-controlling interests	7.5	5.1	-48.4%
Net profit/(loss) after non-controlling interests	**591.2**	**-1,234.7**	**-147.9%**
Operating income[1]	**3,990.1**	**4,040.5**	**-1.2%**
General administrative expenses[2]	**-1,500.2**	**-1,682.8**	**-10.9%**
Operating result	**2,489.9**	**2,357.8**	**5.6%**

[1] net interest income, net commission income, net trading result

[2] personnel expenses, other administrative expenses, depreciation on fixed assets

Appendix 2

Consolidated balance sheet at 31 December 2013

in RON million	Dec 13	Dec 12	% change
ASSETS			
Cash and balances with central banks	9,399.4	9,187.3	2.3%
Due from banks	656.2	361.2	81.7%
Financial assets held for trading	330.8	671.9	-50.8%
Derivative financial instruments	82.0	132.3	-38.0%
Financial assets designated at fair value through profit or loss	34.4	44.7	-23.2%
Loans and advances to customers	37,755.9	44,892.3	-15.9%
Financial investments – available-for-sale	5,281.3	4,324.5	22.1%
Financial investments – held-to-maturity	10,235.3	10,757.6	-4.9%
Investment in associate	14.3	0.0	0.0%
Property and equipment	1,363.1	1,488.5	-8.4%
Goodwill and other intangible assets	387.4	429.7	-9.9%
Current tax assets	89.3	177.4	-49.7%
Deferred tax assets	315.4	35.2	794.7%
Other assets	676.8	711.6	-4.9%
Assets held for sale	107.4	73.3	46.6%
TOTAL ASSETS	**66,728.8**	**73,287.6**	**-8.9%**
LIABILITIES AND EQUITY			
Due to banks	15,913.6	21,894.7	-27.3%
Due to customers	37,494.4	37,875.1	-1.0%
Debt issued and other borrowed funds	1,252.9	1,347.7	-7.0%
Derivative financial instruments	1,153.3	1,679.9	-31.3%
Current tax liabilities	2.2	4.0	-43.8%
Deferred tax liabilities	3.8	259.8	-98.5%
Other liabilities	561.9	519.8	8.1%
Provisions	399.1	406.9	-1.9%
Subordinated liabilities	2,523.9	2,497.2	1.1%
TOTAL LIABILITIES	**59,305.6**	**66,485.1**	**-10.8%**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT			
Issued capital	2,952.6	2,952.6	0.0%
Share premium	395.5	395.4	0.0%
Retained earnings	2,931.4	2,337.7	25.4%
Available-for-sale reserve	25.9	-12.9	-300.8%
Foreign currency translation reserve	0.7	8.7	-91.5%
Other capital reserve	1,089.2	1,101.7	-1.1%
	7,395.3	**6,783.2**	9.0%
Non-controlling interests	*28.0*	*19.3*	*44.7%*
TOTAL EQUITY	***7,423.3***	***6,802.5***	*9.1%*
TOTAL LIABILITIES AND EQUITY	**66,734.8**	**73,287.6**	**-8.9%**

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REPORT OF THE FINANCIAL AUDITOR

To the shareholders of Banca Comerciala Romana SA

Report on the Financial Statements

1. We have audited the accompanying financial statements of Banca Comerciala Romana SA and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. We have also audited the separate statement of financial position of Banca Comerciala Romana SA (the "Bank"), and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended presenting the following:

- Consolidated Net assets/ Total equity and reserves: 7,423,250 lei thousand
- Consolidated Profit for the year: 598,716 lei thousand
- Individual Net assets/ Total equity and reserves: 7,479,850 lei thousand
- Individual Profit for the year: 335,527 lei thousand

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements which have been presented together to report on the statement of financial position, the statement of comprehensive income, statement of changes in equity and statement of cash flows for both Group and the Bank, in accordance with Order of the National Bank of Romania no. 27/2010 and related amendments, which requires that these consolidated/separate financial statements are to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards of auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – The Group

6. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Order of the National Bank of Romania no. 27/2010 and related amendments and in accordance with International Financial Reporting Standards as adopted by the European Union.

Opinion – The Bank

7. In our opinion, the separate financial statements give a true and fair view of the financial position of the Bank as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with Order of the National Bank of Romania no. 27/2010 and related amendments and in accordance with International Financial Reporting Standards as adopted by the European Union.

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

In accordance with the Order of National Bank of Romania no. 27/2010, article no. 40 point e), we have read the Consolidated Administrators' Report presented. The Consolidated Administrators' Report is not a part of the consolidated financial statements. In the Consolidated Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements.

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

In accordance with the Order of National Bank of Romania no. 27/2010, article no. 16 point 1e), we have read the Separate Administrators' Report presented. The Separate Administrators' Report is not a part of the separate financial statements. In the Separate Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying separate financial statements.

On behalf of

Ernst & Young Assurance Services SRL

Registered with the Chamber of Financial Auditors in Romania

Nr. 77/15 August 2001

Camera Auditorilor Financiari din România
Mocanu Daniel Sebastian
Nr. 1603

Name of signing person: Sebastian Mocanu

Registered with the Chamber of Financial Auditors in Romania

No. 1603/16 August 2005

Bucharest, Romania

11 March 2014

English translation for information purposes only

BCR

STATEMENT OF COMPREHENSIVE INCOME

Consolidated and Bank

For the year ended 31 December 2013

RON Thousand	Notes	Group 2013	Group 2012	Bank 2013	Bank 2012
Interest and similar income	4	4,644,475	5,529,614	4,471,197	5,412,778
Interest and similar expenses	5	(1,833,309)	(2,631,318)	(1,754,740)	(2,540,128)
Net interest income		**2,811,166**	**2,898,296**	**2,716,457**	**2,872,650**
Fee and commission income	6	962,221	932,238	913,113	885,517
Fee and commission expenses	6	(214,784)	(297,464)	(195,649)	(279,739)
Net fee and commission income	6	**747,437**	**634,774**	**717,464**	**605,778**
Net trading income	7	439,299	514,306	438,750	508,510
Net gain or loss on financial assets designated at fair value through profit or loss		2,007	5,885	2,007	5,885
Other operating income	8	135,926	102,130	136,935	69,677
Total operating income		**4,135,835**	**4,155,391**	**4,011,613**	**4,062,500**
Credit loss expense	9	(2,132,723)	(3,625,851)	(1,950,096)	(3,271,097)
Net operating income		**2,003,112**	**529,540**	**2,061,517**	**791,403**
Personnel expenses	10	(764,946)	(872,171)	(695,232)	(779,777)
Depreciation and impairment of property and equipment	20	(131,095)	(142,801)	(93,180)	(95,122)
Amortization and impairment of intangible assets	21	(95,479)	(69,485)	(77,489)	(60,585)
Other operating expenses	11	(948,354)	(930,997)	(1,419,906)	(1,340,189)
Total operating expenses		**(1,939,874)**	**(2,015,454)**	**(2,285,807)**	**(2,275,673)**
Operating profit		63,238	(1,485,914)	(224,290)	(1,484,270)
Share of profit of associate	19	3,531	-	-	-
Profit/ (loss) before tax		**66,769**	**(1,485,914)**	**(224,290)**	**(1,484,270)**
Income tax release / (expense)	12	531,947	256,302	559,817	269,437
Profit / (loss) for the year		**598,716**	**(1,229,612)**	**335,527**	**(1,214,833)**
Profit attributable to:					
Equity holders of the parent		591,200	(1,234,677)	335,527	(1,214,833)
Non-controlling interests		7,516	5,065	-	-
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	13	(7,972)	(5,508)	-	-
Net gain from cash flow hedges	13	(10,834)	4,972	(10,834)	4,972
Net (loss)/gain on available-for-sale financial assets	13	48,038	25,220	40,405	24,366
Income tax effect	12	(5,951)	(4,834)	(4,732)	(4,695)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**23,281**	**19,850**	**24,839**	**24,643**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Re-measurement gains (losses) on defined benefit plans	13	(4,628)	(1,583)	(4,628)	(1,575)
Income tax effect	12	740	253	740	252
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(3,888)**	**(1,330)**	**(3,888)**	**(1,323)**
Other comprehensive income for the year, net of tax		**19,393**	**18,520**	**20,951**	**23,320**
Total comprehensive income for the year, net of tax		**618,109**	**(1,211,092)**	**356,478**	**(1,191,513)**
Attributable to:					
Equity holders of the parent		609,459	(1,216,177)	356,478	(1,191,513)
Non-controlling interests		8,650	5,085	-	-
		618,109	(1,211,092)	356,478	(1,191,513)

AUTHORISED PERSON
First name and name
Signature
Executive Vice-President

Mr. Bernd MITTERMAIR

AUTHORISED PERSON
First name and name
Signature
Executive Director
Accounting Division

Renata ANDRIES

The accompanying notes form an integral part of these financial statements

BCR

STATEMENT OF FINANCIAL POSITION
Consolidated and Bank
For the year ended 31 December 2013

RON Thousand	Notes	Group 2013	Group 2012	Bank 2013	Bank 2012
ASSETS					
Cash and balances with central banks	15	9,399,353	9,187,338	9,359,009	9,153,186
Due from banks	16	653,502	361,221	629,028	285,271
Reverse repurchase agreements		-	30,408	-	30,408
Derivative financial instruments	28	82,014	132,254	80,179	130,417
Financial assets held for trading	17	330,817	671,944	330,817	671,944
Financial assets designated at fair value through profit or loss	17	34,351	44,736	34,351	44,736
Loans and advances to customers, net	18	37,758,620	44,861,880	37,716,448	44,566,299
Financial investments – available-for-sale	19	5,281,313	4,324,501	5,078,736	5,044,234
Financial investments – held-to-maturity	19	10,235,256	10,757,585	9,009,939	9,418,386
Investment in associate	19	14,297	-	7,509	-
Property and equipment	20	1,363,104	1,488,485	314,334	414,557
Goodwill and other intangible assets	21	387,352	429,678	206,146	234,918
Current tax assets		89,273	177,445	89,042	177,283
Deferred tax assets	12	315,314	35,247	314,563	-
Other assets	22	676,798	711,640	339,862	359,534
Assets held for sale	23	107,433	73,283	-	-
TOTAL ASSETS		**66,728,797**	**73,287,645**	**63,509,963**	**70,531,183**
LIABILITIES AND EQUITY					
Due to banks	24	15,913,555	21,894,679	14,540,124	20,123,674
Derivative financial instruments	28	1,153,327	1,679,863	1,153,327	1,679,863
Due to customers	25	37,494,946	37,875,118	35,793,600	36,818,475
Debt issued and other borrowed funds	26	1,252,897	1,347,716	1,116,344	1,211,973
Current tax liabilities		2,228	3,965	-	-
Deferred tax liabilities	12	3,820	259,848	-	241,262
Other liabilities	29	561,830	519,833	508,678	437,591
Provisions	30	399,061	406,893	394,157	397,841
Subordinated liabilities	27	2,523,883	2,497,199	2,523,883	2,497,199
TOTAL LIABILITIES		**59,305,547**	**66,485,114**	**56,030,113**	**63,407,878**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT					
Issued capital	32	2,952,565	2,952,555	2,952,565	2,952,555
Share premium		395,483	395,426	395,483	395,426
Retained earnings		2,931,403	2,337,660	3,038,648	2,703,121
Available-for-sale reserve	32	26,335	(12,882)	18,561	(15,379)
Foreign currency translation reserve	32	748	8,717	-	-
Other capital reserve	32	1,088,720	1,101,709	1,074,593	1,087,582
		7,395,254	6,783,185	7,479,850	7,123,305
Non-controlling interests		27,996	19,346	-	-
TOTAL EQUITY		**7,423,250**	**6,802,531**	**7,479,850**	**7,123,305**
TOTAL LIABILITIES AND EQUITY		**66,728,797**	**73,287,645**	**63,509,963**	**70,531,183**

AUTHORISED PERSON	AUTHORISED PERSON
First name and name	First name and name
Signature	Signature
Executive Vice-President	Executive Director Accounting Division
Mr. Bernd MITTERMAIR	Renata ANDRIES

Andries

The accompanying notes form an integral part of these financial statements

BCR

STATEMENT OF CHANGES IN EQUITY

Consolidated and Bank

for the year ended 31 December 2013

GROUP

RON Thousand	Attributable to equity holders of the parent: Issued capital and share premium	Retained earnings	Other capital reserves	Total	Non-controlling interests	Total equity
At 31 December 2012	3,347,981	2,337,660	1,097,544	6,783,185	19,346	6,802,531
Net gain/(loss) on available-for-sale financial investments	-	-	46,684	46,684	1,354	48,038
Exchange differences on translation of foreign operations	-	-	(7,969)	(7,969)	(3)	(7,972)
Actuarial gain/(loss) on defined benefit plans	-	-	(4,628)	(4,628)	-	(4,628)
Net gain/(loss) from cash flow hedges	-	-	(10,834)	(10,834)	-	(10,834)
Income tax relating to the components of other comprehensive income	-	-	(4,994)	(4,994)	(217)	(5,211)
Other comprehensive income for the year	-	-	18,259	18,259	1,134	19,393
Profit/(loss) for the year	-	591,200	-	591,200	7,516	598,716
Total comprehensive income for the year	-	591,200	18,259	609,459	8,650	618,109
Share capital increase by shareholders' contribution	10	-	-	10	-	10
Share premium	57	-	-	57	-	57
Changes in parent's ownership interst in a subsidiary	-	2,543	-	2,543	-	2,543
At 31 December 2013	3,348,048	2,931,403	1,115,803	7,395,254	27,996	7,423,250

RON Thousand	Attributable to equity holders of the parent: Issued capital and share premium	Retained earnings	Other capital reserves	Total	Non-controlling interests	Total equity
At 31 December 2011	2,880,660	3,572,337	1,079,044	7,532,041	14,261	7,546,302
Net gain/(loss) on available-for-sale financial investments	-	-	25,197	25,197	23	25,220
Exchange differences on translation of foreign operations	-	-	(5,508)	(5,508)	-	(5,508)
Actuarial gain/(loss) on defined benefit plans	-	-	(1,583)	(1,583)	-	(1,583)
Net gain/(loss) from cash flow hedges	-	-	4,972	4,972	-	4,972
Income tax relating to the components of other comprehensive income	-	-	(4,576)	(4,576)	(3)	(4,581)
Other comprehensive income for the year	-	-	18,500	18,500	20	18,520
Profit/(loss) for the year	-	(1,234,677)	-	(1,234,677)	5,065	(1,229,612)
Total comprehensive income for the year	-	(1,234,677)	18,500	(1,216,177)	5,085	(1,211,092)
Share capital increase by shareholders' contribution	71,895	-	-	71,895	-	71,895
Share premium	395,426	-	-	395,426	-	395,426
At 31 December 2012	3,347,981	2,337,660	1,097,544	6,783,185	19,346	6,802,531

BANK

RON Thousand	Issued capital and share premium	Retained earnings	Other capital reserves	Total
At 31 December 2012	3,347,981	2,703,121	1,072,203	7,123,305
Net gain/(loss) on available-for-sale financial investments	-	-	40,405	40,405
Actuarial gain/(loss) on defined benefit plans	-	-	(4,628)	(4,628)
Net gain/(loss) from cash flow hedges	-	-	(10,834)	(10,834)
Income tax relating to the componenets of other comprehensive income	-	-	(3,992)	(3,992)
Other comprehensive income for the year	-	-	20,951	20,951
Profit/(loss) for the year	-	335,527	-	335,527
Total comprehensive income for the year	-	335,527	20,951	356,478
Share capital increase by shareholders' contribution	10	-	-	10
Share premium	57	-	-	57
At 31 December 2013	3,348,048	3,038,648	1,093,154	7,479,850

RON Thousand	Issued capital and share premium	Retained earnings	Other capital reserves	Total
At 31 December 2011	2,880,660	3,917,954	1,048,883	7,847,497
Net gain/(loss) on available-for-sale financial investments	-	-	24,366	24,366
Actuarial gain/(loss) on defined benefit plans	-	-	(1,575)	(1,575)
Net gain/(loss) from cash flow hedges	-	-	4,972	4,972
Income tax relating to the componenets of other comprehensive income	-	-	(4,443)	(4,443)
Other comprehensive income for the year	-	-	23,320	23,320
Profit/(loss) for the year	-	(1,214,833)	-	(1,214,833)
Total comprehensive income for the year	-	(1,214,833)	23,320	(1,191,513)
Share capital increase by shareholders' contribution	71,895	-	-	71,895
Share premium	395,426	-	-	395,426
At 31 December 2012	3,347,981	2,703,121	1,072,203	7,123,305

STATEMENT OF CASH FLOWS
Consolidated and Bank
for the year ended 31 December 2013

RON Thousand	Notes	Group 2013	Group 2012	Bank 2013	Bank 2012
Profit/(loss) before tax		66,769	(1,485,914)	(224,292)	(1,484,270)
Adjustments for:					
Change in operating assets	34	5,453,631	(240,383)	5,383,944	(691,312)
Change in operating liabilities	34	(6,993,507)	(3,202,668)	(7,308,817)	(3,237,661)
Non-cash items included in profit before tax	34	2,308,464	3,867,220	2,451,158	3,779,550
Net (gain)/loss from investing activities	34	(24,987)	(3,993)	(31,079)	(5,899)
Payments made against provisions	34	(109,529)	(20,636)	(108,963)	(20,409)
Income tax paid	34	89,321	(11,205)	100,485	-
Net cash flows from operating activities		**790,162**	**(1,097,579)**	**262,436**	**(1,660,001)**
INVESTING ACTIVITIES					
Purchase of property, equipment and intangibles	20,21	(117,257)	(187,072)	(101,812)	(99,245)
Proceeds from sale of property and equipment	20,21	62,063	24,461	69,337	68,879
Purchase of financial investments		(6,279,685)	(7,383,565)	(6,249,525)	(6,342,390)
Proceeds from sale of financial investments		5,857,106	5,585,685	6,304,897	4,992,044
Dividends received		8,548	9,570	8,548	9,570
Net cash flows from investing activities		**(469,225)**	**(1,950,921)**	**31,445**	**(1,371,142)**
FINANCING ACTIVITIES					
Proceeds from subordinated liabilities	27	-	455,950	-	455,950
Proceeds from issue of share capital	32	67	467,321	67	467,321
Proceeds from debt issued and other borrowed funds		897,858	964,586	577,050	643,776
Repayment of debt issued and other borrowed funds		(799,634)	(815,901)	(391,104)	(382,490)
Net cash flows from financing activities		**100,834**	**1,071,956**	**186,013**	**1,184,557**
Net increase / (decrease) in cash and cash equivalents		421,771	(1,976,544)	479,894	(1,846,586)
Cash and cash equivalents at 1 January		**9,390,885**	**11,367,429**	**9,356,703**	**11,203,289**
Cash and cash equivalents at 31 December	34	**9,812,656**	**9,390,885**	**9,836,597**	**9,356,703**
Operational cash flows from interest					
Interest paid		1,835,359	2,675,911	1,756,790	2,584,721
Interest received		4,392,047	5,613,693	4,247,289	5,496,857

The accompanying notes form an integral part of these financial statements

1. CORPORATE INFORMATION

Banca Comerciala Romana S.A. ('the Bank' or 'BCR') together with its subsidiaries (the 'Group') provides retail, corporate banking and investment banking services mainly in Romania. As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. Until 31 December 2013, Erste Bank purchased further 31.69% from employees and other shareholders of the Bank. The ultimate parent of the Group is Erste Group Bank AG.

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (hereinafter referred to the "Privatstiftung") control 20.13% interest in Erste Group Bank AG. The Privatstiftung holds 18.52% of the shares directly and further 1.61% of the shares are held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung. Furthermore, 4.34% of the shares are held by Austrian Savings Bank which act together and are affiliated with Erste Group by virtue of the Haftungsverbund.

The Group provides day-to-day banking services and other financial services to governmental institutions, corporate and individual clients operating in Romania and abroad. These services include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, finance micro and small enterprises, bank guarantees, letters of credit and through subsidiaries also leasing, brokerage, financial consultancy services and asset management.

Banca Comerciala Romana S.A. is incorporated and domiciled in Romania. Its registered office is at 5, Elisabeta Boulevard, Bucharest, Romania.

The consolidated financial statements for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Management Board on 11 March 2014.

2. ACCOUNTING POLICIES

The accounting policies apply to both the consolidated ("Group") and separate financial statements of the Bank, except for accounting of investments in subsidiaries and associates in the Bank's financial statements.

2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis modified to include the inflation adjustments under International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies" up to 31 December 2003, except for available-for-sale investments, trading financial assets, derivative financial instruments and financial assets at fair value through profit or loss, that have been measured at fair value.

The Bank and its subsidiaries which are incorporated in Romania maintain their books of account and prepare their statutory financial statements in accordance with Romanian Accounting Regulations and in the case of the Bank and its subsidiaries 'BCR Leasing IFN SA','BCR Partener IFN' and 'BCR Banca pentru Locuinte' also in accordance with Romanian Banking Regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their presentation currencies and in accordance with the regulations of the countries in which they operate.

The consolidated financial statements have been prepared in accordance with IFRS as endorsed by the European Union and uniform accounting policies for consolidation were used.

The consolidated financial statements are presented in Romanian Lei ('RON'), and all values are rounded to the nearest RON thousands, except when otherwise indicated.

2. ACCOUNTING POLICIES (continued)

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2013 and 31 December 2012:

Company's name	Country of Incorporation	Nature of the business	Shareholding 31 dec 2013	Shareholding 31 dec 2012
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%
Financiara SA	Romania	Financial	97.46%	97.46%
BCR Leasing IFN SA	Romania	Financial leasing	99.93%	99.87%
Bucharest Financial Plazza SRL*	Romania	Real estate	99.99%	99.99%
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%
BCR Banca pentru Locuinte SA	Romania	Housing loans	80.00%	80.00%
BCR Partener IFN SA	Romania	Consumer loans	0.00%	99.99%
BCR Finance BV	The Netherlands	Financial	100.00%	100.00%
Suport Colect SRL	Romania	Workout	100.00%	100.00%
BCR Procesare SRL	Romania	Cash processing and storing	99.99%	99.99%
BCR Real Estate Management SRL	Romania	Real estate	99.99%	99.99%
BCR Fleet Management SRL**	Romania	Operational leasing	99.93%	99.87%
BCR Partener Mobil SRL	Romania	Mobile phone transactions	99.99%	99.99%
BCR Payments SPV	Romania	Payments transactions	99.99%	99.99%

* Company held indirectly by BCR through BCR Real Estate Management SRL
** Company held indirectly by BCR through BCR Leasing SA

(1) Impact of inflation

Romania was a hyperinflationary economy and was officially declared as ceasing to be hyperinflationary for IFRS reporting purposes as at 1 July 2004. The financial statements of the Group and the Bank have been restated to take into account the effects of inflation until 31 December 2003 in accordance with the provisions of and guidance in IAS 29. In summary IAS 29 requires that financial statements prepared on a historical cost should be restated in terms of measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the profit or loss and disclosed separately.

(2) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 38.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

(3) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.
The Bank is accounting the investments in subsidiaries in the separate financial statements as "Financial investments – available-for-sale".

2. ACCOUNTING POLICIES (continued)

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit or loss from the date of acquisition or up to the date of disposal, as appropriate.

The Bank sponsors the formation of special purpose entities (SPEs), primarily for the purpose of facilitation of investments by the Bank's clients, and to accomplish certain narrow and well defined objectives. The Bank consolidates those SPEs if the substance of its relationship with them indicates that it has control over them.

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Up to 1 July 2009, acquisitions of minority interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the fair value of the share of the net assets acquired was 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 profit or loss in the year of acquisition. After 1 July 2009, any change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss.

(4) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method. The Bank's investments in its associate are accounted at cost in the separate financial statements.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2. ACCOUNTING POLICIES (continued)

2.2. Significant accounting judgments and estimates

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

(1) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs.

(2) Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and advances is disclosed in more detail in Note 9 and Note 18.

(3) Impairment of available-for-sale equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% and 'prolonged' greater than 1 year. In addition, the Group evaluates other factors, such as the share price volatility.

(4) Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management 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.

2. ACCOUNTING POLICIES (continued)

(5) Benefits granted on the date of retirement

The cost of the defined benefit consisting of a one-off payment of up to six monthly gross salaries on the date of retirement is determined using 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. See Note 31 for the assumptions used.

(6) 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.

2.3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the separate financial statements of the Bank and of the consolidated financial statements of the Group are set out below.

(1) Foreign currency translation

The financial statements are presented in RON, which is the Bank's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the statement of financial position date. All differences are taken to 'Net trading income' in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at 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.

(ii) Group companies

As at the reporting date, the assets and liabilities of subsidiaries are translated into the Bank's presentation currency (RON) at the rate of exchange ruling at the statement of financial position date, and their profits or losses are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the statement of comprehensive income in 'Other operating expenses' or 'Other operating income', respectively.

2. ACCOUNTING POLICIES (continued)

(2) Financial Instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the settlement date, i.e. the date on which the agreement is settled by delivery of assets that are subject of the agreement. Derivatives are recognized on trade date basis, i.e. the date that the Group or the Bank commits to purchase or sell the asset.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(iii) Derivatives recorded at fair value through profit or loss

Derivatives include currency swaps, forward foreign exchange contracts, interest rate swaps and interest rate options. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in 'Net trading income'.

(iv) Financial assets and financial liabilities held for trading

Financial assets or financial liabilities held for trading, comprising financial instruments held for trading other than derivatives, are recorded in the statement of financial position at fair value. Changes in fair value are recognized in 'Net trading income'. Interest and dividend income or expenses are recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established. Included in this classification are debt securities, equities and short positions in debt securities and securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in 'Interest and similar income' when the right to the payment has been established.

2. ACCOUNTING POLICIES (continued)

(vi) Held-to-maturity financial investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest and similar income' in the statement of comprehensive income. The losses arising from impairment of such investments are recognized in the statement of comprehensive income line 'Other operating expenses'.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

(vii) Due from banks and loans and advances to customers

'Due from banks' and 'Loans and advances to customers' are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that should be an integral part of the effective interest rate. The amortization is included in 'Interest and similar income' in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in 'Credit loss expense'.

(viii) Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as financial investments at fair value through profit or loss, trading financial assets, held-to-maturity or loans and advances. They include equity instruments, investments in mutual funds and money market and other debt instruments. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the 'Available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of comprehensive income in 'Other operating income' or 'Other operating expenses'. Where the Group holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognized in the profit or loss as 'Interest and similar income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the profit or loss in 'Other operating expenses' and removed from the available-for-sale reserve.

(ix) Debt issued and other borrowed funds

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as liabilities under 'Debt issued and other borrowed funds', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that should be an integral part of the effective interest rate.

(x) Reclassification of financial assets

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate method. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the profit or loss. Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

2. ACCOUNTING POLICIES (continued)

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or 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 modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(4) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized on the statement of financial position as a 'Repurchase agreement', reflecting its economic substance as a loan to the Group or the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. Where the transferee has the right to sell or pledge the asset, the asset is recorded on the statement of financial position as 'Financial assets held for trading pledged as collateral'.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized on the statement of financial position. The corresponding cash paid, including accrued interest, is recognized on the statement of financial position as a 'Reverse repurchase agreements'. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

(5) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the statement of financial position, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'Net trading income'.

(6) Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

2. ACCOUNTING POLICIES (continued)

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date. Where a fair value cannot reliably be estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(7) Impairment of financial assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from banks and loans and advances to customers

For amounts due from banks and loans and advances to customers carried at amortized cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. ACCOUNTING POLICIES (continued)

(ii) Held-to-maturity financial investments

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss to the "Other operating expenses".

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to the 'Other operating expenses'.

(iii) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each statement of financial position date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss – is removed from equity and recognized in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed through the profit or loss.

(iv) 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, calculated using the loan's original effective interest rate.

(v) Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and periodically after the inception date.
To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

(vi)Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Group's policy.

2. ACCOUNTING POLICIES (continued)

(8) Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate and currency risks. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the profit or loss.

(i) Fair value hedges

The purpose of the hedge is to hedge the risk of the changes in fair value of underlying item (which are on statement of financial position items) designated as hedged items, by interest rate swaps or currency swaps designated as hedging instruments.

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the profit of loss in 'Net trading income'. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in 'Net trading income'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the profit or loss.

(ii) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the 'Cash flow hedge' reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in 'Net trading income'.

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the profit of loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit or loss.

(9) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

2. ACCOUNTING POLICIES (continued)

(10) Leasing

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight line basis over the lease term. Contingent rental payables are recognised as an expense in the period in which they are incurred.

(ii) Group as a lessor

Finance leases, where the Group transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position in 'Loans and advances to customers'. A receivable is recognized over the leasing period of an amount equalling the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. All income resulting from the receivable is included in 'Interest and similar income' in the statement of comprehensive income.

(11) 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 revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that 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 (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. 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.

Interest related to interest rate derivatives designated as hedging instruments is recognised as interest income and interest expense over the period of hedging relationship.

Rental income from operational leasing and investment properties is recognised as interest income.

(ii) 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:

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 commission and asset management income, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

2. ACCOUNTING POLICIES (continued)

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. These fees include underwriting fees, corporate finance fees and brokerage fees.

(iii) Dividend income

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

(iv) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded in hedging transactions.

(12) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

(13) Property and equipment

Property and equipment is stated at cost (restated for hyperinflation for assets acquired prior to 31 December 2003 – Note 2.1) excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings — 30 to 50 years (mainly 50 years)
- Office equipment — 3 to 10 years
- Other furniture and equipment — 3 to 15 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' or 'Other operating expenses' in the statement of comprehensive income in the year the asset is derecognized.

(14) Investment properties

An investment property is measured initially at its cost taking into account any expenditure directly attributable to the purchase (e.g. fees paid to the estate agent, notarial fees, property transfer taxes and fees).

In Group after initial recognition an investment property is measured at amortised cost (cost model) in accordance with IAS 16. Following that, an investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Investment properties that meet the criteria to be classified as held for sale in accordance with IFRS 5 are measured in accordance with IFRS 5.

2. ACCOUNTING POLICIES (continued)

(15) Business combinations and Goodwill

Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(16) Intangible assets

Intangible assets include the value of computer software and licenses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licenses 3-5 years

(17) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

Goodwill

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

2. ACCOUNTING POLICIES (continued)

(18) 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. 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 to settle any financial obligation arising as a result of the guarantee.

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

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value if the discounting effect is material. The Bank has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts are recognised as loans and receivables.

(19) Employee benefits

(i) Short term service benefits

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

(ii) Defined contribution plans

The Bank and the subsidiaries in Romania, in the normal course of business make payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank and of the subsidiaries in Romania are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the profit or loss as incurred. The Bank and the subsidiaries in Romania do not have any further obligations.

The Bank and the subsidiaries in Romania do not operate any independent pension scheme and, consequently, have no obligation in respect of pensions and they do not operate any other post retirement benefit plan. They have no obligation to provide further benefits to current or former employees.

(iii) Defined benefit plans

Certain incorporated subsidiaries operate defined benefits plans for the employees. The defined benefit liabilities have been calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The calculation is performed by a qualified actuary using the projected unit credit method. The defined benefit obligation has been recognized in the consolidated financial statements of the Group.

(iv) Long-term service benefits

The Bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. On the basis of the Collective Labor Agreement, the Bank and one of its Romanian subsidiaries have a contractual obligation to make a one-off payment of up to six (the Bank), respectively two (the subsidiary) gross monthly salaries to retiring employees on the date of retiring. The defined benefit obligations are calculated by a qualified actuary taking into account the estimated salary at the date of retirement and the number of years served by each individual. In accordance with the 2004 Amendment to IAS 19 ('Employee Benefits – Actuarial gains and Losses, Group Plans and Disclosures'), the Bank and its respective subsidiary have opted for actuarial gains and losses to be recognized in full as they arise in equity.

2. ACCOUNTING POLICIES (continued)

(20) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources 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, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring provisions

Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plans main features.

(21) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred 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 allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in other comprehensive income and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. ACCOUNTING POLICIES (continued)

(22) Fiduciary assets

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

(23) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders.
Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.
Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

(24) Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group),
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

2.4. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2013:

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income.**
- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**
- **IFRS 13 Fair Value Measurement**

IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income
The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The effect of this amendment affects presentation only and has no impact on the Group's financial position or performance.

IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. This amendment has no effect on Group's financial position or performance.

2. ACCOUNTING POLICIES (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group/Company. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures.

2.5. Standards issued but not yet effective and not early adopted

IAS 28 Investments in Associates and Joint Ventures (Revised)

The Standard is effective for annual periods beginning on or after 1 January 2014. As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group does not expect that this amendment will have a significant impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2014.These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39

IFRS 9, as issued, reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The subsequent package of amendments issued in November 2013 initiate further accounting requirements for financial instruments. These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; b) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. These standard and subsequent amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IFRS 11 Joint Arrangements

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group does not expect that this amendment will have a significant impact on the financial position or performance of the Group.

2. ACCOUNTING POLICIES (continued)

IFRS 12 Disclosures of Interests in Other Entities

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2014. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IFRS 14 Regulatory Deferral Accounts

The standard is effective for annual periods beginning on or after 1 January 2016. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have a significant impact on the financial position or performance of the Group.

IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets

This amendment is effective for annual periods beginning on or after 1 January 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. The Group does not expect that this amendment will have a significant impact on the financial position or performance of the Group.

IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

This amendment is effective for annual periods beginning on or after 1 January 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

2. ACCOUNTING POLICIES (continued)

IAS 19 Defined Benefit Plans (Amended): Employee Contributions

The amendment is effective from 1 July 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IFRIC Interpretation 21: Levies

The interpretation is effective for annual periods beginning on or after 1 January 2014. The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

- **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

- **IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 Fair Value Measurement:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- **IAS 40 Investment Properties:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

3. SEGMENT INFORMATION

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Bank is organized into the following business segments:

Retail banking

The Group provides individuals and micro clients with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, mortgages, overdrafts, credit cards facilities and funds transfer facilities), savings and deposit taking business, payment services and securities business.

Local corporate banking

Within corporate banking, the Group provides corporations (including small-medium enterprises and public institutions) with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions. Principally handling loans, other credit facilities, deposits, current accounts for corporate and institutional customers comprises the following:

- Small and Medium Enterprises – companies having annual turnover > 1-8 million EUR;
- Large Corporate –companies having annual turnover > 8-50 million EUR;
- Municipalities - according to annual income, municipalities are managed at:
  - Municipalities Division level: > 2 million EUR;
  - Commercial Centers (SME) level: < 2 million EUR.

Group corporate investment banking (GCIB)

The Group provides Real estate and GLC clients with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions; within this segment the Group also includes providing investment banking services and financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

Real Estate companies - according to the value of the financing of project, real estate are managed at:
- Real Estate Division level: > 3 million EUR for Bucharest and > 2 million EUR for the branch network;
- Commercial Centers (SME) level: < 3 million EUR for Bucharest and < 2 million EUR for the branch network.

Group Large Corporate – companies having annual turnover > 50 million EUR;

Treasury and Balance sheet management (GCM)

Principally providing money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading and investment, issuance of bonds.

Corporate center (CC)– unallocated items and items which do not belong to business lines.

The business segment reporting format is the Group's basis of segment reporting. Transactions between business segments are conducted at arm's length.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation. The mapping of individual accounts by main line items of income and expenses, respectively assets and liabilities and equity, for purposes of segment reporting is done on an internal management approach, rather than an external financial reporting approach.

In order to split the Group results on business lines the following subsidiaries are allocated entirely on Retail segment: Good Bee Service, BCR Pensii SAFPP, Banca pentru Locuinte, Suport Colect and some of the consolidation adjustments; BCR Leasing and BCR Chisinau are allocated on Corporate. Intragroup eliminations and the rest of the consolidation adjustments are allocated on Corporate Center.

Information about geographical areas is not available and it is not used for management presentation. The cost to develop segment reports based on geographical areas would be excessive.

3. SEGMENT INFORMATION (continued)

Group - Business segments 2013

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Group
Net Interest Income	1,649,023	676,641	232,631	203,965	48,906	2,811,166
Risk Provisions for Loans and Advances	(599,271)	(962,155)	(567,968)	(3,314)	(14)	(2,132,723)
Net Commission Income	542,492	142,854	95,745	7,804	(41,458)	747,437
Net Trading Result	102,593	45,657	14,082	276,369	598	439,299
General Administrative Expenses	(595,071)	(216,159)	(89,144)	(36,506)	(54,640)	(991,520)
Other Operating Result *	(727,437)	(40,911)	(1,491)	11,636	(54,225)	(812,428)
Result from financial assets - Designated at fair value through P&L	-	1,018	-	-	989	2,007
Share of profit of associate	-	-	-	-	3,531	3,531
Profit before tax	372,329	(353,056)	(316,145)	459,954	(96,313)	66,769
Income tax expense	(67,089)	61,353	45,719	(73,593)	565,557	531,947
Profit/(loss) for the year	**305,240**	**(291,703)**	**(270,426)**	**386,361**	**469,244**	**598,716**

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Group
Cash and balances with central banks	1,320,098	31,973	-	8,011,861	35,421	9,399,353
Loans and advances to credit institutions	207,114	40,753	-	752,147	(346,512)	653,502
Loans and advances to customers	19,109,570	13,309,582	5,346,430	1,667,342	(1,674,304)	37,758,620
Derivatives financial instruments	-	-	-	1,834	80,180	82,014
Trading assets	-	-	-	330,817	-	330,817
Financial assets - Designated at fair value through P&L	-	22,086	-	-	12,265	34,351
Financial assets - Available for sale	739,896	254,035	-	4,187,352	100,030	5,281,313
Financial assets - Held to maturity	1,173,263	52,055	-	9,009,938	-	10,235,256
Intangible assets	93,147	2,241	-	-	291,964	387,352
Property and equipment	1,207	13,624	-	-	1,348,273	1,363,104
Tax assets	312	492	-	-	403,783	404,587
Other assets	60,246	224,918	-	-	405,931	691,095
Assets held for sale	-	107,433	-	-	-	107,433
TOTAL ASSETS	**22,704,853**	**14,059,192**	**5,346,430**	**23,961,291**	**657,031**	**66,728,797**

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Group
Deposits by banks	923,136	972,544	-	14,368,676	(350,801)	15,913,555
Customer deposits & Debt securities in issue	28,959,120	3,875,100	3,042,988	2,997,434	(126,799)	38,747,843
Derivatives financial instruments	-	-	-	1,087,266	66,061	1,153,327
Other provisions	10,446	61,641	247,430	-	79,544	399,061
Tax liabilities	2,133	1,750	-	-	2,165	6,048
Other liabilities	31,305	18,422	-	-	512,103	561,830
Subordinated liabilities	-	109,187	-	2,523,011	(108,315)	2,523,883
Total Equity	1,369,851	1,227,488	695,448	1,258,815	2,871,648	7,423,250
TOTAL LIABILITIES AND EQUITY	**31,295,991**	**6,266,132**	**3,985,866**	**22,235,202**	**2,945,606**	**66,728,797**

*Other operating income and other operating expenses are netted off in position Other operating result.

3. SEGMENT INFORMATION (continued)

Group - Business segments 2012

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Group
Net Interest Income	1,855,813	758,105	320,187	(58,267)	15,643	2,891,481
Risk Provisions for Loans and Advances	(1,084,671)	(1,731,226)	(780,796)	-	(29,158)	(3,625,851)
Net Commission Income	424,510	153,653	85,576	2,689	(31,654)	634,774
Net Trading Result	112,445	45,596	10,625	346,577	(937)	514,306
General Administrative Expenses	(1,313,774)	(222,863)	(82,154)	(29,346)	(34,633)	(1,682,770)
Other Operating Result	(101,772)	(22,690)	(2,733)	(872)	(98,358)	(226,425)
Result from financial assets - Designated at fair value through P&L	-	1,942	-	-	3,943	5,885
Result from financial assets - Available for sale	-	12	-	310	2,364	2,686
Profit before tax	(107,449)	(1,017,471)	(449,295)	261,091	(172,790)	(1,485,914)
Income tax expense	18,533	175,501	77,498	(45,035)	29,805	256,302
Profit/(loss) for the year	**(88,916)**	**(841,970)**	**(371,797)**	**216,056**	**(142,985)**	**(1,229,612)**

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Group
Cash and balances with central banks	1,029,122	25,829	-	8,122,259	10,128	9,187,338
Loans and advances to credit institutions	232,121	27,407	-	403,965	(302,272)	361,221
Loans and advances to customers	23,513,616	20,548,649	9,140,465	1,703,505	(1,663,247)	53,242,988
Risk provisions for loans and advances	(2,905,288)	(3,915,109)	(1,530,266)	-	(37)	(8,350,700)
Derivatives financial instruments	-	-	-	26,413	105,841	132,254
Trading assets	-	-	-	671,944	-	671,944
Financial assets - Designated at fair value through P&L	-	23,972	-	-	20,764	44,736
Fnancial assets - Available for sale	-	266,906	-	3,958,713	98,882	4,324,501
Financial assets - Held to maturity	1,301,747	37,452	-	9,418,386	-	10,757,585
Intangible assets	96,837	-	-	-	332,841	429,678
Property and equipment	1,857	4	-	-	1,486,624	1,488,485
Tax assets	5,594	-	-	136	206,962	212,692
Other assets	118,228	(11,130)	6,462	104	597,976	711,640
Assets held for sale	-	-	-	-	73,283	73,283
TOTAL ASSETS	**23,393,834**	**17,003,980**	**7,616,661**	**24,305,425**	**967,745**	**73,287,645**

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Group
Deposits by banks	850,578	399,878	-	20,914,205	(269,982)	21,894,679
Customer deposits & Debt securities in issue	29,741,121	3,787,895	2,644,614	3,027,295	21,909	39,222,834
Derivatives financial instruments	-	-	-	1,592,977	86,886	1,679,863
Other provisions	9,811	67,965	112,643	-	216,474	406,893
Tax liabilities	19,386	-	-	-	244,427	263,813
Other liabilities	57,240	5,584	1,507	519	454,983	519,833
Subordinated liabilities	-	-	-	2,535,827	(38,628)	2,497,199
Total Equity	1,745,903	1,525,943	917,427	1,228,736	1,384,522	6,802,531
TOTAL LIABILITIES AND EQUITY	**32,424,039**	**5,787,265**	**3,676,191**	**29,299,559**	**2,100,591**	**73,287,645**

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2013

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Bank
Net Interest Income	1,521,167	627,645	232,631	203,727	131,287	2,716,457
Risk Provisions for Loans and Advances	(476,604)	(932,596)	(537,568)	(3,314)	(14)	(1,950,096)
Net Commission Income	521,084	134,175	95,745	7,805	(41,345)	717,464
Net Trading Result	104,551	43,282	14,082	276,369	466	438,750
General Administrative Expenses	(364,448)	(187,077)	(89,144)	(36,279)	(188,953)	(865,901)
Other Operating Result *	(1,007,300)	(27,437)	(1,491)	11,636	(258,379)	(1,282,971)
Result from financial assets - Designated at fair value through P&L	-	1,018	-	-	989	2,007
Profit before tax	298,450	(340,990)	(285,745)	459,944	(355,949)	(224,290)
Income tax expense	(47,752)	54,558	45,719	(73,591)	580,883	559,817
Profit/(loss) for the year	**250,698**	**(286,432)**	**(240,026)**	**386,353**	**224,934**	**335,527**

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Bank
Cash and balances with central banks	1,311,728	-	-	8,011,861	35,420	9,359,009
Loans and advances to credit institutions	-	-	-	609,090	19,938	629,028
Loans and advances to customers	18,213,595	12,555,682	5,334,017	1,667,341	(54,187)	37,716,448
Derivatives financial instruments	-	-	-	-	80,179	80,179
Trading assets	-	-	-	330,817	-	330,817
Financial assets - Designated at fair value through P&L	-	22,086	-	-	12,265	34,351
Financial assets - Available for sale	-	236,034	-	4,187,352	662,859	5,086,245
Financial assets - Held to maturity	-	-	-	9,009,939	-	9,009,939
Intangible assets	-	-	-	-	206,146	206,146
Property and equipment	-	-	-	-	314,334	314,334
Tax assets	-	-	-	-	403,605	403,605
Other assets	-	-	-	-	339,862	339,862
TOTAL ASSETS	**19,525,323**	**12,813,802**	**5,334,017**	**23,816,400**	**2,020,421**	**63,509,963**

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Bank
Deposits by banks	7	-	-	14,368,677	171,440	14,540,124
Customer deposits & Debt securities in issue	26,967,766	3,779,573	3,042,988	2,860,880	258,737	36,909,944
Derivatives financial instruments	-	-	-	1,087,266	66,061	1,153,327
Other provisions	10,306	59,548	247,430	-	76,873	394,157
Other liabilities	-	-	-	-	508,678	508,678
Subordinated liabilities	-	-	-	2,523,011	872	2,523,883
Total Equity	1,282,210	1,135,446	695,448	1,258,644	3,108,102	7,479,850
TOTAL LIABILITIES AND EQUITY	**28,260,289**	**4,974,567**	**3,985,866**	**22,098,478**	**4,190,763**	**63,509,963**

*Other operating income and other operating expenses are netted off in position Other operating result.

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2012

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Bank
Net Interest Income	1,762,059	725,215	308,475	(21,487)	98,388	2,872,650
Risk Provisions for Loans and Advances	(872,837)	(1,662,978)	(735,807)	-	525	(3,271,097)
Net Commission Income	395,586	149,849	84,839	7,996	(32,492)	605,778
Net Trading Result	107,677	44,447	13,051	346,571	(3,236)	508,510
General Administrative Expenses	(1,235,233)	(205,312)	(81,148)	(28,893)	(173,712)	(1,724,298)
Other Operating Result	(83,836)	(20,966)	186	(872)	(57,223)	(162,711)
Result from financial assets - Designated at fair value through P&L	-	1,942	-	-	3,943	5,885
Result from financial assets - Available for sale	-	12	-	310	(319,309)	(318,987)
Profit before tax	73,416	(967,791)	(410,404)	303,625	(483,116)	(1,484,270)
Income tax expense	(13,328)	175,683	74,499	(55,116)	87,699	269,437
Profit/(loss) for the year	**60,088**	**(792,108)**	**(335,905)**	**248,509**	**(395,417)**	**(1,214,833)**

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Bank
Cash and balances with central banks	1,029,083	-	-	8,122,259	1,854	9,153,196
Loans and advances to credit institutions	-	-	-	222,371	62,900	285,271
Loans and advances to customers	21,488,565	19,575,551	8,819,634	1,703,505	(5,463)	51,581,792
Risk provisions for loans and advances	(2,046,168)	(3,604,054)	(1,334,825)	-	(38)	(6,985,085)
Derivatives financial instruments	-	-	-	24,576	105,841	130,417
Trading assets	-	-	-	671,944	-	671,944
Financial assets - Designated at fair value through P&L	-	23,972	-	-	20,764	44,736
Financial assets - Available for sale	-	248,710	-	3,958,713	836,811	5,044,234
Financial assets - Held to maturity	-	-	-	9,418,386	-	9,418,386
Intangible assets	-	-	-	-	234,918	234,918
Property and equipment	-	-	-	-	414,557	414,557
Tax assets	-	-	-	-	177,283	177,283
Other assets	-	-	-	-	359,534	359,534
TOTAL ASSETS	**20,471,480**	**16,244,179**	**7,484,809**	**24,121,754**	**2,208,961**	**70,531,183**

RON Thousand	Retail	Local Corporate	GCIB	GCM	CC	Bank
Deposits by banks	7	-	-	19,847,212	276,455	20,123,674
Customer deposits & Debt securities in issue	28,310,560	3,741,407	2,644,614	2,891,552	442,315	38,030,448
Derivatives financial instruments	-	-	-	1,592,977	86,886	1,679,863
Other provisions	9,171	67,965	112,643	-	208,062	397,841
Tax liabilities	-	-	-	-	241,262	241,262
Other liabilities	-	-	-	-	437,591	437,591
Subordinated liabilities	-	-	-	2,495,811	1,388	2,497,199
Total Equity	1,745,086	1,525,517	917,316	1,228,734	1,706,652	7,123,305
TOTAL LIABILITIES AND EQUITY	**30,064,824**	**5,334,889**	**3,674,573**	**28,056,286**	**3,400,611**	**70,531,183**

4. INTEREST AND SIMILAR INCOME

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Due from banks	70,340	116,540	72,344	118,885
Loans and advances to customers	3,366,907	3,935,042	3,311,661	3,911,202
Financial investments – available-for-sale	218,019	239,557	204,923	238,532
Financial investments – held-to-maturity	645,817	662,396	558,534	583,166
Interest from derivatives	313,221	548,276	307,586	542,592
Dividend income	8,548	9,570	8,548	9,570
Rental income	21,623	18,233	7,601	8,831
	4,644,475	**5,529,614**	**4,471,197**	**5,412,778**

Interest from derivatives includes the interest received from interest rate swap and cross currency swap transactions.

5. INTEREST AND SIMILAR EXPENSE

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Due to banks	669,055	1,020,072	636,310	961,657
Due to customers	874,665	1,272,976	837,587	1,249,724
Debt issued and other borrowed funds	80,267	82,912	74,632	77,228
Interest from derivatives	47,266	89,844	44,155	86,005
Subordinated liabilities	162,056	165,514	162,056	165,514
	1,833,309	2,631,318	1,754,740	2,540,128

6. NET FEES AND COMMISSION INCOME

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Lending business	148,384	144,427	148,609	146,152
Payment transfers	618,504	615,355	625,521	623,136
Other fees received i)	195,333	172,456	138,983	116,229
Total fees and commission income	**962,221**	**932,238**	**913,113**	**885,517**
Lending business	19,964	14,798	20,717	19,586
Payment transfers	150,815	243,082	145,216	237,439
Other fees paid	44,005	39,584	29,716	22,714
Total fees and commission expense	**214,784**	**297,464**	**195,649**	**279,739**
Net fees and commission income	**747,437**	**634,774**	**717,464**	**605,778**

i) other fees received include commissions and fees related to custodial and brokerage activities in amount of RON 21,680 thousands in 2013 (2012: RON 59,306 thousand)

7. NET TRADING INCOME

	Group		Bank	
RON Thousand	**2013**	**2012**	**2013**	**2012**
Debt securities and equity investments (i)	81,438	86,698	81,438	86,698
Net realized foreign exchange gains from foreign exchange transactions (ii)	359,176	355,950	359,176	355,950
Net effect of translation of foreign currency denominated asset and liabilities	(1,315)	71,658	(1,864)	65,862
Net trading income	**439,299**	**514,306**	**438,750**	**508,510**

(i) Net trading income from debt securities and equity investments classified as trading includes the effect of buying and selling, and changes in the fair value of investments.

(ii) Net realized foreign exchange gains from foreign exchange transactions include gains and losses mainly from money market instruments and also from currency swaps, spot and forward contracts.

8. OTHER OPERATING INCOME

	Group		Bank	
RON Thousand	**2013**	**2012**	**2013**	**2012**
Gains from sales of available-for-sale financial investments	14,817	2,686	14,067	440
Gains from sales of fixed assets	14,192	14,228	14,852	5,520
Release of provisions for litigations (Note 30)	37,382	25,807	36,654	19,349
Other (i)	69,535	59,409	71,362	44,368
	135,926	102,130	136,935	69,677

(i) Other income includes income from non-banking activities, mainly services related to cash transportation and collection, indemnities paid by insurance companies, services of Electronic Archive registration and sales of payment documents.

9. CREDIT LOSS EXPENSE

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Loans and advances to customers				
Retail	598,189	1,084,737	475,523	872,316
Local Corporate	949,470	1,694,419	919,911	1,623,630
Real Estate	143,527	455,834	143,527	404,389
Group large corporate	314,351	346,846	283,951	356,656
Corporate Center	28	29,909	26	-
	2,005,565	3,611,745	1,822,938	3,256,991
Due from banks	2,691	-	2,691	-
Financial guarantee contracts	124,467	14,106	124,467	14,106
	2,132,723	3,625,851	1,950,096	3,271,097

10. PERSONNEL EXPENSES

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Wages and salaries	591,273	644,136	539,031	574,871
Social security costs	190,737	210,243	173,435	187,239
Benefit paid on normal age retirement – Defined benefit plan costs (Note 31)				
Interest cost	3,605	4,108	3,594	4,101
Current service cost	4,897	4,996	4,764	4,877
Past Service Cost	-	9,399	-	9,399
Settlements gain	(27,659)	(7,106)	(27,659)	(7,106)
Total defined benefit plan costs	(19,157)	11,397	(19,301)	11,271
Contribution pension plan	2,093	6,395	2,067	6,396
	764,946	872,171	695,232	779,777

Included in wages and salaries and related contributions at 31 December 2012 are restructuring costs in amount of RON 82 mil (Note 30).

The number of employees of the Bank at 31 December 2013 was 6,128 employees (31 December 2012 was 7,161 employees). The number of the employees of the Group at 31 December 2013 was 7,021 employees (31 December 2012 was 8,026 employees). The expenses with the key management remuneration during 2013 were of RON 15,421 thousand (2012: RON 19,933 thousand).

The expenses with the key management remuneration during 2013 and 2012:

RON Thousand	2013 gross amount	2013 employer taxes	2012 gross amount RON	2012 employer taxes
short-term employee benefits	14,888	1,673	12,871	901
termination benefits	533	-	7,062	738
	15,421	1,673	19,933	1,639

11. OTHER OPERATING EXPENSES

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Advertising and marketing	34,654	47,930	29,774	39,016
Administrative (i)	415,397	474,591	461,600	503,937
Rental charges payable under operating leases	86,678	86,678	210,057	239,109
Payment into deposit insurance fund	119,196	109,691	114,755	106,830
Allocation of impairment of financial assets available-for-sale (ii)	-	-	370,792	319,419
Allocation of impairment of property and assets held for sale	3,640	4,247	-	-
Losses from disposal of properties and movables	10,984	7,196	5,653	4,111
Insurance premium	54,427	41,343	54,427	41,343
Other (iii)	223,378	159,321	172,848	86,424
	948,354	**930,997**	**1,419,906**	**1,340,189**

(i) Included in administrative expenses at 31 December 2012 are restructuring costs related to consultancy in amount of RON 18.8 mil and rental contracts penalties in amount of RON 6 mil (Note 30).
(ii) Impairment of available for sale shares and investments (Note 19).
(iii) Contains mainly expenses for allowances for overdue fees. These fees are presented in "Other assets" and consequently the related allowance is not presented as "risk charge". Based on history of collection the Bank has increased in 2013 the allowances for these commissions.

Financial audit fees for the Group in 2013 were RON 5,077 thousand (2012: RON 4,390 thousand).

12. TAXATION

Consolidated income statement

The components of income tax expense/ (release) are:

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Current income tax	9,359	11,182	-	-
Deferred tax relating to origination and reversal of temporary differences	(541,306)	(267,484)	(559,817)	(269,437)
Income tax expense/ (release) reported in the income statement	**(531,947)**	**(256,302)**	**(559,817)**	**(269,437)**

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting profit multiplied by Romania's tax rate for the years ended 31 December 2013 and 2012 is as follows:

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Accounting profit/(loss) before tax	**66,769**	**(1,485,914)**	**(224,290)**	**(1,484,270)**
At statutory income tax rate of 16% (2012: 16%)	10,683	(237,746)	(35,886)	(237,483)
Effect of different tax rates in other countries	-	111	-	-
Income not subject to tax	(74,527)	(137,025)	(45,949)	(123,986)
Non deductible expenses	92,704	118,358	82,825	92,032
Release of deferred tax liability*	(560,807)	-	(560,807)	-
Income tax expense/ (release) reported in the income statement	**(531,947)**	**(256,302)**	**(559,817)**	**(269,437)**
The effective tax rate	(796.70)%	17.25%	249.60%	18.15%

12. TAXATION (continued)

*Release of deferred tax liability

According to the Article 19^3, letter a), point 1 of the Law 571/2003 (Tax Code), inserted by point 6 of Emergency Ordinance no. 125/2011, the positive differences resulted from the higher statutory loan impairment allowances compared to the IFRS loan impairment allowances should be considered as a reserve taxable upon its change of destination (covering accounting losses, distribution of dividends, etc.).

Consequently, the deferred tax liability previously recognized on the difference between statutory loan loss provisions and the IFRS provisions should be reversed, and the tax consequences should be recognized only when there is a formal decision to change the destination of the reserves.

However, the fiscal guide related to IFRS implementation which have provided further clarification with respect to the interpretation of the Emergency Ordinance 125/2011 and the implementation norms for applying the related changes to the Tax Code has been published in June 2013. As a consequence the related deferred tax liability in amount of RON 560 million has been released.

Consolidated statement of changes in equity

Deferred tax liability related to items charged or credited during the year directly to equity holders of the parent, in other comprehensive income, is as follows:

GROUP

	2013	2013	2013	2013	2012	2012	2012	2012
RON Thousand	Available-for-sale reserve	Cash flow hedge reserve	Actuarial gains / (losses)	Total	Available-for-sale reserve	Cash flow hedge reserve	Actuarial gains / (losses)	Total
At 1 January	(2,524)	2,430	15,176	15,082	(6,559)	1,634	15,429	10,504
Net gain of financial investments (available-for-sale)	7,684	-	-	7,684	4,035	-	-	4,035
Actuarial gains / (losses)	-	-	(740)	(740)	-	-	(253)	(253)
Net gain from cash flow hedge	-	(1,733)		(1,733)	-	796		796
At 31 December	**5,160**	**697**	**14,436**	**20,293**	**(2,524)**	**2,430**	**15,176**	**15,082**

BANK

	2013	2013	2013	2013	2012	2012	2012	2012
RON Thousand	Available-for-sale reserve	Actuarial gains / (losses)	Cash flow hedge reserve	Total	Available-for-sale reserve	Actuarial gains / (losses)	Cash flow hedge reserve	Total
At 1 January	(2,930)	15,173	2,430	14,673	(6,829)	15,425	1,634	10,230
Net gain of financial investments (available-for-sale)	6,465	-	-	6,465	3,899	-	-	3,899
Actuarial gains / (losses)	-	(740)	-	(740)	-	(252)	-	(252)
Net gain from cash flow hedge	-	-	(1,733)	(1,733)	-	-	796	796
At 31 December	**3,535**	**14,433**	**697**	**18,665**	**(2,930)**	**15,173**	**2,430**	**14,673**

12. TAXATION (continued)

The deferred tax included in the statement of financial position and changes recorded in the income tax expense, in profit or loss, are as follows:

GROUP

RON Thousand	Deferred tax asset 2013	Deferred tax liability 2013	Income statement 2013	Deferred tax asset 2012	Deferred tax liability 2012	Income statement 2012
Loans to customers, credit institutions	(168,774)	(1,698)	513,110	-	(683,582)	(103,848)
Available-for-sale reserve	(4,883)	(277)	-	-	2,524	-
Financial investments – available-for-sale	127,443	-	60,478	-	66,965	66,824
Intangible assets	8,477	-	9,137	-	(660)	5,769
Property and equipment	(13,990)	(1,845)	(41,114)	-	25,279	44,879
Other assets	(373)	-	(6,264)	-	5,891	8,836
Tax losses carried forward (including current year)	294,022	-	(4,213)	35,247	262,988	185,831
Cash Flow hedge	(697)	-	-	-	(2,430)	-
Amounts owed to customers, credit institutions	-	-	(570)	-	570	570
Provisions for retirement benefits	6,690	-	(3,347)	-	9,297	16,825
Other provisions	52,538	-	22,172	-	30,366	30,366
Other liabilities	14,861	-	(8,083)	-	22,944	11,432
	315,314	(3,820)	541,306	35,247	(259,848)	267,484

According to the five-years budgets approved, management estimates that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

RON Thousand	2011	2012	2013
Fiscal loss	(232,278)	(1,488,126)	(117,234)
Fiscal loss expiery	2018	2019	2020

BANK

RON Thousand	Deferred tax asset 2013	Income statement 2013	Deferred tax liability 2012	Income statement 2012
Loans to customers, credit institutions	(167,479)	503,786	(671,265)	(110,458)
Available-for-sale reserve	(3,535)	-	2,930	-
Financial investments – available-for-sale	127,442	60,451	66,991	66,991
Intangible assets	-	-	-	5,830
Property and equipment	(6,089)	(32,479)	26,390	54,055
Tax losses carried forward (including current year)	294,021	18,758	275,263	197,957
Cash Flow hedge	(697)	-	(2,430)	-
Provisions for retirement benefits	6,627	(3,511)	9,398	16,747
Other provisions	37,734	7,370	30,364	30,364
Other liabilities	26,539	5,442	21,097	7,951
	314,563	559,817	(241,262)	269,437

Deferred tax on loan to customers is due to the temporary differences between statutory allowance and IFRS allowance.

According to the five-years budgets approved, management estimates that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

RON Thousand	2011	2012	2013
Fiscal loss	(232,278)	(1,488,126)	(117,234)
Fiscal loss expiery	2018	2019	2020

13. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Group		Bank	
RON Thousand	**2013**	**2012**	**2013**	**2012**
Net gain/(loss) on available-for-sale financial investments	62,855	22,534	54,472	23,926
Reclassification for available for sale instruments included in income statement	(14,817)	2,686	(14,067)	440
Exchange differences on translation of foreign operations	(7,972)	(5,508)	-	-
Net gain/(loss) from cash flow hedges	(6,645)	4,972	(6,645)	4,972
Reclassification for cash flow hedge included in income statement	(4,189)	-	(4,189)	-
Items that may be reclassified to profit or loss	**29,232**	**24,684**	**29,571**	**29,338**
Actuarial gains/ (losses) on defined benefit plans	(4,628)	(1,583)	(4,628)	(1,575)
Items that will not be reclassified to profit or loss	**(4,628)**	**(1,583)**	**(4,628)**	**(1,575)**
Income tax relating to the components of other comprehensive income	(5,211)	(4,581)	(3,992)	(4,443)
	19,393	**18,520**	**20,951**	**23,320**

14. DIVIDENDS PAID

Declared and paid by the Bank to the holders of the parent during the year: no dividends were paid in 2013 and 2012.

15. CASH AND BALANCES WITH CENTRAL BANKS

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Cash on hand (Note 34)	1,354,945	1,037,359	1,346,378	1,029,083
Current account with the central banks (Note 34)	8,044,408	8,149,979	8,012,631	8,124,113
	9,399,353	9,187,338	9,359,009	9,153,196

The current accounts held by the Bank with National Bank of Romania are for compliance with the minimum reserve requirements. Mandatory reserve rates were for RON 15% (December 2012: 15%) and for foreign currencies 20% (December 2012: 20%).

The mandatory minimum reserve level calculated for 31 December 2013 is EUR 760,530 thousand and RON 4,070,550 thousand (31 December 2012 is EUR 793,291 thousand and RON 4,501,673 thousand).

16. DUE FROM BANKS

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Nostro account	82,966	82,410	64,286	82,371
Placements with the central banks (i)	21,149	20,576	21,149	20,576
Placements with other banks	549,387	65,182	505,455	121,021
Loans and advances to banks	-	193,053	38,138	61,303
	653,502	361,221	629,028	285,271

(i) Placements with the Central Bank represent collateral deposits for ongoing litigations.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets Held for Trading

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Listed equity investments	4,475	6,159	4,475	6,159
Unlisted debt securities	180,135	665,520	180,135	665,520
Listed bonds	146,207	265	146,207	265
	330,817	671,944	330,817	671,944

Financial assets designated at fair value through profit or loss

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Listed equity investments (i)	5,024	12,439	5,024	12,439
Listed debt securities (ii)	22,086	23,972	22,086	23,972
Investment funds units	7,241	8,325	7,241	8,325
	34,351	44,736	34,351	44,736

(i) Listed equity investments include: shares issued by Financial Investment Companies (SIFs), Erste Bank and also shares quoted to Bucharest Stock Exchange;

(ii) Debt securities issued by municipalities;

The financial assets designated at fair value through profit or loss form parts of a group of financial instruments that together are managed on a fair value basis.

18. LOANS AND ADVANCES TO CUSTOMERS

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Public sector	5,404,550	5,582,350	5,404,159	5,582,279
Commercial customers	21,477,154	26,721,901	21,372,183	26,515,333
Private customers	19,853,792	20,908,329	18,593,057	19,453,772
	46,735,496	53,212,580	45,369,399	51,551,384
Less: Allowance for impairment losses	(8,976,876)	(8,350,700)	(7,652,951)	(6,985,085)
	37,758,620	44,861,880	37,716,448	44,566,299

(a) Allowance for impairment losses

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
At 1 January	**8,350,700**	**5,572,801**	**6,985,085**	**4,119,034**
Charges for the year (Note 9)	2,005,565	3,611,745	1,822,938	3,256,991
Recoveries	1,358	(232)	1,358	(232)
Amounts written off	(36,159)	-	-	-
Effect of change in foreign exchange	485,626	325,229	360,456	316,086
Interest accrued on impaired loans	(628,544)	(445,026)	(540,032)	(398,416)
Amounts used (i)	(1,201,670)	(713,817)	(976,854)	(308,378)
At 31 December	**8,976,876**	**8,350,700**	**7,652,951**	**6,985,085**

(i) During 2013 and 2012 BCR sold doubtful loans to workout companies outside BCR Group.

Sales outside the Group in 2013 were as follows:

RON Thousand

Transfer outside the Group	Sales income	Nominal value	Allowances
Retail loans	90,283	527,388	387,341
Corporate loans	40,989	242,001	188,367
TOTAL	131,272	769,389	575,707

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Analysis by sector

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Private households	19,853,792	20,908,329	18,593,057	19,453,772
Banking and insurance	358,392	433,072	793,832	867,141
Manufacturing	6,459,622	8,285,679	6,168,191	7,990,601
Construction	5,232,902	6,569,355	4,932,871	6,249,411
Public administration	5,404,550	5,582,350	5,404,159	5,582,279
Trade	3,334,624	4,104,409	3,004,774	3,727,005
Agriculture and forestry	1,339,179	2,166,648	1,252,937	1,874,340
Transport and communication	1,531,427	1,547,073	1,257,479	1,441,274
Other service activities	581,395	658,376	446,486	521,279
Health and social work	118,782	241,190	99,087	209,559
Real estate and other business activities	840,068	783,308	1,857,501	1,833,186
Energy and water supply	1,031,131	1,204,563	986,466	1,157,024
Hotels and restaurants	409,427	408,245	355,340	350,188
Mining	240,205	319,932	217,219	294,274
Other	-	51	-	51
	46,735,496	**53,212,580**	**45,369,399**	**51,551,384**
Less: allowance for impairment losses	(8,976,876)	(8,350,700)	(7,652,951)	(6,985,085)
	37,758,620	**44,861,880**	**37,716,448**	**44,566,299**

c) Finance lease receivables

The Group acts as a lessor under finance leases through the subsidiary BCR Leasing SA, mainly on motor vehicles and equipment. The leases are mainly denominated in EUR and typically run for a period of between 1-15 years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on fixed and variable (based on EURIBOR) interest rates. The receivables are secured by the underlying assets and by other collateral. Loans and advances to retail and corporate customers include the following finance lease receivables:

RON Thousand	2013	2012
Gross investment in finance leases	1,095,575	1,218,888
Unearned finance income	(105,327)	(136,238)
Allowance for impairment	(338,987)	(295,204)
Net investment in finance leases	**651,261**	**787,446**
Net investment in finance leases, with remaining maturities		
Less than one year	334,487	194,777
Between one and five years	279,111	514,768
More than 5 years	37,663	77,901
Net investment in finance leases	**651,261**	**787,446**
Gross investment in finance leases, with remaining maturities		
Less than one year	696,695	474,564
Between one and five years	352,773	646,489
More than 5 years	46,107	97,835
Gross investment in finance leases	**1,095,575**	**1,218,888**

19. FINANCIAL INVESTMENTS

Available-for-sale

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Listed investments				
Debt securities	3,194,904	1,035,070	2,455,008	1,035,070
Equities	9,206	23,258	9,206	23,258
Investment funds units	9,535	8,545	-	-
	3,213,645	**1,066,873**	**2,464,214**	**1,058,328**
Non-listed investments				
Other debt securities	1,985,187	3,190,267	1,968,378	3,172,353
Equities:				
- investments in subsidiaries (i)	-	-	563,961	746,492
- other investments	82,481	67,361	82,183	67,061
	2,067,668	**3,257,628**	**2,614,522**	**3,985,906**
Total available for sale investments	**5,281,313**	**4,324,501**	**5,078,736**	**5,044,234**

Listed equities include investments in Financial Investment Companies ("SIF's") shares quoted on Bucharest Stock Exchange.
Listed debt securities include state bonds quoted on Bucharest Stock Exchange and bonds issued by municipalities.
Unlisted debt securities available for sale of Group and Bank include treasury bills denominated in RON and foreign currencies, state bonds issued by the Romanian Government in foreign currencies.

All unquoted available–for–sale equities are recorded at fair value except for the Bank's investments in subsidiaries and other companies, in amount of RON 646,144 thousand, which are recorded at cost since their fair values cannot be reliably estimated (2012: RON 813,553 thousand). There is no market for these investments and the Bank intends to hold them for the long term.

(i) Movement in investments in subsidiaries :

Subsidiaries	RON Thousand	Descriprion
Partener IFN	(880)	liquidation of the participation
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	21,000	Increase in existing capital
Suport Colect SRL	128,142	Increase in existing capital
BCR Leasing	40,000	Increase in existing capital
Impairment of subsidiaries*	(370,793)	Impairment of investments in subsidiaries
Total	**(182,531)**	

*) At 31 December 2013, impairment was recognized for the following subsidiaries: BCR Chisinau SA, BCR Leasing IFN SA, Suport Colect SRL, BCR Pensii, Societate de Administrare a Fondurilor de pensii Private SA, BCR Procesare, BCR Partener Mobil

The cash received by the Bank from the liquidation of Partener IFN is in amount of RON 170 thousand and the net loss incurred was in amount of RON 710 thousand.

The Bank has an investment in Business Capital for Romania - Opportunity Fund Cooperatief UA in amount of RON 61,514 thousand, classified as other investments. At 31 January 2014 the investment has been sold.

19. FINANCIAL INVESTMENTS (continued)

Investment in associate

The Group has a 33.33% interest in Fondul de Garantare a Creditului Rural, which is a financial institution whose main role is to facilitate the companies from the agriculture industry to obtain loans from the banks. The Group interest in Fondul de Garantare a Creditului Rural is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investment in Fondul de Garantare a Creditului Rural:

RON Thousand	2013
Current assets	353,115
Not-current assets	1,440,073
Current liabilities	1,203,058
Non-current liabilities	547,235
Equity	**42,894**
Proportion of the Group's ownership	33.33%
Carrying amount of the investment	14,297

	2013
Net interest income	1,910
Net fee and commission	3,011
Other operating income and expenses	23,894
Administrative expenses	(13,690)
Provisions for guarentees	(2,676)
Profit before tax	**12,450**
Income tax expenses	(1,858)
Profit for the year (continuing operations)	**10,592**
Group's share of profit for the year	**3,531**

Held-to-maturity

The financial investments held-to-maturity include Romanian Government bonds, being eligible assets with National Bank of Romania.

On 1 November 2009, the Bank reclassified the ISIN RO0717DBN038 from 'Available-for-Sale' to 'Held-to-Maturity' category'. Available-for-sale reserve at the time of reclassification was RON 63 million, which is amortized through profit or loss over the remaining maturity of the instrument using the effective interest rate. At 31 December 2013, the balance of available-for-sale reserve related to this instrument is RON 31,623 thousand (2012: RON 38,948 thousands).

RON Thousand	Carrying amount	Fair value
Financial assets previously reclassified as at 31 December 2013	324,423	373,454
Financial assets previously reclassified as at 31 December 2012	316,114	349,988
Financial assets previously reclassified as at 31 December 2011	307,806	333,686
Financial assets previously reclassified as at 31 December 2010	299,498	335,018

Gains and losses recorded by the Bank if the investments would not have been reclassified.

RON Thousand	2013	2012
Gain/(Loss) recorded in other comprehensive income	33,450	9,983
Gain/(Loss) recorded in profit or loss	17,034	16,639

On 31 December 2013, government bonds with a total nominal value of RON 428,170 thousand have been used as pledge for funding received from IFIs and to ensure final settlement of interbank multilateral clearing operations according to NBR regulations, for the settlement of transactions through ROCLEAR Bucharest, NBR's Clearing House, and VISA and MasterCard card transactions.

20. PROPERTY AND EQUIPMENT

	Group				Bank			
RON Thousand	Land and buildings	Computer hardware	Other furniture and equipment	Total	Land and buildings	Computer hardware	Other furniture and equipment	Total
Cost:								
At 1 January 2013	**1,586,164**	**622,340**	**523,896**	**2,732,400**	**337,820**	**612,775**	**473,189**	**1,423,784**
Additions	52,778	1,996	7,900	62,674	44,946	1,288	6,375	52,609
Disposals	(101,075)	(106,657)	(88,383)	(296,115)	(93,719)	(105,888)	(87,026)	(286,633)
Reclassification *	134,035	(34,264)	(94,099)	5,672	130,233	(32,968)	(94,974)	2,291
Exchange adjustment	(546)	(450)	(722)	(1,718)	-	-	-	-
At 31 December 2013	**1,671,356**	**482,965**	**348,592**	**2,502,913**	**419,280**	**475,207**	**297,564**	**1,192,051**
Depreciation and impairment:								
At 1 January 2013	**299,065**	**539,410**	**405,440**	**1,243,915**	**89,083**	**532,535**	**387,609**	**1,009,227**
Disposals	(47,474)	(106,076)	(83,710)	(237,260)	(39,787)	(105,498)	(82,461)	(227,746)
Depreciation charge for the year	50,269	39,077	35,942	125,288	20,619	38,044	28,751	87,414
Impairment	1,019	5,603	-	6,622	978	5,603	-	6,581
Reversal of impairment	(725)	-	(90)	(815)	(725)	-	(90)	(815)
Reclassification *	130,158	(33,414)	(93,944)	2,800	130,158	(32,206)	(94,896)	3,056
Exchange adjustment	22	(329)	(434)	(741)	-	-	-	-
At 31 December 2013	**432,334**	**444,271**	**263,204**	**1,139,809**	**200,326**	**438,478**	**238,913**	**877,717**
Net book value:								
At 1 January 2013	**1,287,099**	**82,930**	**118,456**	**1,488,485**	**248,737**	**80,240**	**85,580**	**414,557**
At 31 December 2013	**1,239,022**	**38,694**	**85,388**	**1,363,104**	**218,954**	**36,729**	**58,651**	**314,334**
Cost:								
At 1 January 2012	**1,556,999**	**637,184**	**433,382**	**2,627,565**	**361,161**	**628,125**	**400,746**	**1,390,032**
Additions	36,471	15,860	22,104	74,435	15,370	15,180	15,784	46,334
Disposals	(44,721)	(1,220)	(4,648)	(50,589)	(53,858)	(10,949)	(10,394)	(75,201)
Reclassification *	34,124	(30,381)	73,164	76,907	15,147	(19,581)	67,053	62,619
Exchange adjustment	3,291	897	(106)	4,082	-	-	-	-
At 31 December 2012	**1,586,164**	**622,340**	**523,896**	**2,732,400**	**337,820**	**612,775**	**473,189**	**1,423,784**
Depreciation and impairment:								
At 1 January 2012	**223,942**	**472,795**	**346,107**	**1,042,844**	**68,242**	**453,592**	**332,800**	**854,634**
Disposals	(13,293)	(1,163)	(4,476)	(18,932)	(1,247)	(1,370)	(531)	(3,148)
Depreciation charge for the year	51,853	55,200	31,236	138,289	22,417	53,673	25,794	101,884
Impairment	32,547	-	2,556	35,103	16,532	-	2,530	19,062
Reversal of impairment	(30,591)	-	-	(30,591)	(25,824)	-	-	(25,824)
Reclassification *	34,283	12,571	30,053	76,907	8,963	26,640	27,016	62,619
Exchange adjustment	324	7	(36)	295	-	-	-	-
At 31 December 2012	**299,065**	**539,410**	**405,440**	**1,243,915**	**89,083**	**532,535**	**387,609**	**1,009,227**
Net book value:								
At 1 January 2012	**1,333,057**	**164,389**	**87,275**	**1,584,721**	**292,919**	**174,533**	**67,946**	**535,398**
At 31 December 2012	**1,287,099**	**82,930**	**118,456**	**1,488,485**	**248,737**	**80,240**	**85,580**	**414,557**

*All the reclassification are for presentation purpose, in order to harmonize the Bank and the Group presentation of Property and Equipment and Intangible Assets, with Erste Group presentation.

The fair value of land and buildings is RON 1,582,836 thousand for the Group and RON 302,524 thousand for the Bank. The fair value of land and buildings has been assessed as at 31 December 2012 by an independent evaluator.
There are no fixed assets pledged as collateral as at 31 December 2013 and 31 December 2012.
The total cost of the Bank's tangible fixed assets fully amortized at the end of 2013 was RON 563,930 thousand (2012: RON 547,260thousand).

In 2013 BCR made an trade exchange with City Hall of Bucharest, BCR offers the building Lipscani with a net book value of RON 39,376 thousands, and receive the land on which the Headquarter of BCR was build. The selling price of Lipscani building was RON 60,200 thousands and the value of the land received on this trade exchange was RON 43,648 thousands. From this trade exchange, BCR made a gain of RON 20,824 thousands

21. GOODWILL AND OTHER INTANGIBLE ASSETS

RON Thousand	Group				Bank
	Goodwill	Computer software	Customer relationship	Total	Computer software
Cost:					
At 1 January 2013	**9,723**	**683,610**	**106,944**	**800,277**	**582,369**
Additions	-	54,583	-	54,583	49,203
Reclassification	-	(2,033)	-	(2,033)	(2,290)
Impairment of goodwill	(9,723)	-	-	(9,723)	-
Disposals	-	(7,047)	-	(7,047)	(4,243)
Exchange adjustment	-	(730)	-	(730)	-
At 31 December 2013	**-**	**728,383**	**106,944**	**835,327**	**625,039**
Amortization and impairment:					
At 1 January 2013	-	**355,740**	**14,859**	**370,599**	**347,451**
Disposals	-	(5,462)	-	(5,462)	(2,992)
Amortization charge for the year	-	80,969	4,787	85,756	77,489
Reclassification	-	(2,799)	-	(2,799)	(3,055)
Exchange rate differences	-	(119)	-	(119)	
At 31 December 2013	**-**	**428,329**	**19,646**	**447,975**	**418,893**
Net book value:					
At 1 January 2013	**9,723**	**327,870**	**92,085**	**429,678**	**234,918**
At 31 December 2013	**-**	**300,054**	**87,298**	**387,352**	**206,146**
Cost:					
At 1 January 2012	**11,334**	**618,324**	**104,232**	**733,890**	**530,348**
Additions	-	57,607	2,712	60,319	52,911
Reclassification	-	8,987	-	8,987	46
Impairment of goodwill	(1,611)	-	-	(1,611)	-
Disposals	-	(1,398)	-	(1,398)	(936)
Exchange adjustment	-	90	-	90	-
At 31 December 2012	**9,723**	**683,610**	**106,944**	**800,277**	**582,369**
Amortization:					
At 1 January 2012	-	**283,977**	**10,093**	**294,070**	**286,820**
Disposals	-	(332)	-	(332)	-
Amortization charge for the year	-	63,108	4,766	67,874	60,585
Reclassification	-	8,987	-	8,987	46
At 31 December 2012	**-**	**355,740**	**14,859**	**370,599**	**347,451**
Net book value:					
At 1 January 2012	**11,334**	**334,347**	**94,139**	**439,820**	**243,528**
At 31 December 2012	**9,723**	**327,870**	**92,085**	**429,678**	**234,918**

Customer relationships arise from acquisition of pension contracts by the subsidiary BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA, from another pension fund. Initial depreciation period was between 15 and 24 years and remaining useful life between 12 and 21 years.

The total cost of the Bank's intangible fixed assets fully amortized at the end of 2013 was RON 247,426 thousand (2012: RON 219,948 thousand).
Based on annual impairment test performed by the Group as at 31st December 2013, an impairment of goodwill was recognised for BCR Partener Mobil SRL.

21. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

The recoverable amount of the subsidiaries have been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by senior management covering a five–year period.

The following rates are used by the Group:

	Local subsidiaries	Foreign subsidiaries - commercial banks	Foreign subsidiaries - other
Discount rate	14.20%	18.4%	11.3%
Projected growth rate*	4.70%	-	-
Inflation rate**	-	2.70%	-

*used only for real estate industry
**long term inflation in MDL

The calculation of value in use for both foreign and local subsidiaries is most sensitive to interest margin, discount rates, market share during the budget period, projected growth rates used to extrapolate cash flows beyond the budget period and local inflation rates.

Discount rates
Discount rates reflect the current market assessment of the risk specific to each cash generating unit. The discount rates were estimated based on specific parameters (e.g. risk free rate, market risk premium, size premium and country risk premium for foreign subsidiaries) estimated for commercial banking industry and other financial services.

Market share assumptions
These assumptions are important because, as well as using industry data for growth rates, management assesses how the unit's relative position to its competitors might change over the budget period. Management expects the Group's subsidiaries share of markets to be stable over the budget period.

Projected growth rates and local inflation rates
Assumptions are based on published industry research.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount.

22. OTHER ASSETS

	Group		Bank	
RON Thousand	2013	2012	2013	2012
Prepayments	70,837	71,362	8,952	13,086
Other receivables net of allowances*	561,827	591,447	330,910	346,448
Investment property	44,134	48,831	-	-
	676,798	711,640	339,862	359,534

* Other receivables include accrued commissions and receivables from other sundry debtors.

Other assets allowances at 31 December 2013 are in amount of RON 278,813 thousand, (2012: RON 215,153 thousand) for the Group and RON 206,706 thousand (2012: 132,832 thousand RON) for the Bank.

22. OTHER ASSETS (continued)

Investment property

RON Thousand	GROUP 2013	GROUP 2012
Opening balance at 1 January 2013	48,831	51,434
Acquisitions/(sales) of investment properties	-	(1,366)
Impairment of investment properties	(3,640)	-
Depreciation in the year	(1,057)	(1,237)
	44,134	48,831

The investment properties are presented at cost, and the fair value is not significantly different than the carrying amount as at 31 December 2013. Depreciation is calculated using the straight-line method and estimated useful live is between 30 to 50 years.

As at 31 December 2013, out of the total of the gross book value, the amount of RON 21,984 thousand (net book value of RON 20,638 thousands) is related to two investment properties for which the counterparty has a first option to buy the asset.

Rental income from investment property is presented in net interest income.

23. ASSETS HELD FOR SALE

Assets held for sale are assets repossessed from leasing activities and are marketed for sale. The management expects that assets will be sold in the next year.
Assets held for sale comprise car, property plant and equipment repossessed from the leasing activity in amount of RON 107,433 thousand (2012: RON 64,426 thousand).
Impairment of assets held for sale is presented in other operating expense and it is in amount of RON 7,157 thousands (2012: RON 4,333 thousands).

24. DUE TO BANKS

	Group		Bank	
RON Thousand	2013	2012	2013	2012
Deposits from other banks	12,223,444	18,134,620	12,292,492	18,127,537
Current accounts of other banks	269,207	130,285	146,210	127,499
Borrowings and financing lines	3,420,904	3,629,774	2,101,422	1,868,638
	15,913,555	21,894,679	14,540,124	20,123,674

24. DUE TO BANKS (continued)

The table below contains the outstanding loans (principal and accrued interest) for the financing agreements obtained by the Bank as follows:

RON thousand	2013	2012
International Finance Corporation, USA (i)	65,075	128,779
European Bank for Reconstruction and Development for mortgage loans (ii)	51,295	61,962
European Bank for Reconstruction and Development – SME (iii)	129,032	255,336
European Bank for Reconstruction and Development – SMM (iv)	55,895	63,084
EBRD - EEFF & ROSEFF (v)	64,486	89,063
EBRD- CSF (vi)	-	12,662
EBRD - SME & MC (vii)	22,443	-
European Investment Bank - Global Loan (vii)	196,416	201,339
European Investment Bank – Loans for SMEs (viii)	333,925	336,852
European Investment Bank – Loans for SMEs (ix)	337,959	333,844
European Investment Bank - Loans for SMEs (x)	224,255	221,435
European Investment Bank - Loans for SMEs (xi)	225,309	-
A bank from Germany	67,633	66,825
A bank from USA	-	88,935
Other loans	327,699	8,522
Total	**2,101,422**	**1,868,638**

The main financing agreements obtained by the Bank are presented below, excluding the accrued interest:

i) International Finance Corporation ("IFC")

The agreement was dated 30 June 2009, its purpose being to provide the Bank with long-term funds to expand its lending to the clients from agribusiness sector. Committed amount represent EUR 50,000,000 which has been fully drawn by the Bank. As of 31 December 2013 the outstanding loan is EUR 14,285,715 (31 December 2012: EUR 28,571,429). The reimbursements are due in semi-annual installments starting with 15 July 2011 and ending on 15 July 2014. Interest payment is semi-annual at a variable interest rate of EURIBOR 6 months plus a revised margin.

ii) European Bank for Reconstruction and Development ("EBRD") mortgage loans

The Bank has concluded 2 finance agreements with EBRD for mortgage loans.

The first agreement is dated 14 January 2003, its purpose being to grant mortgages for real estate (houses, flats, and the respective land), as the case may be and the like used or to be used by individual sub-borrowers for personal use in Romania or legal entity sub-borrowers for constructing or buying houses, flats or the like in Romania for their employees.

Committed amount represents EUR 50,000,000 and drawn-downs can be either in EUR or USD. At 25 November 2006 an amendment to this agreement was signed, which among other provisions stipulates that the new repayment period will start on 17 May 2008 in 21 biannual equal installments on 17 May and 17 November. Interest is payable semi-annually at a variable interest rate of LIBOR 6 months plus a revised margin. On the basis of the second amendment signed at 7 February 2007, at 14 February 2007 a conversion of the outstanding loan from USD to EUR has been made. Consequently the balance of the loan after conversion became 41,984,237 EUR and the repayment period started on 17 May 2008. On 30 December 2010 a prepayment in amount of EUR 16,681,584 has been made. The balance was EUR 7,984,294 as of 31 December 2013 (31 December 2012: EUR 9,758,582).

The second agreement is dated 25 November 2005, its purpose also being to grant mortgages for sub-borrowers. Committed amount represents EUR 50,000,000 and drawn-downs can be either in EUR or USD. Bank has drawn only EUR 8,000,000 of the agreement amount and BERD cancelled undrawn balance in amount of EUR 42,000,000.

The loan is repayable in drawn-down in 21 equal bi-annual installments, starting with 17 May 2008, payable on 17 May and 17 November. Interest is payable semi-annually at a variable interest rate of LIBOR 6 months plus a revised margin. At 31 December 2013 the outstanding balance of the loan was of EUR 3,428,571 (31 December 2012: EUR 4,190,476).

24. DUE TO BANKS (continued)

iii) European Bank for Reconstruction and Development - Small and Medium Enterprises (SME III)

The agreement dated 30 March 2009 amounting EUR 100,000,000 represents a Credit Line for small and medium-sized enterprises, used for financing investment projects and working capital. The loan was contracted for 5 years and has a grace period of 2 years; the first capital payment was on 12 September 2011. As of 31 December 2013 the outstanding principal is EUR 28,571,428 (31 December 2012: EUR 57,142,857). The loan re-payment is made in equal biannual installments on 12 March and 12 September. Interest payment is also made in semiannual installments.

iv) European Bank for Reconstruction and Development - Small and Medium-sized Municipalities (SMM)

The agreement dated 21 December 2004 represents a Finance Facility for small and medium-sized municipalities, their associations and utility companies held or controlled by them, to improve public services, upgrade infrastructure and meet EU environmental directives. Under this Facility, BCR and the SMM borrowers are the recipients of grants provided by the EU in the limit of EUR 3,000,000, in order to support the SMM borrowers and encourage the long term lending, as follows: for BCR – Maturity Enhancement Fee (EUR 1,000,000), Performance Fee (EUR 275,000) and Technical Co-Operation Support (EUR 300,000); for SMM borrowers – Municipality Financial Incentive (EUR 550,000) and Technical Assistance (EUR 875,000).
The committed amount is EUR 20,000,000. As at 31 December 2013 the outstanding loan principal is EUR 12,428,261 (31 December 2012: EUR 14,203,727). The loan re-payment is made in equal biannual installments on 19 May and 19 November. Interest payment is also made in biannual installments.

v) European Bank for Reconstruction and Development for energy efficiency projects with the support of the European Union

The agreement was concluded on 24 January 2008 and is a facility for financing investment in the industrial sector to reduce energy consumption and improving energy performance. Based on the amendment dated 31 March 2010 the amount of the facility was increased up to EUR 30,000,000. Under this facility, BCR and also the sub-borrowers are beneficiary of financial incentives to encourage long-term loans as following: for BCR the performance fee (maximum EUR 1,150,000), and free technical assistance for BERD consultancy to promote the loans ad for the training of bank's employees related to the eligible criteria. For sub-borrowers the total incentive is EUR 4,500,000 and free technical assistance to prepare documentation on the investment and to verify implementation. Investment incentives shall be paid to Sub-borrowers up to 30 June 2015.
Committed amount is EUR 4,285,714 at 31 December 2013 (31 December 2012: EUR 9,999,999). Loan repayment is made in semi-annual installments, on June 12 and December 12 starting from 2010. Interest is paid in half-yearly installments.

At 26 September 2011, BCR concluded a new Loan Agreement with EBRD "Romania SME Sustainable Energy Financing Facility" in an aggregate amount of EUR 20,000,000. Under this facility, the Sub-borrowers will be incentivized from the resources of European Union with Investment Incentives (up to EUR 3,000,000) to pursue higher efficiency investments. Investment incentives shall be paid to Sub-borrowers for sub-projects implemented and verified for completion by Consultants before 31 May 2015.
Both, BCR and Sub-borrowers will benefit from free technical assistance supported by EBRD Consultants, as follows:
-for BCR to promote the Facility and training the loan officers in identifying eligible project opportunities;
-for Sub-borrowers to prepare technical documentation on complex energy efficiency investments and renewable energy projects and establishing a List of Eligible Measure and Equipment (LEME) and a List of Equipment Suppliers and Installers (LESI) for Small Scale investment and to verify projects implementation.
As at 31 December 2013 the outstanding loan principal is EUR 10,000,000 (31 December 2012 EUR 10,000,000). The loan re-payment is made in equal semiannual installments on February 12 and August 12 starting with 2014. Interest payment is also made in semi-annual installments.

vi) European Bank for Reconstruction and Development to support the competitiveness of SMEs supported European Union and the Romanian Government, through the Ministry of Development, Public Works and Housing

The agreement was concluded on 15 May 2008 and represents a facility financing to SMEs to meet one or more Priority Directives of the European Union on environmental protection, safety and health at work, quality and safety of products applicable in the relevant industrial sector. Under this facility, both BCR and SMEs are the beneficiaries of financial incentives to encourage long-term loans, as follows: for BCR - Administrative incentive (up to EUR 400,000) and free assistance provided by EBRD consultants for the promotion of loans and for training of bank staff on compliance with eligibility criteria; for SME borrowers - financial incentive (4,000,000 EUR), and free technical assistance to prepare documentation on the investment and to verify implementation. Committed amount is EUR 0 at 31 December 2013 (31 December 2012: EUR 2,857,143).

24. DUE TO BANKS (continued)

vii) European Bank for Reconstruction and Development - Small and Medium Enterprises and Medium Corporate (SME&MC)

The agreement dated 17 June 2013 amounting EUR 80,000,000 represents a Credit Line for small and medium-sized enterprises and medium corporate clients, used for financing investment projects and working capital. The loan was contracted for 5 years and has a grace period of 2 years. The loan will be utilized in two equal Tranches. Each tranche will be utilized also in RON equivalent. As of 31 December 2013 the outstanding principal is EUR 5,000,000 (31 December 2012: EUR 0). The EUR loan re-payment is made in equal biannual installments on 12 March and 12 September. The RON loan repayment is made in equal quarterly installments on 12 March, 12 June, 12 September and 12 December. Interest payment is also made in semiannual installments for EUR and quarterly installments for RON.

viii) European Investment Bank (EIB) - Global Loan

BCR signed with the EIB on 24 November 2006 the financing for a loan in the overall total of EUR 50,000,000, for financing investment projects of small or medium size, developed by SMEs in any field (except the fields restricted / excluded by the EIB) and / or other private or public entities, regardless of their size and structure of social capital in fields of environment, infrastructure, knowledge based economy, rational use of energy, health, education. The loan was contracted with Erste Bank Guarantee.

As of 31 December 2013 the outstanding loan is EUR 43,333,333 (31 December 2012: EUR 45,000,000). The loan was contracted for 8 years and has a grace period of 2 years. The loan was disbursed in three tranches, first tranche amounting EUR 10,000,000, the second tranche in value of EUR 25,000,000, the third tranche in value of EUR 15,000,000.

ix) European Investment Bank (EIB) – Loan for SMEs - A

BCR signed with the EIB on 18 December 2009 the financing for a loan in the overall total of EUR 75,000,000, for financing investments and expenditures incurred in the context of the development of SMEs in the field of agriculture, industry, tourism and services. The loan was contracted with Erste Bank Guarantee.
As of 31 December 2013 the outstanding loan is EUR 73,421,053 (31 December 2012: EUR 75,000,000). The first tranche amounting EUR 30,000,000 was contracted for 12 years with a grace period of 3 years. The second tranche in value of EUR 30,000,000 was contracted for 10 years with a grace period of 3 years. The third tranche in value of EUR 15,000,000 was contracted for 12 years with a grace period of 3 years.

x) European Investment Bank (EIB) – Loan for SMEs - B

BCR signed with the EIB on 1 April 2011 the financing for a loan in the overall total of EUR 75,000,000, for financing projects promoted by small and medium sized enterprises, mid-caps and public sector authorities in the field of agriculture, industry, tourism, services and other eligible sectors on compliance with eligibility criteria. The loan was contracted with Erste Group Bank Guarantee.

As of 31 December 2013, the outstanding loan is EUR 75,000,000 (31 December 2012: EUR 75,000,000). The first tranche was contracted for 12 years with a grace period of 3 years. The second tranche in value of EUR 30,000,000 was contracted for 12 years with a grace period of 3 years. The third tranche in value of EUR 15,000,000 was contracted for 12 years with a grace period of 3 years.

xi) European Investment Bank (EIB) – Loan for SMEs – IV – Tranche A

BCR signed with the EIB on 24 May 2012 the financing for a loan in the overall total of EUR 50,000,000, for financing projects promoted by small and medium sized enterprises, mid-caps and public sector authorities in the field of agriculture, industry, tourism, services and other eligible sectors on compliance with eligibility criteria. The loan was contracted with Erste Group Bank Guarantee.

As of 31 December 2013 the outstanding loan is EUR 50,000,000 (31 December 2013: EUR 50,000,000). This tranche was contracted for 12 years with a grace period of 4 years.

xii) European Investment Bank (EIB) – Loan for SMEs – IV – Tranche B

BCR signed with the EIB on 12 December 2012 the financing for a loan in the overall total of EUR 50,000,000, for financing projects promoted by small and medium sized enterprises, mid-caps and public sector authorities in the field of agriculture, industry, tourism, services and other eligible sectors on compliance with eligibility criteria. The loan is guaranteed by pledge over certain of its book-entry securities such as treasury bonds. As of 31 December 2013 the outstanding loan is EUR 50,000,000 (31 December 2012: EUR 0). This tranche was contracted for 12 years with a grace period of 4 years.

24. DUE TO BANKS (continued)

The final maturities of loans from banks and other financial institutions other than the facilities provided by EBRD, EIB and IFC, vary between September 2014 and October 2022.

In general, the loan agreements concluded with the banks and other financial institutions provide that if the Bank fails to perform any of its obligations under these agreements or any other agreements between the Bank and the other banks and financial institutions and such failure continues for a certain period after the other banks and financial institutions notify the Bank of that failure, these banks and other financial institutions may, under certain circumstances and by notice to the Bank, require the Bank to repay the loans immediately.

25. DUE TO CUSTOMERS

	Group		Bank	
RON Thousand	2013	2012	2013	2012
Corporate customers:				
Current accounts	5,634,812	4,197,500	5,591,496	4,185,838
Term deposits	6,404,553	3,706,900	6,761,875	4,092,480
Retail customers:				
Current/saving accounts	4,181,921	2,719,922	4,171,554	2,686,907
Term deposits	21,273,660	27,250,796	19,268,675	25,853,250
	37,494,946	37,875,118	35,793,600	36,818,475

Included in 'Due to customers' were deposits of RON 1,080,338 thousand in 2013 (2012: RON 1,227,485 thousand) held as collateral for customers transactions and RON 403,767 thousands in 2013 (2012: RON 365,267 thousands) for commitments and letters of guarantees.

26. DEBT ISSUED AND OTHER BORROWED FUNDS

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Bonds issued	1,247,810	1,274,455	1,111,257	1,138,712
Certificates of deposit	5,087	73,261	5,087	73,261
	1,252,897	1,347,716	1,116,344	1,211,973

During 2012 the Bank issued new listed medium term notes denominated in RON in amount of RON 251,860 thousand and listed medium term notes denominated in EUR in amount of EUR 14,000 thousand.

27. SUBORDINATED LIABILITIES

In 2012, the Bank contracted two subordinated loans in EUR as follows:

- EUR 100,000 thousand with the maturity date of 27 June 2022.
- EUR 100,000 thousand with the maturity at least 5 years from the drawdown date but not later than 10 years from the date of signing the loan agreement. As of 31 December 2013 the loan agreement has expired. The loan was not disbursed.

In 2009, the Bank contracted one subordinated loan in EUR as follows:

- EUR 120,000 thousand with the maturity date of 30 September 2016. On 28 November 2013 was signed an amendment to the subordinated contract through the maturity of the loan was prolonged until 30 September 2021.

In 2008, the Bank contracted two subordinated loans in RON as follows:

- RON 550,000 thousand with the maturity date on 17 April 2018;
- RON 780,000 thousand with the maturity date on 18 December 2018.

The loan agreements do not stipulate circumstances in which early disbursement is required and no provisions for converting subordinated debt in equity or other liability.

As of 31 December 2013, the outstanding nominal amount of subordinated bonds issued by the Bank was: EUR 33.5 million and RON 20 million (2012: EUR 33.5 million and RON 20 million).

28. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP

RON Thousand	2013			2012		
	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Hedging instruments						
Cross currency and interest rate swaps (Fair Value hedge)	10,169	1,079,801	6,240,897	29,497	1,592,977	9,572,547
Interest rate swaps (Fair value hedge)	29,064	7,464	664,377	19,391	-	199,292
	39,233	1,087,265	6,905,274	48,888	1,592,977	9,771,839
Derivatives-other than hedging instruments						
Foreign currency swaps and forward contracts	4,182	16,874	3,332,894	21,829	8,545	3,146,617
Interest rate swaps	32,715	43,773	1,778,806	58,824	75,647	2,508,665
Options	5,884	5,415	2,280,093	2,713	2,694	1,840,831
	42,781	66,062	7,391,793	83,366	86,886	7,496,113
TOTAL	82,014	1,153,327	14,297,067	132,254	1,679,863	17,267,952

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include bonds issued and deposits.
The Bank uses currency swaps to hedge against specifically identified currency risks and interest rate swaps to hedge interest rate risk.
The fair value of hedged items attributable to the hedged risks amounted to RON 119,386 thousand as liabilities, presented in Note 29 (2012: RON 89,029 thousand as liabilities).
Gains on hedging instrument are in amount of RON 14,242 thousand and gain on hedged items are in amount of RON 30,528 thousand and are included in Net Trading Result.

29. OTHER LIABILITIES

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Accounts payable and sundry creditors	406,578	388,942	353,698	306,961
Deferred income	35,866	41,862	35,594	41,601
Measurement of hedged item (Fair value hedge)	119,386	89,029	119,386	89,029
	561,830	519,833	508,678	437,591

30. PROVISIONS

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Provision for guarantees off-balance sheet	317,955	189,778	317,955	189,778
Provision for retirement benefits (Note 31)	41,811	59,007	41,425	58,739
Provision for litigations	38,520	49,430	34,177	42,402
Provision for restructuring	775	108,678	600	106,922
	399,061	**406,893**	**394,157**	**397,841**

As at 31 December 2012, provisions for restructuring include restructuring costs for personnel in amount of RON 82 millions (Note 10), restructuring consultancy in amount of RON 18.8 millions (Note 11) and rental contracts penalties in amount of RON 6 millions (Note 11).

The movement of provisions during 2013 is as follows:

GROUP

RON Thousand	Provision for restructuring	Provision for litigations	Provision for guarantees off balance sheet
At 1 January 2013	**108,678**	**49,430**	**189,778**
Arising during the year (Note 9)	-	29,829	323,673
Released (Note 8, Note 9)	(1,584)	(37,382)	(199,206)
Utilised	(106,322)	(3,556)	-
Exchange-rate difference	3	199	3,710
At 31 December 2013	**775**	**38,520**	**317,955**

Bank

RON Thousand	Provision for restructuring	Provision for litigations	Provision for guarantees off balance sheet
At 1 January 2013	**106,922**	**42,402**	**189,778**
Arising during the year (Note 9)	-	28,626	323,673
Released (Note 8, Note 9)	-	(36,654)	(199,206)
Utilised	(106,322)	-	-
Exchange-rate difference	-	(197)	3,710
At 31 December 2013	**600**	**34,177**	**317,955**

31. RETIREMENT BENEFIT COSTS

Changes in the present value of the defined benefit obligation are as follows:

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Opening defined benefit obligation	59,007	48,973	58,739	48,839
Interest cost	3,605	4,108	3,594	4,101
Current service cost	4,897	4,996	4,764	4,877
Benefits paid	(2,667)	(2,946)	(2,641)	(2,946)
Actuarial (gains)/loss on obligations	4,628	1,583	4,628	1,575
effect of changes in financial assumptions	*2,637*	*5,966*	*2,627*	*5,952*
effect of experience adjustments	*1,991*	*(4,383)*	*2,001*	*(4,377)*
Past service cost	-	9,399	-	9,399
Settlements gain (i)	(27,659)	(7,106)	(27,659)	(7,106)
	41,811	59,007	41,425	58,739

The settlement gain relates mainly to the laid-off personnel and payments to laid-off personnel were not considered in the calculation of the settlement gain.

Defined benefit obligation

According to the collective labor agreement, employees are entitled to one lump sum payment on the date of normal age retirement, of up to 6 gross monthly salaries (the Bank) and up to 2 gross monthly salaries (the subsidiaries), depending on seniority.

This is a defined benefit plan that defines an amount of benefit that an employee is entitled to receive on the date of normal age retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method. The defined benefit plan liability is discounted using rates equivalent to the market yields at the balance sheet date of high-quality corporate bonds that are denominated in the currency in which benefits will be paid and that have a maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of changes in equity.

The principal assumptions used in determining the defined benefit obligation of the Group's plan are shown below:

	2013 %	2012 %
Discount rate	5.75%	6.25%
Future salary increases	2.50%	2.50%
Mortality rates	ETTL-PAGLER	ETTL-PAGLER
Disability rates	ETTL-PAGLER	ETTL-PAGLER

Sensitivity analysis	Group	Bank
Sensivity - Discount rate +/- %	0.50%	0.50%
Impact on DBO: Discount rate decrease -	2,746	2,877
Impact on DBO: Discount rate increase +	(2,780)	(2,627)
Sensivity - Salary increase rate +/- %	0.50%	0.50%
Impact on DBO: Salary increase rate -	(2,873)	(2,720)
Impact on DBO: Salary increase rate +	2,826	2,957

The average duration of the defined benefit obligation at the end of the reporting period is 16.5 years.
The expected service cost for 2014 is RON 4,089 thousand for Group and RON 4,014 thousand for the Bank.

32. ISSUED CAPITAL AND RESERVES

The statutory share capital of the Bank as at 31 December 2013 is represented by 16,253,416,145 ordinary shares of RON 0.10 each (31 December 2012: 16,253,312,094 ordinary shares of RON 0.10 each). The shareholders of the Bank are as follows:

RON Thousand	2013		2012	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank Ceps Holding GmbH	15,208,869,000	93.5734	15,208,451,113	93.5714
Societatea de Investitii Financiare ("SIF") „Banat Crisana"	1	0.0000	1	0.0000
Societatea de Investitii Financiare ("SIF") „Muntenia"	1	0.0000	1	0.0000
Societatea de Investitii Financiare ("SIF") „Oltenia"	1,023,534,303	6.2973	1,023,534,303	6.2974
SC Actinvest SA	226,802	0.0014	216,081	0.0013
FDI Certinvest Dinamic	13,699	0.0001	13,699	0.0001
Individuals	20,772,339	0.1278	21,096,896	0.1298
Total	**16,253,416,145**	**100.0000**	**16,253,312,094**	**100.0000**

32. ISSUED CAPITAL AND RESERVES (continued)

The effect of hyperinflation on the share capital of the Bank is presented below:

RON Thousand	2013	2012
Share capital before the effect of hyperinflation	1,625,342	1,625,331
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31 December 2003)	1,327,224	1,327,224
Share capital in the IFRS balance sheet	**2,952,566**	**2,952,555**

Other Capital Reserves

The reconciliation of opening and closing balances of reserves attributable to the holders of the parent Bank is presented below:

GROUP 2013

RON Thousand	Available-for-sale reserve	Foreign currency translation reserve	Actuarial gain / (loss)	Management share option plan	Cash Flow hedge	Net investment hedge	Other capital reserve	Total
At 1 January 2013	(12,882)	8,717	78,832	1,395	12,754	-	1,008,728	1,097,544
Fair value change in available-for-sale financial assets	46,684	-	-	-	-	-	-	46,684
Actuarial gains / (losses)	-	-	(4,628)	-	-	-	-	(4,628)
Net gain/(loss) from cash flow hedges	-	-	-	-	(10,834)	-	-	(10,834)
Tax effect	(7,467)	-	740	-	1,733	-	-	(4,994)
Translation reserve	-	(7,969)	-	-	-	-	-	(7,969)
At 31 December 2013	**26,335**	**748**	**74,944**	**1,395**	**3,653**	**-**	**1,008,728**	**1,115,803**

GROUP 2012

RON Thousand	Available-for-sale reserve	Foreign currency translation reserve	Actuarial gain / (loss)	Management share option plan	Cash Flow hedge	Net investment hedge	Other capital reserve	Total
At 1 January 2012	(34,044)	14,225	80,162	1,395	8,578	-	1,008,728	1,079,044
Fair value change in available-for-sale financial assets	25,197	-	-	-	-	-	-	25,197
Actuarial gains / (losses)	-	-	(1,583)	-	-	-	-	(1,583)
Net loss on hedge of net investment	-	-	-	-	4,972	-	-	4,972
Tax effect	(4,035)	-	253	-	(796)	-	-	(4,578)
Translation reserve	-	(5,508)	-	-	-	-	-	(5,508)
At 31 December 2012	**(12,882)**	**8,717**	**78,832**	**1,395**	**12,754**	**-**	**1,008,728**	**1,097,544**

Bank 2013

RON Thousand	Available-for-sale reserve	Actuarial gain / (loss)	Management share option plan	Cash Flow hedge	Other capital reserve	Total
At 1 January 2013	(15,379)	79,677	1,395	12,754	993,756	1,072,203
Fair value change in available-for-sale financial assets	40,405	-	-	-	-	40,405
Actuarial gain / (loss)	-	(4,628)	-	-	-	(4,628)
Net gain/(loss) from cash flow hedges	-	-	-	(10,834)	-	(10,834)
Tax effect	(6,465)	740	-	1,733	-	(3,992)
At 31 December 2013	**18,561**	**75,789**	**1,395**	**3,653**	**993,756**	**1,093,154**

32. ISSUED CAPITAL AND RESERVES (continued)

Bank 2012

RON Thousand	Available-for-sale reserve	Actuarial gain / (loss)	Management share option plan	Cash Flow hedge	Other capital reserve	Total
At 1 January 2012	(35,846)	81,000	1,395	8,578	993,756	1,048,883
Fair value change in available-for-sale financial assets	24,366	-	-	-	-	24,366
Actuarial gain / (loss)	-	(1,575)	-	-	-	(1,575)
Net gain/(loss) from cash flow hedges	-	-	-	4,972	-	4,972
Tax effect	(3,899)	252		(796)	-	(4,443)
At 31 December 2012	(15,379)	79,677	1,395	12,754	993,756	1,072,203

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than forced sale or liquidation. The fair value is best evidenced by a quoted market price, if such exists.

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments.

Financial assets

Loans originated by the Group and leases are measured at amortized cost using the effective interest rates less any impairment reserve. The interest rate of approximately 95% of these assets is variable based on current market rates, and consequently, the carrying amounts of these assets approximate their fair value.

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.

The remeasured cost net of any reserve for impairment of investments that are not listed at a stock exchange is estimated to approximate their fair value.

Financial liabilities

The amortized cost of customer deposits and borrowings is considered to approximate their respective fair values, since these items have predominantly short re-pricing terms, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

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

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

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Group 2013

RON Thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	10,169	-	10,169
Interest rate swaps	-	29,064	-	29,064
	-	39,233	-	39,233
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	4,182	-	4,182
Interest rate swaps	-	32,715	-	32,715
Options	-	5,884	-	5,884
	-	42,781	-	42,781
	-	82,014	-	82,014
Financial assets held for trading				
Government debt securities	199	326,143	-	326,342
Quoted securities	4,475	-	-	4,475
	4,674	326,143	-	330,817
Financial assets designated at fair value through profit or loss				
Quoted investments	5,024	-	-	5,024
Debt securities	-	-	22,086	22,086
Investment funds units	-	7,241	-	7,241
	5,024	7,241	22,086	34,351
Financial investments available-for-sale				
Quoted investments	9,206	-	-	9,206
Government debt securities *	3,725,080	1,218,977	-	4,944,057
Debt securities	-	-	236,034	236,034
Investment funds units	-	9,535	-	9,535
	3,734,286	1,228,512	236,034	5,198,832
	3,743,984	1,643,910	258,120	5,646,014
Financial liabilities				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	1,079,801	-	1,079,801
Interest rate swaps	-	7,464	-	7,464
	-	1,087,265	-	1,087,265
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	16,874	-	16,874
Interest rate swaps	-	43,773	-	43,773
Options	-	5,415	-	5,415
	-	66,062	-	66,062
	-	1,153,327	-	1,153,327

*During 2013 the ISIN RO1114DBE010 in amount of RON 390,415 thousand was reclassified from level 2 to level 1.

The RON 82,536 thousand differences between the total fair value of available for sale assets in the table above and the balance sheet amount is due to the equity investments recorded at cost (Note 19).

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

GROUP 2012

RON Thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	29,497	-	29,497
Interest rate swaps	-	19,391	-	19,391
	-	48,888	-	48,888
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	17,918	-	17,918
Interest rate swaps	-	58,824	-	58,824
Options	-	2,152	-	2,152
Cross currency swaps (non-hedging)	-	3,911	-	3,911
Other	-	561	-	561
	-	83,366	-	83,366
	-	132,254	-	132,254
Financial assets held for trading				
Government debt securities	-	665,785	-	665,785
Quoted securities	6,159	-	-	6,159
	6,159	665,785	-	671,944
Financial assets designated at fair value through profit or loss				
Quoted investments	12,439	-	-	12,439
Debt securities	-	-	23,972	23,972
Investment funds units	-	8,325	-	8,325
	12,439	8,325	23,972	44,736
Financial investments available-for-sale				
Quoted investments	23,258	-	-	23,258
Government debt securities *	-	3,976,627	-	3,976,627
Debt securities	-	-	248,710	248,710
Investment funds units	-	8,545	-	8,545
	23,258	3,985,172	248,710	4,257,140
	41,856	4,791,536	272,682	5,106,074
Financial liabilities				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	1,592,977	-	1,592,977
	-	1,592,977	-	1,592,977
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	7,584	-	7,584
Interest rate swaps	-	75,647	-	75,647
Options	-	2,133	-	2,133
Cross currency swaps (non-hedging)	-	961	-	961
Other	-	561	-	561
	-	86,886	-	86,886
	-	1,679,863	-	1,679,863

The RON 38,894 thousand difference between the total fair value of available for sale assets in the table above and the balance sheet amount is due to the equity investments recorded at cost (Note 19).

The fair value of held to maturity instruments is RON 10,729,153 thousands, and according to fair value hierarchy RON 4,871,301 are Level 1 and RON 5,857,852 are Level 2.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Bank 2013

RON Thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	10,169	-	10,169
Interest rate swaps	-	29,064	-	29,064
	-	39,233	-	39,233
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	2,347	-	2,347
Interest rate swaps	-	32,715	-	32,715
Options	-	5,884	-	5,884
	-	40,946	-	40,946
	-	80,179	-	80,179
Other financial assets held for trading				
Government debt securities	199	326,143	-	326,342
Quoted securities	4,475	-	-	4,475
	4,674	326,143	-	330,817
Financial assets designated at fair value through profit or loss				
Quoted investments	5,024	-	-	5,024
Debt securities	-	-	22,086	22,086
Investment funds units	-	7,241	-	7,241
	5,024	7,241	22,086	34,351
Financial investments available-for-sale				
Quoted investments	9,206	-	-	9,206
Government debt securities *	3,243,087	944,265	-	4,187,352
Debt securities	-	-	236,034	236,034
	3,252,293	944,265	236,034	4,432,592
	3,261,991	1,357,828	258,120	4,877,939
Financial liabilities				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	1,079,801	-	1,079,801
Interest rate swaps	-	7,464	-	7,464
	-	1,087,265	-	1,087,265
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	16,874	-	16,874
Interest rate swaps	-	43,773	-	43,773
Options	-	5,415	-	5,415
	-	66,062	-	66,062
	-	1,153,327	-	1,153,327

*During 2013 the ISIN RO1114DBE010 in amount of RON 390,415 thousand was reclassified from level 2 to level 1.

The RON 646,144 thousand difference between the total fair value of available for sale assets in the table above and the balance sheet amount is due to the equity investments recorded at cost (Note 19).

The fair value of held to maturity instruments is RON 9,452,091 thousands, and according to fair value hierarchy RON 4,871,301 are Level 1 and RON 4,580,790 are Level 2.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Bank 2012

RON Thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	29,497	-	29,497
Interest rate swaps	-	19,391	-	19,391
	-	**48,888**	-	**48,888**
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	17,918	-	17,918
Interest rate swaps	-	57,373	-	57,373
Options	-	2,152	-	2,152
Cross currency swaps (non-hedging)	-	3,911	-	3,911
Other	-	175	-	175
	-	**81,529**	-	**81,529**
	-	**130,417**	-	**130,417**
Other financial assets held for trading				
Government debt securities	-	665,785	-	665,785
Quoted securities	6,159	-	-	6,159
	6,159	**665,785**	-	**671,944**
Financial assets designated at fair value through profit or loss				
Quoted investments	12,439	-	-	12,439
Debt securities	-	-	23,972	23,972
Investment funds units	-	8,325	-	8,325
	12,439	**8,325**	**23,972**	**44,736**
Financial investments available-for-sale				
Quoted investments	23,258	-	-	23,258
Government debt securities *	-	3,958,713	-	3,958,713
Debt securities	-	-	248,710	248,710
	23,258	**3,958,713**	**248,710**	**4,230,681**
	41,856	**4,763,240**	**272,682**	**5,077,778**
Financial liabilities				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	1,592,977	-	1,592,977
	-	**1,592,977**	-	**1,592,977**
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	7,584	-	7,584
Interest rate swaps	-	75,647	-	75,647
Options	-	2,133	-	2,133
Cross currency swaps (non-hedging)	-	961	-	961
Other	-	561	-	561
	-	**86,886**	-	**86,886**
	-	**1,679,863**	-	**1,679,863**

The RON 990,819 thousand difference between the total fair value of available for sale assets in the table above and the balance sheet amount is due to the equity investments recorded at cost (Note 19).

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Government bonds that are quoted on active markets are classified as Level 1 in Fair Value Hierarchy.
In order to mark to market the government bonds classified as Level 2 in Fair value Hierarchy, the bank proceeds as follows:

- Government bonds are mark to market by the Kondor tool, using standard methods implemented for the bank sector, by Thomson Reuters. The method of valuation is based on yield curves named BondBench.
- The yield curve used by Kondor tool is developed using linear interpolation method and is based on observable data from the market. The algorithm used is as follows :
    - For due days higher than 3 months, Kondor uses BID quotation from Reuters web page "ROBMK=RO (RO BMK FIXING"), which represents an benchmark for governments bonds in RON
    - For due days less than 3 months, Kondor uses ASK quotation from Reuters web page "RBOR" (fixing ROBID-ROBOR)

BCR has also in portfolio, municipalities bonds classified according to Fair Value Hierarchy as Level 3.
These municipalities are mark to market using the same method as government bonds classified as Level 2, according to Fair Value Hierarchy, except the fact that the method used for valuation, add to the BondBench yield curve, a margin which incorporate the credit risk of each debt issuer. These credit risk margins are based on non-observable data from the market.
The municipality bonds held by BCR as of 31-December-2013 have notional value of RON 382,136,400. For a good understanding of valuation method, we presented below, the impact of change in current value as a change of non-observable data:

- If the credit risk margins rise by 50% from the current value, than the impact will be RON 284,480.
- If the credit risk margins rise by 100% from the current value, than the impact will be RON 568,960.
- If the credit risk margins rise by 50bp, than the impact will be RON 993,806.
- If the credit risk margins rise by 100bp, than the impact will be RON 1,418,651.

The methodology used for valuation of the bonds is based on standard methodology used in Report named "Change in economic bank value as a response to variation of interest rates.

Movements in level 3 financial instruments measured at fair value

Group 2013 / Bank 2013

RON Thousand	At 1 January 2013	Total result recorded in profit or loss	Total gains/(losses) recorded in equity	Purchases	Settlements	At 31 December 2013
Financial assets - AfS	248,710	12,555	173	-	(25,403)	236,035
Financial assets - FV	23,972	1,018	-	-	(2,904)	22,086
Total level 3 financial assets	**272,682**	**13,573**	**173**	**-**	**(28,307)**	**258,121**

Group 2012 / Bank 2012

RON Thousand	At 1 January 2012	Total result recorded in profit or loss	Total gains/(losses) recorded in equity	Purchases	Settlements	At 31 December 2012
Financial assets - AfS	254,261	15,082	6,183	173	(26,989)	248,710
Financial assets - FV	25,134	1,942	-	-	(3,104)	23,972
Total level 3 financial assets	**279,395**	**17,024**	**6,183**	**173**	**(30,093)**	**272,682**

34. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents

	Group		Bank	
RON Thousand	2013	2012	2013	2012
Cash on hand (Note 15)	1,354,945	1,037,359	1,346,378	1,029,083
Current account with the central banks (Note 15)	8,044,409	8,149,979	8,012,631	8,124,113
Due from banks	413,302	203,547	477,588	203,507
	9,812,656	9,390,885	9,836,597	9,356,703

Change in operating assets

	Group		Bank	
RON Thousand	2013	2012	2013	2012
Net change in due from banks	(82,526)	(100,055)	(69,676)	12,075
Net change in reverse repurchase agreements	30,408	(30,408)	30,408	(30,408)
Net change in financial assets held for trading	341,127	29,754	341,127	29,754
Net change in financial assets designated at fair value through profit or loss	10,385	(2,782)	10,385	(2,782)
Net change in loans and advances to customers	5,164,084	(585,049)	5,057,961	(837,459)
Net change in other assets	27,941	308,777	13,739	137,508
Net change in assets held for sale	(37,788)	139,380	-	-
	5,453,631	(240,383)	5,383,944	(691,312)

Change in operating liabilities

	Group		Bank	
RON Thousand	2013	2012	2013	2012
Net change in due to banks	(6,079,350)	(848,777)	(5,817,482)	(568,101)
Net change in derivative financial investments	(487,130)	(215,820)	(487,131)	(215,433)
Net change in due to customers	(474,991)	(1,885,909)	(1,081,227)	(2,224,827)
Net change in other liabilities	47,964	(252,162)	77,022	(229,300)
	(6,993,507)	(3,202,668)	(7,308,818)	(3,237,661)

Non-cash items included in profit before tax

	Group		Bank	
RON Thousand	2013	2012	2013	2012
Depreciation and impairment of property and equipment (Note 20)	131,095	142,801	93,180	95,122
Depreciation of investment property	886	886	-	-
Amortization and impairment of intangible assets (Note 21)	95,478	69,484	77,490	60,586
Impairment losses on loans and advances to customers (Note 9)	2,005,565	3,611,745	1,822,938	3,256,991
Provision for off-balance sheet exposure (Note 9)	(10,569)	14,107	(8,028)	14,105
Provision charge/(release) for litigations (Note 30)	124,467	(13,158)	124,467	(11,942)
Provisions for restructuring (Note 30)	(1,584)	101,616	-	99,860
Provision for defined benefit obligation (Note 31)	(19,157)	11,397	(19,301)	11,271
Impairment of available-for-sale investments (Note 11)	-	-	370,792	319,419
Net effect of translation of foreign currency denominated asset and liabilities (Note 7)	1,315	(71,658)	1,864	(65,862)
Other non-monetary adjustments	(19,032)	-	(12,244)	-
	2,308,464	3,867,220	2,451,158	3,779,550

Net (gain) / loss from investing activities

	Group		Bank	
RON Thousand	2013	2012	2013	2012
Net (gain)/loss from sale of financial investments (Note 8)	(13,231)	(2,686)	(13,332)	(440)
Net (gain)/loss from sale of property and equipment	(3,208)	8,263	(9,199)	4,111
Dividend income (Note 4)	(8,548)	(9,570)	(8,548)	(9,570)
	(24,987)	(3,993)	(31,079)	(5,899)

Payments made against provisions

	Group		Bank	
RON Thousand	2013	2012	2013	2012
Provision for retirement benefits (Note 31)	(2,667)	(2,946)	(2,641)	(2,946)
Provision for restructuring (Note 30)	(106,322)	(15,472)	(106,322)	(15,472)
Provision for litigations and guarantees off-balance sheet (Note 30)	(540)	(2,218)	-	(1,991)
	(109,529)	(20,636)	(108,963)	(20,409)

35. INTEREST RATE SENSITIVITY

The table below analyses the Group and Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Group and Bank's assets and liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.
The interest rate risk within the Group is mainly concentrated in the Bank's activity.

Group 2013

RON Thousand	less then 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Not sensitive	Total
Assets							
Cash and balances with central banks	8,031,879	21,096	-	-	-	1,346,378	9,399,353
Due from banks	530,275	93,151	8,927	-	21,149	-	653,502
Loans and advances to customers	12,271,377	12,253,448	5,569,369	2,005,493	5,658,933	-	37,758,620
Financial investments – available-for- sale	53,577	236,804	769,019	9,743	4,110,948	92,016	5,272,107
Financial investments – held-to- maturity	22,964	768,537	1,383,044	612,066	7,448,645	-	10,235,256
Total assets	**20,910,072**	**13,373,036**	**7,730,359**	**2,627,302**	**17,239,675**	**1,438,394**	**63,318,838**
Liabilities							
Due to banks	7,397,172	5,133,046	2,360,433	20,155	1,002,749	-	15,913,555
Due to customers	19,950,288	9,556,054	2,381,957	2,399,197	3,207,450	-	37,494,946
Debt issued and other borrowed funds	-	156,158	249,364	74,592	772,783	-	1,252,897
Subordinated Liabilities	2,317,506	-	-	-	206,377	-	2,523,883
Total liabilities	**29,664,966**	**14,845,258**	**4,991,754**	**2,493,944**	**5,189,359**	**-**	**57,185,281**
Net	**(8,754,894)**	**(1,472,222)**	**2,738,605**	**133,358**	**12,050,316**	**1,438,394**	**6,133,557**

Group 2012

RON Thousand	less then 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Not sensitive	Total
Assets							
Cash and balances with central banks	8,150,134	237	2,610	-	5,274	1,029,083	9,187,338
Due from banks	219,309	121,730	-	-	20,182	-	361,221
Loans and advances to customers	16,345,256	13,422,305	7,290,079	2,288,772	5,515,468	-	44,861,880
Financial investments – available-for- sale	300,216	693,666	990,929	1,150,449	1,098,622	75,906	4,309,788
Financial investments – held-to- maturity	23,950	615,531	373,235	1,650,264	8,094,605	-	10,757,585
Total assets	**25,038,865**	**14,853,469**	**8,656,853**	**5,089,485**	**14,734,151**	**1,104,989**	**69,477,812**
Liabilities							
Due to banks	11,843,142	5,581,134	2,743,799	232,412	1,494,192	-	21,894,679
Due to customers	19,682,241	10,189,109	2,221,723	2,334,503	3,447,542	-	37,875,118
Debt issued and other borrowed funds	-	73,261	-	-	1,274,455	-	1,347,716
Subordinated Liabilities	2,305,702	-	-	-	191,497	-	2,497,199
Total liabilities	**33,831,085**	**15,843,504**	**4,965,522**	**2,566,915**	**6,407,686**	**-**	**63,614,712**
Net	**(8,792,220)**	**(990,035)**	**3,691,331**	**2,522,570**	**8,326,465**	**1,104,989**	**5,863,100**

35. INTEREST RATE SENSITIVITY (continued)

Bank 2013

RON Thousand	less then 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Not sensitive	Total
Assets							
Cash and balances with central banks	8,012,631	-	-	-	-	1,346,378	9,359,009
Due from banks	553,721	54,158	-	-	21,149	-	629,028
Loans and advances to customers	12,568,415	12,318,684	5,442,928	2,005,493	5,380,928	-	37,716,448
Financial investments – available-for- sale	53,577	214,432	667,121	9,743	3,478,513	646,144	5,069,530
Financial investments – held-to- maturity	22,964	613,013	1,080,895	612,066	6,681,001	-	9,009,939
Total assets	**21,211,308**	**13,200,287**	**7,190,944**	**2,627,302**	**15,561,591**	**1,992,522**	**61,783,954**
Liabilities							
Due to banks	7,396,025	5,108,810	1,394,421	20,155	620,713	-	14,540,124
Due to customers	19,980,868	9,356,841	2,236,656	2,399,197	1,820,038	-	35,793,600
Debt issued and other borrowed funds	-	156,158	112,811	74,592	772,783	-	1,116,344
Subordinated Liabilities	2,317,506	-	-	-	206,377	-	2,523,883
Total liabilities	**29,694,399**	**14,621,809**	**3,743,888**	**2,493,944**	**3,419,911**	-	**53,973,951**
Net	**(8,483,091)**	**(1,421,522)**	**3,447,056**	**133,358**	**12,141,680**	**1,992,522**	**7,810,003**

Bank 2012

RON Thousand	less then 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Not sensitive	Total
Assets							
Cash and balances with central banks	8,124,113	-	-	-	-	1,029,083	9,153,196
Due from banks	180,785	84,304	-	-	20,182	-	285,271
Loans and advances to customers	15,318,028	13,656,034	7,204,863	2,288,772	6,098,602	-	44,566,299
Financial investments – available-for- sale	300,216	675,460	990,929	1,150,449	1,090,369	836,811	5,044,234
Financial investments – held-to- maturity	22,968	568,618	151,252	1,650,264	7,025,284	-	9,418,386
Total assets	**23,946,110**	**14,984,416**	**8,347,044**	**5,089,485**	**14,234,437**	**1,865,894**	**68,467,386**
Liabilities							
Due to banks	11,840,020	5,470,386	1,607,261	232,412	973,595	-	20,123,674
Due to customers	19,793,281	10,148,388	2,114,263	2,334,503	2,428,040	-	36,818,475
Debt issued and other borrowed funds	-	73,261	-	-	1,138,712	-	1,211,973
Subordinated Liabilities	2,305,702	-	-	-	191,497	-	2,497,199
Total liabilities	**33,939,003**	**15,692,035**	**3,721,524**	**2,566,915**	**4,731,844**	-	**60,651,321**
Net	**(9,992,893)**	**(707,619)**	**4,625,520**	**2,522,570**	**9,502,593**	**1,865,894**	**7,816,065**

36. CONTINGENT LIABILITIES AND COMMITMENTS

RON Thousand	Group 2013	Group 2012	Bank 2013	Bank 2012
Contingent liabilities	2,628,322	3,163,487	2,758,485	3,144,801
Commitments *	6,074,399	6,019,588	6,448,882	6,013,685
	8,702,721	9,183,075	9,207,367	9,158,486

* Include both irrevocable and revocable commitments. The revocable commitments in amount of RON 2,503,761 thousand (2012: RON 2,142,012 thousand) for the Group and RON 2,835,537 thousand (2012: RON 2,142,012 thousand) for the Bank were not included in Notes 38.5.1, 38.5.3, 38.5.4 and 38.5.5.
The above exposure does not include operating lease commitments as lessee shown below.

Contingent liabilities
The Group issues letters of credit, guarantees (including standby letters of credit) and commits to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

Performance guarantees
Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e.: the failure to perform the contractual obligation by another party) occurs. The key risks the Bank faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations.

RON Thousand	
Performance guarantees liabilities at 1 January 2013	**944,816**
Amounts paid for claims settlement	(2,404)
Charges to performance guarantees during the period	284,582
Releases from performance guarantees liabilities during the period	(388,348)
Performance guarantees liabilities at 31 December 2013	**838,646**

Undrawn loan commitments

Undrawn loan commitments represent contractual commitments to grant loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.
However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent until the customers maintain specific standards. The Group monitors the maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Legal claims

Litigations related to the merger with Bancorex

In 1999 as a result of the distressed financial situation of one of the Romanian banks having the State as majority shareholder, Banca Romana de Comert Exterior - "Bancorex", the Government of Romania launched a series of measures designated to limit the effect of Bancorex's insolvency on the economy of Romania.
These measures included placing Bancorex under special administration for a limited period, transferring certain non-performing loans of Bancorex to an Asset Recovery Agency (AVAB) and transferring all other activities to the Bank. The Bank received Romanian government securities having similar maturity as the deposits and other creditor's accounts transferred from Bancorex.
On 6 July 2000 the Romanian Government issued the Emergency Ordinance No. 131/2000 and subsequent Decision 909/2000 stating that the Government will issue unconditional letters of guarantee in favor of the Bank against litigations up to an amount of ROL 38 billion (3.8 milion RON) and USD 116 million against litigations for which the Bank is the defendant, arising from activities of the former Bancorex, before it was removed from the Register of Trade.

36. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Based on the Emergency Ordinance No. 18/2004, all off-balance sheet, other commitments and all the risks to the Bank arising from litigations related to former Bancorex are guaranteed, remain and will be guaranteed by the State. According to the Emergency Ordinance No. 18/2004 and Government Ordinance No. 832/2004, the Ministry of Public Finance issued Letters of Guarantee for 56 litigations in which the Bank is involved following the merger with Bancorex.
After that, according to the provisions of Government Decision no 1087/2006, the value of guarantees was supplemented, by issuing of other 18 letter of guarantees for litigations resulted from Bancorex's activity.
As at 31 December 2013, the Bank was still the defendant in 2 cases from this category, for which the AVAS's subrogation wasn't operated, (according to the provisions of Emergency Ordinance no 85/2004), the total value of probable claims was EUR 1,880,000.
In December 2013, BCR notifed MFP in order to increase the guarantee ceiling with the amount of EUR 402,760,385 and RON 10,791,084 (for 8 litigations). The bank request for guarantee ceiling's increasing must be approved by the Romanian Govern and, only after this moment, MFP will issue the letters of guarantee.
Taking into consideration the favorable cases' evolution and the amiable solving of 3 cases, BCR will notify MFP the fact that the bank's request will be only for 4 cases amounting RON 4,040,095 and EUR 2,390,000.
In these cases the bank will ask the AVAS's subrogation, according to the provisions of Emergency Ordinance no 85/2004.
The management of the Bank believes that such actions will not significantly impact the economic results and financial position of the Bank.

Other litigations

As at 31 December 2013, the Bank was involved in the normal course of its business in a number of 3,179 other litigation as defendant, out of which in 443 cases the value of claims are mentioned.

According to the internal procedure of bank's Legal Department relating to the litigations evaluation as required by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", on December 2013, the Bank recorded provisions for litigations in total amount of RON 34 mil. In the opinion of management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amount provided at 31 December 2013.

Unfair terms

Starting with the enactment of Government Emergency Ordinance no.50/2010 on loan agreements for private individuals, as subsequently modified ("Ordinance 50"), the Bank was involved in consumer litigations with certain financial implications, which carried on during 2013. The Law 288 enacted in December 2010 modified Ordinance 50 so that certain provisions are not applicable to loan agreements with individuals existing at the date of the Ordinance 50 issuance.

Following these changes, litigations under the Ordinance 50 were generally dismissed by the Courts and the Bank won most of cases. However, clients have continued to take court actions against the Bank on the grounds of Law no.193/2000 on unfair terms in contracts with consumers, as subsequently modified, that transposes into national law the Directive no. 1993/13/EC on unfair terms in consumer contracts.

As per the Directive the pricing of a contract cannot be considered an unfair term, however the transposition in the national law provides the same condition but in a vague form leading to a heterogeneous courts practice. In October 2013 came into force one paragraph of the application law (76/2012) of the Procedural Civil Code (aiming to transpose into the national legislation certain requirements in the EU Directive 93/13) that changed the Law 193/2000 regarding unfair terms in consumer contracts. As an effect of such change once a national tribunal has been informed, either by the Consumer Protection Agency (ANPC) or by certain consumer associations, upon the existence of an abusive clause in one contract concluded between a consumer and a bank, it can make a class-action ruling to eliminate the respective clause from all the contracts, no matter the date when such contracts were concluded.

As at 31 December 2013, the Bank management based on significant input from departments involved and considering the expected establishment, by the Ministry of Justice, of a specialized court on matters related to consumer protection, including class-actions, assessed the matter and concluded that the provision for litigation have been adequately addressed. However, given the complexity and inherent uncertainties related to the outcome of possible scenarios regarding the new law application, the Bank's estimates of the provisions needed may differ from actual obligations resulting from the completion of such legal disputes in future periods.

36. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Operating lease commitments –as lessee

The Group has entered into commercial leases on premises and equipment. These leases have an average life of between one and five years with renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non–cancellable operating leases as at 31 December 2013 are as follows:

	Group		Bank	
RON Thousand	2013	2012	2013	2012
not later than one year	218,300	50,690	355,667	49,334
later than one year and not later than five year	145,338	141,032	140,558	139,169
later than five years	28,251	30,627	28,251	30,627
	391,889	**222,349**	**524,476**	**219,130**

Operating lease commitments –as lessor

	Group		Bank	
RON Thousand	2013	2012	2013	2012
not later than one year	30,917	26,924	7,062	737
later than one year and not later than five year	99,158	71,054	4,246	983
later than five years	138,134	18,604	-	-
	268,209	**116,583**	**11,309**	**1,720**

37. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2013 and 2012 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with shareholders

The following transactions were carried out with its shareholders Erste Group Bank CEPS Holding GmbH, at market conditions.

	Group		Bank	
RON Thousand	2013	2012	2013	2012
Assets				
Due from banks	55,455	87,632	48,435	72,381
Financial assets designated at fair value through profit or loss	7,769	-	7,769	-
Derivative financial instruments	47,212	71,527	46,802	71,527
Other assets	74,623	4,574	74,623	4,574
Total assets	**185,059**	**163,733**	**177,629**	**148,482**
Liabilities				
Loans from banks and other financial institutions	13,658,434	19,110,200	12,220,919	17,360,109
Derivative financial instruments	1,143,880	1,673,320	1,143,880	1,673,320
Subordinated liabilites	2,316,634	2,305,702	2,316,634	2,305,702
Other liabilities	-	89,029	-	89,029
Total liabilities	**17,118,948**	**23,178,250**	**15,681,433**	**21,428,160**
Guarantees granted	**1,908**	**256,869**	**1,908**	**256,869**
Guarantees received	**2,372,009**	**14,818,599**	**2,372,009**	**14,818,599**
Income				
Interest and dividend income	2,230	506,906	2,227	506,886
Commission income	10,058	5,218	10,044	5,218
Trading income	70,089	254,258	70,089	253,958
Income from derivatives	384,469	-	384,469	-
Other operating income	4,493	-	4,493	-
Total income	**471,339**	**766,381**	**471,322**	**766,061**
Expense				
Interest expense	749,564	1,168,646	714,707	1,107,624
Commission expense	20,320	22,740	16,610	19,077
Expenses on derivatives	88,925	-	88,925	-
Other	3,939	5,543	3,761	3,357
Total expense	**862,748**	**1,196,930**	**824,003**	**1,130,059**

No impairment booked either in 2012 or in 2013 regarding transactions with shareholders.

37. RELATED PARTY DISCLOSURES (continued)

Transactions with fellow subsidiaries members of Erste Group:

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Assets				
Due from banks	7,241	-	7,241	-
Loans and advances to customers	56,010	-	56,010	-
Other assets	4,915	3,142	4,915	3,142
Total	68,166	3,142	68,166	3,142
Liabilities				
Deposits by banks	4,206	223,483	4,206	223,483
Due to customers	64,446	10,433	64,446	10,433
Other liabilities	-	17,421	-	17,400
Total	68,652	251,337	68,652	251,316
Income				
Interest income	27	580	27	580
Commission income	44,646	29,228	44,646	29,228
Other operating income	227	-	227	-
Total income	44,901	29,809	44,901	29,809
Expense				
Interes expense	3,531	7,243	3,531	7,243
Commission expense	-	5,191	-	5,191
Other operating expenses	53,750	81,019	53,750	76,537
Total expense	57,281	93,453	57,281	88,971

No guarantees received or paid or impairment booked either in 2012 or in 2013 regarding transactions with subsidiaries members of Erste Group.

Transactions with management

The Group entered into a number of banking transactions with the management in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This includes the members of the Supervisory Board, Executive Committee and Asset/Liability Management Committee of the Bank.

These transactions were carried out on commercial terms and conditions and at market rates. The following transactions were carried out with the management:

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Assets				
Loans and advances to customers	837	836	837	836
Total	837	836	837	836
Liabilities				
Deposits from customers	3,750	4,614	3,750	4,614
Total	3,750	4,614	3,750	4,614
Guarantees received	59	195	59	195
Income				
Interest and commission income	47	9	47	9
Total income	47	9	47	9
Expense				
Interest and other expenses	70	94	70	94
Total expense	70	94	70	94

No impairment booked either in 2012 or in 2013 regarding transactions with management.

37. RELATED PARTY DISCLOSURES (continued)

Transactions with subsidiaries

The Bank holds investments in subsidiaries with whom it entered into a number of banking transactions in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates. The following transactions were carried out with subsidiaries:

	Bank	
RON Thousand	2013	2012
Assets		
Due from banks	147,494	63,549
Loans and advances to customers	1,511,732	1,657,294
Other assets	8,298	1,655
Total	1,667,524	1,722,499
Liabilities		
Deposits by banks	69,049	63,312
Deposits from customers	377,628	357,805
Other liabilities and provisions	6,322	3,338
Total	452,999	424,455
Guarantees granted	**203,707**	**442,988**
Guarantees received	**2,357,311**	**2,279,155**
Income		
Interest income	115,641	133,106
Commission income	10,983	13,826
Other income	15,536	-
Total income	142,160	146,932
Expense		
Interest expense	11,463	11,875
Commission expense	970	5,491
Other operatin expenses	229,584	240,339
Total expense	242,016	257,705

No impairment booked either in 2012 or in 2013 regarding transactions with subsidiaries.

38. RISK MANAGEMENT

38.1 INTRODUCTION

Risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits, approval authorities (pouvoirs), separation of responsibilities and other controls. The Bank is exposed to credit risk, liquidity risk and market risk, as well as to operational risk.

Consistency in risk management is ensured through an integrated and methodologically coherent approach to all risks, along with regular monitoring that enables risk management to proactively manage their own portfolios and, when necessary, take timely corrective actions.

38.1. RISK MANAGEMENT STRUCTURE AND RESPONSIBILITIES

Supervisory Board

The Supervisory Board approves and reviews the Bank's risk profile and the Bank's strategy in respect of risk management.

The Risk Committee of the Supervisory Board

The Risk Committee of the Supervisory Board is responsible for approval of the implementation of the main lending and risk policies, procedures and internal rules, approval of the delegation of the credit authorities (pouvoirs), as well as approval of the implementation of the Management Board's approvals for granting loans with a value exceeding the credit authorities delegated.

Management Board

The Management Board is responsible for the implementation of the risk strategies approved by the Supervisory Board, the maintenance of a proper risk exposure reporting, as well as the maintenance of the risk limits, including for crisis situation.

Operational Risk Committee

The main responsibilities of the Operational Risk Committee are:

a) Pre-approves policies and procedures for the identification, assessment, monitoring, mitigation/ control and management of operational and compliance risks;
b) Pre-approves operational risk management strategies and policies;
c) Pre-approved that exposure limits to identified risks are within the risk appetite limits, inclusing in crisis situations;
d) Pre-approves the reporting systems for operational risks and related topics;
e) Pre-approves the methodologies and models adequate for operational risk assessment and exposure limitation;
f) Analyze major issues and trends that may influence the Bank's operational risk profile;
g) Informs the Management Board on significant topics and evolutions which might impact Bank's operational risk profile ;
h) Follows-up on the action points agreed to mitigate operational or compliance risks (NBR reports, Internal/External audit reviews, Risk Assessments, Compliance Assessments, Fraud reports, Key Risk Indicators or major incidents reported);
i) Reviews the main risk reports covering the operational and compliance risk topics;
j) Enforces the development, maintenance and testing of the Business Continuity Plan.

Risks Functional Line

The management of retail and corporate credit risk, market risk, operational risk, liquidity as well as reputational risk, the assessment of collaterals and other risk related activities are consolidated under the Risk functional line in several divisions. Compliance and Financial Crime Division, in charge with compliance risk and fraud risk management is reporting under CEO Functional Line.

Internal Audit

Risk Management processes throughout the Bank is audited annually by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit and Compliance Committee.

38. RISK MANAGEMENT (continued)

38.2. RISK MANAGEMENT ACTIVITIES

In order to manage the risks that could affect its activity and financial performance, the Bank undertakes the necessary steps to identify the risk sources, to assess and monitor the Bank's exposures, to set up risk limits for different counterparties such as countries, sovereigns, banks, financial institutions affiliated to the banking groups, corporate customers/groups of clients (including risk limits for banking groups of affiliated customers), market risk limits, liquidity limits, etc.

In 2013 BCR has implemented a limit management comprehensive framework, which assures compliance with NBR regulations regarding the limits development, monitoring and reporting process and being in line with the Risk Appetite Statement (RAS).
The limit management framework describes the methodological aspects as regards the limit development, roles and responsibilities, the processes and tools used.

The significant risks are identified and assessed for the whole Bank at all organizational levels, for all the Bank transactions and activities.

In order to have an appropriate management of the significant risks, the Bank uses:

• **a system of procedures for transactions authorization**, which consists of competences/authority limits (pouvoirs) for granting loans and other related credit products;

• **a system for setting up risk limits and their monitoring in compliance** with the Bank's global risk profile, capital adequacy, liquidity, loan portfolio quality etc;

• **a system of reporting the risk exposure** and the other issues/aspects related to risks;

• a system of responsabilities, policies, norms and procedures on internal control al bank level;

• a policy for the administration of outsourced activities;

• **a system of procedures for unexpected situations/crisis regarding significant risks**, including measures necessary to be undertaken by the Bank;

• **a system of procedures that prevents an inadequate information usage**, in order to avoid the Bank's reputation damage, the disclosure of secret and confidential information and the usage of information for the staff's personal benefits;

• **staff recruitment and salaries criteria**, which presume high standards in respect of qualification, expertise and integrity;

• **staff training programs.**

The Bank undertakes the necessary steps in order to ensure and maintain an adequate information system for the identification, measurement, monitoring and reporting of the significant risks, for the whole Bank and for each department or business unit.

The Bank sets up an **appropriate separation of responsibilities** for all the Bank's organizational levels in order to avoid the conflict of interest in front office, risk management and back office activities.

38.3. INTEGRATION INTO THE ERSTE GROUP STANDARDS

In 2013 BCR has continued to implement the necessary measures for its alignment to the standards of the Erste Group and the Basel II principles, (managed under a special program) and to the new Basel III requirements:

- ICAAP implemented as per Erste Group standards i.e.:
    - Instruments for analyzing, monitoring & forecasting capital adequacy;
    - New risk management policies, covering Risk-bearing Capacity Calculation, Risk Materiality Assessment, Risk Appetite Statement, Stress Testing, Credit, Concentration, Operational risks and all significant risks.;
    - Improving of the integration into the EGB data (data quality, processing and delivery), centralized RWA calculation based on IRB for ICAAP purposes;

38. RISK MANAGEMENT (continued)

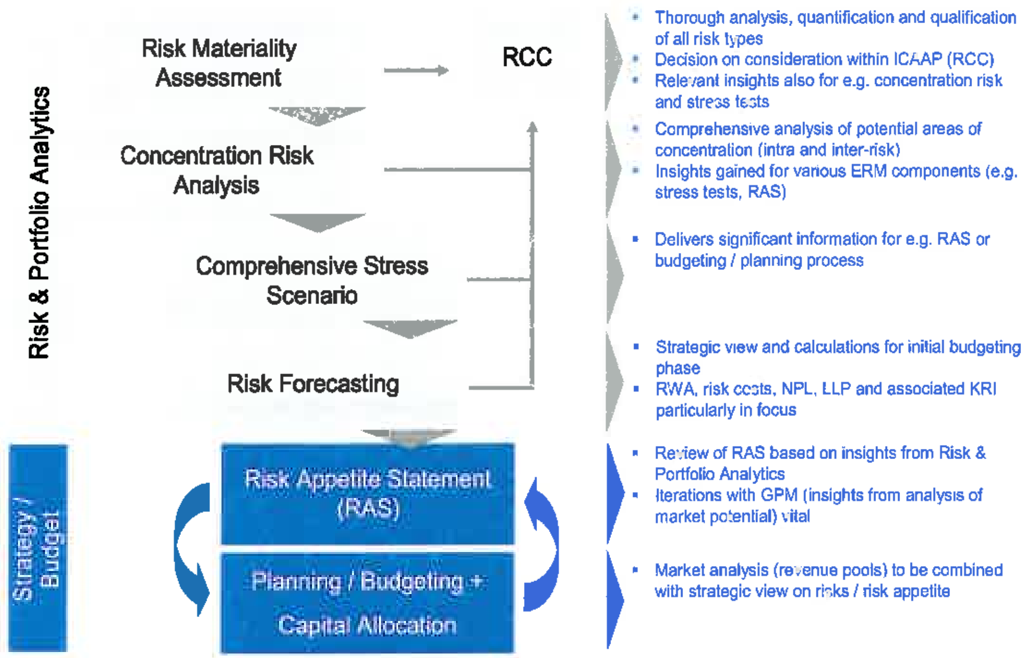
38.4 INTEGRATION INTO THE ERSTE GROUP STANDARDS (CONTINUED)

- Improving the Rating System performance and Basel II risk parameters measurement (PD, LGD, CCF);
- Improving the measures for RWA optimization in a prudent and transparent manner;
- Implementing and reporting the new standards for liquidity risk management: Survival Period Analysis, LCR, NSFR, etc.

BCR has adapted its local Budgeting Process and has implemented the enhancements as developed at the Group level, in respect of integration of ICAAP results. The Internal Capital Adequacy Assessment Process (ICAAP) and the capital allocation methodologies are aligned in the Risk Appetite Statement which is considered in the planning and budgeting cycle.

The implementation of these standards presupposes the consolidation of the management of corporate and retail credit risks, market risks, operational risks, country and banking risks, as well as the assessment of collaterals and workout under the Risk Functional Line. Compliance and Financial Crime Division is reporting under CEO Functional Line.

An illustrative link between relevant Enterprise Risk Management (ERM) concepts is depicted below:



Risk Bearing Capacity Calculation (RCC)

Under these terms, risk management specialists are clearly delimited, from an organizational point of view, from the personnel with responsibilities in the business development.
The main objectives of these risk management group standards are as follows: supporting business lines to reach their projected business targets by ensuring the taking of quick and efficient crediting decisions and protecting the Bank against banking risks using advanced risk management methods and principles.

38. RISK MANAGEMENT (continued)

38.5 CREDIT RISKS

Credit risk is the risk of financial loss arising from the failure of a debtor or trading counterparty to fully honor its financial or contractual obligation to the Bank.
Credit risk is inherent in the following forms: lending facilities, contingent liabilities, commitment liabilities and financial markets transactions.

The Bank grants loans to the corporate customers that can generate appropriate cash-flows, with a good reputation in the business environment, that have a proper credit rating and to the retail customers which have stable incomes and are trustworthy as regards the fulfillment of the contract obligations towards the Bank.

In the loans approval process the Bank is mainly interested in the first credit repayment source, the customer's capacity to generate cash-flows (for corporate customers) and to gain stable incomes (for retail customers).

In order to assess the performances and financial status of its customers, the Bank uses scoring systems, ratings, methods of analyzing the financial performances (KRIMI for corporate and retail, CARLA for banks and financial institutions affiliated to the banking groups).

The country risk represents the risk associated to the credit risk which is determined by the economic, social and political conditions of the borrower origin country. The country risk reflects non payments risks for the short, medium and long term in foreign currencies.

The concentration risk focuses on the identification and measurement of concentrations in risk relevant portfolios of BCR Group.

In order to avoid the concentration of credit risk on a small number of clients, the Bank monitors the dispersion of credit risk towards client categories, branches, geographical regions, activity sectors and banking products.

For the purpose of monitoring and reducing the loans portfolio concentration, BCR established risk concentration limits for different areas / portfolios that might induce such a risk.

In 2013 the bank implemented a new concept in respect of concentration risk assessment tools, which is the Maximum Lending Limit (MLL). MLL is a tool for monitoring and steering the risk of clients/group of connected clients (GCC), including corporates, banks/financial institutions (FIs) and sovereign. MLL is a forwards looking approach.

38.5.1 Maximum credit exposure without taking into account any collateral or other credit enhancements

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Assets				
Cash and balances with central bank (excluding cash on hand)	8,044,408	8,149,979	8,012,631	8,124,113
Due from banks	653,501	361,221	629,028	285,271
Reverse repurchase agreements	-	30,408	-	30,408
Derivative financial instruments	82,014	132,254	80,179	130,417
Financial assets held for trading	326,342	665,785	326,342	665,785
Financial assets designated at fair value through profit or loss	22,086	23,972	22,086	23,972
Loans and advances to customers /*	37,758,620	44,861,880	37,716,448	44,566,299
Financial investments – available-for-sale	5,180,091	4,292,698	4,423,386	4,207,423
Financial investments – held-to-maturity	10,235,256	10,757,585	9,009,939	9,418,386
Other assets	676,798	711,640	339,862	359,534
Total Assets	62,979,116	69,987,422	60,559,901	67,811,608
Contingent liabilities	2,628,322	3,163,487	2,758,485	3,144,801
Commitments	3,570,638	3,877,576	3,613,345	3,871,673
Total off-balance	6,198,960	7,041,063	6,371,830	7,016,474
Total credit risk exposure	69,178,076	77,028,485	66,931,731	74,828,082

/* net loans = loans – credit provisions

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.2 Risk concentration of the maximum exposure to credit risk

The maximum credit exposure to a client as of 31 December 2013 was RON 841,241 thousand (31 December 2012: RON 867,421 thousand).

38.5.3 Risk concentration of the maximum credit exposure by geographical regions

Financial assets, before taking into account any collateral held or other credit enhancements are distributed by the following geographical regions :

RON Thousand	Group		Bank	
	2013	2012	2013	2012
Europe	69,175,976	76,988,117	66,929,631	74,790,504
North America	1,959	13,902	1,959	13,902
Asia	141	26,466	141	23,676
TOTAL	**69,178,076**	**77,028,485**	**66,931,731**	**74,828,082**

Europe: Austria, Croatia, Czech Rep., Denmark, Greece, Hungary, Moldova, Poland, Romania, Slovenia, Sweden, Switzerland, Spain, Portugal, Belgium, Norway, France, Germany, Italy, Ukraine, Slovakia, Malta

North America: USA, Canada

Asia: Azerbaidjan, South Korea, Saudi Arabia, Turkey, Russian Federation, Kazakhstan, India, Japan

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.4 Credit exposure by economic sectors

An industry analysis of the financial assets, before and after taking into account collaterals held or other credit enhancements, is as follows:

Group	Total Exposure			
RON Thousand	2013		2012	
	Gross maximum exposure*	Net maximum exposure**	Gross maximum exposure*	Net maximum exposure**
Private households	18,832,121	6,083,020	19,967,258	6,141,311
Banking and insurance	9,352,150	9,189,296	9,423,785	8,971,311
Manufacturing	5,433,664	2,458,128	7,913,505	3,471,712
Construction	4,378,390	1,574,980	6,343,268	2,201,903
Public administration	21,786,542	21,289,852	21,615,328	16,243,220
Trade	2,744,689	866,580	3,696,938	1,225,031
Agriculture and forestry	1,014,161	347,283	1,426,582	527,595
Transport and communication	1,480,965	900,787	2,185,212	1,287,224
Other service activities	543,025	231,553	669,442	278,089
Health and social work	116,328	64,017	238,309	117,499
Real estate and other business activities	630,826	2,808	727,864	-
Energy and water supply	1,376,292	764,097	1,604,392	894,044
Hotels and restaurants	286,941	29,132	367,449	52,204
Mining	609,961	352,271	572,549	249,828
Other	592,001	701,847	276,604	276,554
TOTAL	69,178,076	44,855,651	77,028,485	41,937,525

Bank	Total Exposure			
RON Thousand	2013		2012	
	Gross maximum exposure*	Net maximum exposure**	Gross maximum exposure*	Net maximum exposure**
Private households	18,007,050	6,036,053	19,109,760	6,379,585
Banking and insurance	10,937,362	10,412,958	9,430,046	8,810,265
Manufacturing	5,315,051	2,505,330	7,751,211	3,499,532
Construction	4,305,987	1,644,606	6,174,172	2,280,125
Public administration	19,794,501	19,298,210	20,271,472	14,899,439
Trade	2,607,772	900,888	3,490,155	1,259,376
Agriculture and forestry	951,960	351,244	1,343,750	532,393
Transport and communication	1,254,428	895,836	1,964,502	1,285,533
Other service activities	455,285	253,049	560,275	284,794
Health and social work	93,301	57,194	213,390	115,386
Real estate and other business activities	652,274	41,525	1,846,852	38,768
Energy and water supply	1,340,301	760,250	1,563,169	890,800
Hotels and restaurants	243,992	32,888	320,969	56,402
Mining	600,993	347,697	562,768	248,241
Other	371,474	371,467	225,591	225,541
TOTAL	66,931,731	43,909,195	74,828,082	40,806,180

* Gross maximum exposure is exposure less provisions.
** Net maximum exposure is exposure less provisions and collaterals i.e. gross maximum exposure less collaterals.

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.4. Credit exposure by economic sectors (Continued)

Collateral and other credit enhancements
Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral accepted by the Bank are as follows:

- for commercial lending: charges over real estate properties, inventory and trade receivables;
- for retail lending: mortgages over residential properties,
- for real estate lending: mortgage on land and existing constructions and real movable collateral on shares or social parts (in case of loans for the real estate projects unrolled by the specialized companies within real estate projects/specially founded for the unrolling for these projects);

The Bank monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement.

38.5.5 Credit quality per class of financial assets

The criteria used for mapping into risk grades in four different categories are as follows:

- Low risk – clients with internal rating between 1 - 5c for legal persons and between A1 - B2 for private individuals;
- Management attention – clients with internal rating between 6a - 7 for legal persons, between C1 - D1 for private individuals and clients without an internal rating;
- Sub-standard - clients with internal rating 8 for legal persons and D2 for private individuals;
- Non-performing – non-performing contaminated exposure (i.e. loans and off balance items such as: guarantees and unused commitments), based on the more than 90 days overdue criterion for retail clients (exposure contaminated on product type level) and for corporate driven by the Basel II default definition (exposure contaminated on client level).

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.5. Credit quality per class of financial assets (Continued)

Group 2013

RON Thousand	Low Risk	Management attention	Sub-standard	Non-performing	Total
Due from banks	572,215	81,287	-	-	653,502
Financial assets designated at fair value through profit or loss	-	22,086	-	-	22,086
Derivatives financial instruments	-	82,014	-	-	82,014
Trading Assets					
Debt Instruments	326,342	-	-	-	326,342
	326,342	-	-	-	326,342
Loans and advances to customers*					
Corporate lending	10,807,085	7,783,356	1,593,753	9,817,586	30,001,780
Small business lending (Micros)	714,313	162,393	106,095	1,355,690	2,338,491
Consumer lending	4,111,817	1,251,934	448,515	1,107,799	6,920,065
Residential mortgages	8,897,568	2,233,474	927,688	1,933,136	13,991,866
	24,530,783	11,431,157	3,076,051	14,214,211	53,252,202
Financial investments – available for sale					
Listed debt instruments	2,958,870	236,034	-	-	3,194,904
Other non listed debt instruments	1,985,187	-	-	-	1,985,187
	4,944,057	236,034	-	-	5,180,091
Financial investments - held to maturity					
Debt instruments	10,235,256	-	-	-	10,235,256
	10,235,256	-	-	-	10,235,256
Total	40,608,653	11,852,578	3,076,051	14,214,211	69,751,493

* Loans and advances to customers and off balance items (i.e. contingent liabilities such as committed credit lines and guarantees) before allowances.

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.5. Credit quality per class of financial assets (Continued)

GROUP 2012

RON Thousand	Low Risk	Management attention	Sub-standard	Non-performing	Total
Due from banks	**237,534**	**123,687**	**-**	**-**	**361,221**
Financial assets designated at fair value through profit or loss	**-**	**23,972**	**-**	**-**	**23,972**
Reverse repurchase agreements	**-**	**30,408**	**-**	**-**	**30,408**
Derivatives financial instruments	**-**	**132,254**	**-**	**-**	**132,254**
Trading Assets					
Debt Instruments	665,785	-	-	-	665,785
	665,785	**-**	**-**	**-**	**665,785**
Loans and advances to customers*					
Corporate lending	14,184,957	9,207,386	2,208,428	10,025,653	35,626,424
Small business lending (Micros)	1,002,626	188,702	177,042	1,414,999	2,783,369
Consumer lending	4,118,011	1,781,957	490,717	655,579	7,046,264
Residential mortgages	9,200,414	2,072,450	854,041	2,632,025	14,758,930
Other	228,434	-	-	-	228,434
	28,734,442	**13,250,495**	**3,730,228**	**14,728,256**	**60,443,421**
Financial investments – available for sale					
Listed debt instruments	786,360	248,710	-	-	1,035,070
Other non listed debt instruments	3,190,267	-	-	-	3,190,267
	3,976,627	**248,710**	**-**	**-**	**4,225,337**
Financial investments - held to maturity					
Debt instruments	10,757,585	-	-	-	10,757,585
	10,757,585	**-**	**-**	**-**	**10,757,585**
Total	**44,371,973**	**13,809,526**	**3,730,228**	**14,728,256**	**76,639,983**

* Loans and advances to customers and off balance items (i.e. contingent liabilities such as committed credit lines and guarantees) before allowances.

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.5. Credit quality per class of financial assets (continued)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of assets:

Bank 2013

RON Thousand	Low Risk	Management attention	Sub-standard	Non-performing	Total
Due from banks	555,301	73,727	-	-	629,028
Financial assets designated at fair value through profit or loss	-	22,086	-	-	22,086
Derivatives financial instruments	-	80,179	-	-	80,179
Trading Assets					
Debt Instruments	326,342	-	-	-	326,342
	326,342	-	-	-	326,342
Loans and advances to customers*					
Corporate lending	12,502,714	7,613,667	1,581,075	9,043,295	30,740,751
Small business lending (Micros)	589,470	93,283	93,870	1,050,844	1,827,467
Consumer lending	4,104,444	1,251,919	448,515	446,385	6,251,263
Residential mortgages	8,603,586	2,210,807	926,945	1,498,355	13,239,693
	25,800,214	11,169,676	3,050,405	12,038,879	52,059,174
Financial investments – available for sale					
Listed debt instruments	2,218,974	236,034	-	-	2,455,008
Other non listed debt instruments	1,968,378	-	-	-	1,968,378
	4,187,352	236,034	-	-	4,423,386
Financial Investments - held to maturity					
Debt instruments	9,009,939	-	-	-	9,009,939
	9,009,939	-	-	-	9,009,939
Total	39,879,148	11,581,702	3,050,405	12,038,879	66,550,134

* Loans and advances to customers and undrawn credit and loans commitments, promissory notes and guarantees/liabilities out of assets pledged as collateral security before allowances.

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.5 Credit quality per class of financial assets (Continued)

Bank 2012

RON Thousand	Low Risk	Management attention	Sub-standard	Non-performing	Total
Due from banks	**115,960**	**169,311**	**-**	**-**	**285,271**
Financial assets designated at fair value through profit or loss	**-**	**23,972**	**-**	**-**	**23,972**
Reverse repurchase agreements	**-**	**30,408**	**-**	**-**	**30,408**
Derivatives financial instruments	**-**	**130,417**	**-**	**-**	**130,417**
Trading Assets					
Debt Instruments	665,785	-	-	-	665,785
	665,785	**-**	**-**	**-**	**665,785**
Loans and advances to customers*					
Corporate lending	15,532,027	8,991,629	2,138,864	9,302,105	35,964,625
Small business lending (Micros)	866,093	133,078	135,948	1,078,820	2,213,939
Consumer lending	4,118,012	1,781,026	490,717	605,824	6,995,579
Residential mortgages	9,118,708	2,035,540	852,297	1,348,513	13,355,058
Other	228,434	-	-	-	228,434
	29,863,274	**12,941,273**	**3,617,826**	**12,335,262**	**58,757,635**
Financial investments – available for sale					
Listed debt instruments	786,360	248,710	-	-	1,035,070
Other non listed debt instruments	3,172,353	-	-	-	3,172,353
	3,958,713	**248,710**	**-**	**-**	**4,207,423**
Financial Investments - held to maturity					
Debt instruments	9,418,386	-	-	-	9,418,386
	9,418,386	**-**	**-**	**-**	**9,418,386**
Total	**44,022,118**	**13,544,091**	**3,617,826**	**12,335,262**	**73,519,297**

* Loans and advances to customers and undrawn credit and loans commitments, promissory notes and guarantees/liabilities out of assets pledged as collateral security before allowances.

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.6 Loan Portfolio on time bands

The Bank exposure from loans on time bands, RON equivalent, as at 31 December 2013:

Bank 2013

RON Thousand	TOTAL		Exposure contaminated with the debt service					
	LOANS		1 - 30 days		31-90 days		More than 90 days	
	Amount	%	Amount	% in Total loans	Amount	% in Total loans	Amount	%
I. Corporate clients,								
- GLC*	5,476,402	21.9	272,587		59,130		348,615	
- LC*	4,510,971	18.0	184,393		106,900		2,020,017	
- Public Sector	551,570	2.2	-		-		605	
- SME*	6,877,949	27.5	426,556		168,886		3,525,610	
- Municipalities	4,637,377	18.5	93,267		42,362		-	
- Real estate	2,957,495	11.8	59,905		-		1,401,248	
I.Total Corporate loans,	**25,011,764**	**100.0**	**1,036,708**	**4.1**	**377,278**	**1.5**	**7,296,095**	**29.2**
II. Retail clients								
- Individuals	18,593,054	91.3	2,467,496		752,917		1,970,875	
- Micro	1,764,579	8.7	124,462		38,034		1,044,179	
II.Total Retail loans,	**20,357,633**	**100.0**	**2,591,958**	**12.7**	**790,951**	**3.9**	**3,015,054**	**14.8**
Total loans (I+II)	**45,369,397**	**100.0**	**3,628,666**	**8.1**	**1,168,229**	**2.5**	**10,311,149**	**22.7**

*) GLC – Group Large Corporates; LC – Large Corporates; SME – Small and medium enterprises;

The Bank exposure from loans on time bands, RON equivalent, as at 31 December 2012:

Bank 2012

RON Thousand	TOTAL		Exposure contaminated with the debt service					
	LOANS		1 - 30 days		31-90 days		More than 90 days	
	Amount	%	Amount	% in Total loans	Amount	% in Total loans	Amount	%
I. Corporate clients,								
- GLC*	5,745,812	19.1	57,344		101,119		304,262	
- LC*	7,838,836	26.1	64,817		58,768		2,097,685	
- Public Sector	591,119	2.0	-		-		-	
- SME*	8,274,811	27.6	237,532		261,918		3,348,788	
- Municipalities	4,608,970	15.4	16,785		8,464		-	
- Real estate	2,950,352	9.8	-		177,810		1,106,687	
I.Total Corporate loans,	**30,009,900**	**100.0**	**376,478**	**1.3**	**608,079**	**2.0**	**6,859,422**	**22.9**
II. Retail clients								
- Individuals	19,453,772	90.3	1,788,038		752,386		1,975,472	
- Micro	2,087,712	9.7	91,603		38,522		1,074,585	
II.Total Retail loans,	**21,541,484**	**100.0**	**1,879,641**	**9.2**	**790,908**	**3.7**	**3,050,057**	**14.2**
Total loans (I+II)	**51,551,384**	**100.0**	**2,256,119**	**4.4**	**1,398,987**	**2.7**	**9,909,479**	**19.2**

*) GLC – Group Large Corporates; LC – Large Corporates; SME – Small and medium enterprises;

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.7 Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.7. Impairment assessment

Group 2013	Neither past due not impaired						
RON Thousand	**Low Risk**	**Management attention**	**Sub-standard**	**Non-performing**	**Past due but not impaired**	**Individually impaired****	**Total**
Due from banks	572,215	81,287	-	-	-	-	**653,502**
Financial assets designated at fair value through profit or loss	-	22,086	-	-	-	-	**22,086**
Derivative financial instruments	-	82,014	-	-	-	-	**82,014**
Financial assets held for trading							
Listed debt instruments	146,207	-	-	-	-	-	**146,207**
Unlisted debt instruments	180,135	-	-	-	-	-	**180,135**
	326,342	**-**	**-**	**-**	**-**	**-**	**326,342**
Loans and advances to customers*							
Corporate	10,977,002	6,869,741	1,335,987	350,820	2,040,583	10,436,668	**32,010,801**
Retail	12,415,223	1,867,684	74,821	-	2,928,232	3,955,443	**21,241,299**
	23,392,225	**8,737,425**	**1,410,808**	**350,820**	**4,968,814**	**14,392,111**	**53,252,101**
Financial investments – available-for-sale							
Listed debt instruments	2,958,870	235,108	-	-	926	-	**3,194,904**
Unlisted debt instruments	1,985,187	-	-	-	-	-	**1,985,187**
	4,944,057	**235,108**	**-**	**-**	**926**	**-**	**5,180,091**
Financial investments – held-to-maturity							
Debt instruments	10,235,256	-	-	-	-	-	**10,235,256**
	10,235,256	**-**	**-**	**-**	**-**	**-**	**10,235,256**
	39,470,095	**9,157,920**	**1,410,808**	**350,820**	**4,969,740**	**14,392,111**	**69,751,392**

* Loans and advances to customers and off balance items (i.e. contingent liabilities such as committed credit lines and guarantees).
** clients' exposure with provisions specific individual & specific rule based.

Bank 2013	Neither past due not impaired						
RON Thousand	**Low Risk**	**Management attention**	**Sub-standard**	**Non-performing**	**Past due but not impaired**	**Individually impaired****	**Total**
Due from banks	555,301	73,727	-	-	-	-	**629,028**
Financial assets designated at fair value through profit or loss	-	22,086	-	-	-	-	**22,086**
Derivative financial instruments	-	80,179	-	-	-	-	**80,179**
Financial assets held for trading							
Listed debt instruments	146,207	-	-	-	-	-	**146,207**
Unlisted debt instruments	180,135	-	-	-	-	-	**180,135**
	326,342	**-**	**-**	**-**	**-**	**-**	**326,342**
Loans and advances to customers*							
Corporate	13,243,765	7,004,954	1,350,772	350,820	1,869,436	9,646,375	**33,466,122**
Retail	11,339,056	1,775,666	60,036	-	2,843,075	2,575,220	**18,593,054**
	24,582,821	**8,780,620**	**1,410,808**	**350,820**	**4,712,512**	**12,221,595**	**52,059,176**
Financial investments – available-for-sale							
Listed debt instruments	2,218,974	235,108	-	-	926	-	**2,455,008**
Unlisted debt instruments	1,968,378	-	-	-	-	-	**1,968,378**
	4,187,352	**235,108**	**-**	**-**	**926**	**-**	**4,423,386**
Financial investments – held-to-maturity							
Debt instruments	9,009,939	-	-	-	-	-	**9,009,939**
	9,009,939	**-**	**-**	**-**	**-**	**-**	**9,009,939**
	38,661,754	**9,191,720**	**1,410,808**	**350,820**	**4,713,438**	**12,221,595**	**66,550,136**

* Loans and advances to customers and off balance items (i.e. contingent liabilities such as committed credit lines and guarantees).
** clients' exposure with provisions specific individual & specific rule based.

38. RISK MANAGEMENT (continued)

38.5 Credit risks (continued)

38.5.7. Impairment assessment (continued)

Group 2013

RON Thousand	TOTAL		Exposure contaminated with the debt service					
	LOANS		1 - 30 days		31- 90 days		days	
	Amount	%	Amount	% in Total loans	Amount	% in Total loans	Amount	%
I. Corporate clients,								
- GLC*	821,936	41.9	724,491		39,989		57,456	
- LC*	241,721	12.3	112,926		59,282		69,512	
- Public Sector	356	-	-		-		356	
- SME*	678,156	34.6	518,117		132,404		27,635	
- Municipalities	133,849	6.8	93,267		42,362		-	
- Real estate	85,313	4.3	59,905		25,210		198	
I.Total Corporate loans,	**1,961,331**	**100**	**1,508,706**	**76.9**	**299,247**	**15.3**	**155,157**	**7.9**
II. Retail clients								
- Individuals	2,888,520	96.0	2,320,056		491,031		77,434	
- Micro	118,962	4.0	102,109		14,461		2,393	
II.Total Retail loans,	**3,007,482**	**100**	**2,422,165**	**80.5**	**505,492**	**16.8**	**79,827**	**2.7**
Total loans (I+II)	**4,968,813**	**100**	**3,930,871**	**79.1**	**804,739**	**16.2**	**234,984**	**4.7**

*) GLC – Group Large Corporates; LC – Large Corporates; SME – Small and medium enterprises.

Bank 2013

RON Thousand	TOTAL		Exposure contaminated with the debt service					
	LOANS		1 - 30 days		31- 90 days		days	
	Amount	%	Amount	% in Total loans	Amount	% in Total loans	Amount	%
I. Corporate clients,								
- GLC*	769,271	43.9	711,815		-		57,456	
- LC*	241,721	13.8	112,926		59,282		69,512	
- Public Sector	356	-	-		-		356	
- SME*	545,173	31.1	412,414		108,950		23,809	
- Municipalities	133,849	7.6	93,267		42,362		-	
- Real estate	60,103	3.4	59,905		-		198	
I.Total Corporate loans,	**1,750,473**	**100**	**1,390,327**	**79.4**	**210,594**	**12.0**	**151,331**	**8.6**
II. Retail clients								
- Individuals	2,843,075	96.0	2,289,933		476,375		76,768	
- Micro	118,962	4.0	102,109		14,461		2,393	
II.Total Retail loans,	**2,962,037**	**100.0**	**2,392,042**	**80.8**	**490,836**	**16.6**	**79,161**	**2.7**
Total loans (I+II)	**4,712,510**	**100.0**	**3,782,369**	**80.3**	**701,430**	**14.9**	**230,492**	**4.9**

*) GLC – Group Large Corporates; LC – Large Corporates; SME – Small and medium enterprises.

38. RISK MANAGEMENT (continued)

38.6. Liquidity risk

38.6.1 Liquidity risk management

Liquidity risk arises from the potential inability to meet all payments obligations when they come due. The Bank manages the liquidity risk with the purpose of maintaining an adequate liquidity, so as to cover at all times its financial commitments on all time bands.

The Bank pays careful attention to liquidity risk management by setting fundamental objectives such as ensuring the necessary funds to cover, at any time, all financial obligations assumed by the Bank, and setting an appropriate balance sheet structure, for minimizing any potentially negative effects. In this respect, the Bank concentrates its efforts on identifying the liquidity risk sources, evaluating its risk exposures and setting appropriate limits to mitigate the possible consequences of liquidity risk.

The Bank assesses its liquidity / liquidity risk by:

- Analyzing the structure of assets, in terms of their liquidity and marketability;
- Analyzing liabilities (in terms of their volatility) and off-balance sheet elements (implying potential ins/outs of funds);
- Analyzing main currencies liquidity, both individually and aggregated.
- Asset and Liability Management (ALM), focused on suitably determining the appropriate balance sheet structure, by correlating resources and placements in terms of their structure and maturity;
- Computing and monitoring the liquidity ratios by maturity ranges, based on the future cash-flows analysis, in terms of on- and off-balance sheet assets and liabilities;
- Establishing minimum limits for the liquidity ratios;
- Monthly computation of certain liquidity ratios.

For every financial year the Bank prepares:

- A strategy for managing liquidity under normal circumstances encompassing the main objectives of the Bank, with the purpose to maintain an adequate portfolio liquidity, by re-evaluating it in line with the business environment requirements;
- A contingency funding plan that is a strategy for managing liquidity in crisis situations, comprising the measures required to successfully overcome a potential crisis.

The table below presents the proper evolution of the ratio of liquid assets to customers (banking and non-banking customers) liabilities:

	2013	2012
	(%)	(%)
December	43.08	36.28
Average	39.68	37.26
Max	43.76	38.43
Min	36.60	35.92

38. RISK MANAGEMENT (continued)

38.6. Liquidity risk (continued)

38.6.2 Liquidity analysis of assets and liabilities

The tables below show an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

Group 2013

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
ASSETS								
Cash and balances with central banks	9,378,257	21,096	-	9,399,353	-	-	-	9,399,353
Due from banks	414,575	219,962	18,965	653,502	-	-	-	653,502
Derivative financial instruments	-	12,074	6,313	18,387	41,138	22,489	63,627	82,014
Financial assets held for trading	-	104,785	218,951	323,736	2,606	4,475	7,081	330,817
Financial assets designated at fair value through profit or loss	-	-	-	-	-	34,351	34,351	34,351
Loans and advances to customers, net	1,216,216	1,382,366	3,680,605	6,279,187	10,022,501	21,456,932	31,479,433	37,758,620
Financial investments – available-for-sale	-	95,859	644,770	740,629	4,295,645	245,039	4,540,684	5,281,313
Financial investments – held-to-maturity	-	759,982	1,838,491	2,598,473	6,621,833	1,014,950	7,636,783	10,235,256
Investment in associate	-	-	-	-	-	14,297	14,297	14,297
Property and equipment	-	-	-	-	-	1,363,104	1,363,104	1,363,104
Goodwill and other intangible assets	-	-	-	-	-	387,352	387,352	387,352
Current tax assets	-	89,273	-	89,273	-	-	-	89,273
Deferred tax assets	-	-	-	-	-	315,314	315,314	315,314
Other assets	769	363,591	226,998	591,358	12,654	72,786	85,440	676,798
Assets held for sale	-	-	107,433	107,433	-	-	-	107,433
TOTAL ASSETS	**11,009,817**	**3,048,988**	**6,742,526**	**20,801,331**	**20,996,377**	**24,931,089**	**45,927,466**	**66,728,797**
LIABILITIES AND EQUITY								
Due to banks	803,379	198,389	3,550,484	4,552,252	8,744,107	2,617,196	11,361,303	15,913,555
Derivative financial instruments	-	26,285	544,154	570,439	570,568	12,320	582,888	1,153,327
Due to customers	12,371,331	18,371,355	4,848,251	35,590,937	1,805,874	98,135	1,904,009	37,494,946
Debt issued and other borrowed funds	-	170,822	329,498	500,320	427,278	325,299	752,577	1,252,897
Current tax liabilities	-	2,228	-	2,228	-	-	-	2,228
Deferred tax liabilities	-	-	-	-	-	3,820	3,820	3,820
Other liabilities	-	552,766	9,017	561,783	47	-	47	561,830
Provisions	-	-	-	-	399,061	-	399,061	399,061
Subordinated liabilities	-	-	-	-	1,537,249	986,634	2,523,883	2,523,883
TOTAL LIABILITIES	**13,174,710**	**19,321,845**	**9,281,404**	**41,777,959**	**13,484,184**	**4,043,404**	**17,527,588**	**59,305,547**
Net	**(2,164,893)**	**(16,272,857)**	**(2,538,878)**	**(20,976,628)**	**7,512,193**	**20,887,685**	**28,399,878**	**7,423,250**

38. RISK MANAGEMENT (continued)

38.6. Liquidity risk (continued)

38.6.2 Liquidity analysis of assets and liabilities (continued)

Group 2012

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
ASSETS								
Cash and balances with central banks	9,179,217	237	2,610	9,182,064	5,271	3	5,274	9,187,338
Due from banks	232,461	120,507	-	352,968	8,253	-	8,253	361,221
Reverse repurchase agreements	-	30,408	-	30,408	-	-	-	30,408
Derivative financial instruments	1,055	18,188	2,859	22,102	73,960	36,192	110,152	132,254
Financial assets held for trading	-	134,088	531,678	665,766	-	6,178	6,178	671,944
Financial assets designated at fair value through profit or loss	-	-	-	-	-	44,736	44,736	44,736
Loans and advances to customers, net	3,918,021	2,813,820	4,474,811	11,206,652	9,498,139	24,157,089	33,655,228	44,861,880
Financial investments – available-for-sale	-	829,868	2,024,911	2,854,779	1,122,140	347,582	1,469,722	4,324,501
Financial investments – held-to-maturity	982	556,760	1,847,624	2,405,366	7,887,262	464,957	8,352,219	10,757,585
Property and equipment	-	-	-	-	-	1,488,485	1,488,485	1,488,485
Goodwill and other intangible assets	-	-	-	-	-	429,678	429,678	429,678
Current tax assets	-	177,445	-	177,445	-	-	-	177,445
Deferred tax assets	-	-	-	-	-	35,247	35,247	35,247
Other assets	45,153	397,164	20,157	462,474	68,542	180,624	249,166	711,640
Assets held for sale	-	-	73,283	73,283	-	-	-	73,283
TOTAL ASSETS	13,376,889	5,078,485	8,977,933	27,433,307	18,663,567	27,190,771	45,854,338	73,287,645
LIABILITIES AND EQUITY								
Due to banks	1,922,721	1,253,688	5,037,778	8,214,187	9,993,360	3,687,132	13,680,492	21,894,679
Derivative financial instruments	1,082	129,498	442,294	572,874	1,066,766	40,223	1,106,989	1,679,863
Due to customers	8,012,814	20,428,431	6,204,046	34,645,291	2,259,873	969,954	3,229,827	37,875,118
Debt issued and other borrowed funds	32,598	30,721	55,202	118,521	815,495	413,700	1,229,195	1,347,716
Current tax liabilities	-	3,965	-	3,965	-	-	-	3,965
Deferred tax liabilities	-	-	-	-	-	259,848	259,848	259,848
Other liabilities	-	486,198	33,334	519,532	301	-	301	519,833
Provisions	-	-	-	-	406,893	-	406,893	406,893
Subordinated liabilities	-	-	-	-	676,311	1,820,888	2,497,199	2,497,199
TOTAL LIABILITIES	9,969,215	22,332,501	11,772,654	44,074,370	15,218,999	7,191,745	22,410,744	66,485,114
Net	3,407,674	(17,254,016)	(2,794,721)	(16,641,063)	3,444,568	19,999,026	23,443,594	6,802,531

38. RISK MANAGEMENT (continued)

38.6. Liquidity risk (continued)

38.6.2 Liquidity analysis of assets and liabilities (continued)

Bank 2013

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
ASSETS								
Cash and balances with central banks	9,359,009	-	-	9,359,009	-	-	-	9,359,009
Due from banks	438,021	180,969	10,038	629,028	-	-	-	629,028
Derivative financial instruments	-	12,074	4,478	16,552	41,138	22,489	63,627	80,179
Financial assets held for trading	-	104,785	218,951	323,736	2,606	4,475	7,081	330,817
Financial assets designated at fair value through profit or loss	-	-	-	-	-	34,351	34,351	34,351
Loans and advances to customers, net	1,513,254	1,447,602	3,554,164	6,515,020	8,740,732	22,460,696	31,201,428	37,716,448
Financial investments – available-for-sale	-	73,487	542,872	616,359	3,652,802	809,575	4,462,377	5,078,736
Financial investments – held-to-maturity	-	604,458	1,536,342	2,140,800	5,854,189	1,014,950	6,869,139	9,009,939
Investment in associate	-	-	-		-	7,509	7,509	7,509
Property and equipment	-	-	-	-	-	314,334	314,334	314,334
Goodwill and other intangible assets	-	-	-	-	-	206,146	206,146	206,146
Current tax assets	-	89,042	-	89,042	-	-	-	89,042
Deferred tax assets	-	-	-	-	-	314,563	314,563	314,563
Other assets	-	339,862	-	339,862	-	-	-	339,862
TOTAL ASSETS	**11,310,284**	**2,852,279**	**5,866,845**	**20,029,408**	**18,291,467**	**25,189,088**	**43,480,555**	**63,509,963**
LIABILITIES AND EQUITY								
Due to banks	802,232	174,153	2,584,472	3,560,857	8,735,136	2,244,131	10,979,267	14,540,124
Derivative financial instruments	-	26,285	544,154	570,439	570,568	12,320	582,888	1,153,327
Due to customers	12,401,911	18,172,142	4,702,950	35,277,003	420,395	96,202	516,597	35,793,600
Debt issued and other borrowed funds	-	170,822	192,945	363,767	427,278	325,299	752,577	1,116,344
Other liabilities	-	508,678	-	508,678	-	-	-	508,678
Provisions	-	-	-	-	394,157	-	394,157	394,157
Subordinated liabilities	-	-	-	-	1,537,249	986,634	2,523,883	2,523,883
TOTAL LIABILITIES	**13,204,143**	**19,052,080**	**8,024,521**	**40,280,744**	**12,084,783**	**3,664,586**	**15,749,369**	**56,030,113**
Net	**(1,893,859)**	**(16,199,801)**	**(2,157,676)**	**(20,251,336)**	**6,206,684**	**21,524,502**	**27,731,186**	**7,479,850**

38. RISK MANAGEMENT (continued)

38.6. Liquidity risk (continued)

38.6.2 Liquidity analysis of assets and liabilities (continued)

Bank 2012

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
ASSETS								
Cash and balances with central banks	9,153,196	-	-	9,153,196	-	-	-	9,153,196
Due from banks	193,937	28,649	23,717	246,303	38,968	-	38,968	285,271
Reverse repurchase agreements	-	30,408	-	30,408	-	-	-	30,408
Derivative financial instruments	1,055	18,188	2,859	22,102	72,123	36,192	108,315	130,417
Financial assets held for trading	-	134,088	531,678	665,766	-	6,178	6,178	671,944
Financial assets designated at fair value through profit or loss	-	-	-	-	-	44,736	44,736	44,736
Loans and advances to customers, net	2,890,793	3,047,549	4,389,595	10,327,937	9,195,080	25,043,282	34,238,362	44,566,299
Financial investments - available-for-sale	-	811,662	2,024,911	2,836,573	1,122,140	1,085,521	2,207,661	5,044,234
Financial investments - held-to-maturity	-	509,847	1,625,641	2,135,488	6,817,942	464,956	7,282,898	9,418,386
Property and equipment	-	-	-	-	-	414,557	414,557	414,557
Goodwill and other intangible assets	-	-	-	-	-	234,918	234,918	234,918
Current tax assets	-	177,283	-	177,283	-	-	-	177,283
Other assets	-	359,534	-	359,534	-	-	-	359,534
TOTAL ASSETS	12,238,981	5,117,208	8,598,401	25,954,590	17,246,253	27,330,340	44,576,593	70,531,183
LIABILITIES AND EQUITY								
Due to banks	1,919,599	1,142,940	3,901,240	6,963,779	9,472,765	3,687,130	13,159,895	20,123,674
Derivative financial instruments	1,082	129,498	442,294	572,874	1,066,766	40,223	1,106,989	1,679,863
Due to customers	8,123,854	20,387,710	6,096,586	34,608,150	1,242,415	967,910	2,210,325	36,818,475
Debt issued and other borrowed funds	32,598	30,721	55,202	118,521	679,752	413,700	1,093,452	1,211,973
Deferred tax liabilities	-	-	-	-	-	241,262	241,262	241,262
Other liabilities	-	437,591	-	437,591	-	-	-	437,591
Provisions	-	-	-	-	397,841	-	397,841	397,841
Subordinated liabilities	-	-	-	-	676,311	1,820,888	2,497,199	2,497,199
TOTAL LIABILITIES	10,077,133	22,128,460	10,495,322	42,700,915	13,535,850	7,171,113	20,706,963	63,407,878
Net	**2,161,848**	**(17,011,252)**	**(1,896,921)**	**(16,746,325)**	**3,710,403**	**20,159,227**	**23,869,630**	**7,123,305**

38. RISK MANAGEMENT (continued)

38.6. Liquidity risk (continued)

38.6.3 Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the financial liabilities at 31 December 2013 and at 31 December 2012 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Group and the Bank expect that many customers will not request repayment on the earliest date the Group or the Bank could be required to pay and the tables do not reflect the expected cash-flows indicated by the Group's and the Bank's deposit retention history.

Group 2013

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Due to banks	804,805	199,269	3,629,266	4,633,340	9,675,425	3,081,783	12,757,208	17,390,548
Derivative financial instruments	-	26,285	544,154	570,439	570,568	12,320	582,888	1,153,327
Due to customers	12,388,980	18,436,878	4,934,709	35,760,567	1,960,452	112,135	2,072,587	37,833,154
Debt issued and other borrowed funds	-	171,011	331,321	502,332	475,224	329,641	804,865	1,307,197
Subordinated liabilities	-	-	-	-	1,833,995	1,304,062	3,138,057	3,138,057
Total undiscounted financial liabilities	**13,193,785**	**18,833,443**	**9,439,450**	**41,466,678**	**14,515,664**	**4,839,941**	**19,355,605**	**60,822,283**

Group 2012

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Due to banks	1,927,560	1,301,658	4,912,596	8,141,815	12,841,389	3,453,593	16,294,982	24,436,797
Derivative financial instruments	1,082	129,498	442,294	572,874	1,066,766	40,223	1,106,989	1,679,863
Due to customers	8,028,198	20,526,482	6,352,936	34,907,616	2,520,197	1,156,176	3,676,373	38,583,989
Debt issued and other borrowed funds	32,606	30,740	55,376	118,722	849,617	438,109	1,287,727	1,406,449
Subordinated liabilities	-	-	-	-	823,191	2,479,981	3,303,172	3,303,172
Total undiscounted financial liabilities	**9,989,446**	**21,988,379**	**11,763,202**	**43,741,027**	**18,101,160**	**7,568,083**	**25,669,243**	**69,410,270**

38. RISK MANAGEMENT (continued)

38.6. Liquidity risk (continued)

38.6.3 Analysis of financial liabilities by remaining contractual maturities (continued)

Bank 2013

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Due to banks	803,656	174,926	2,641,819	3,620,401	9,665,498	2,642,494	12,307,992	15,928,393
Derivative financial instruments	-	26,285	544,154	570,439	570,568	12,320	582,888	1,153,327
Due to customers	12,402,577	18,236,954	4,786,817	35,426,348	456,380	109,926	566,306	35,992,654
Debt issued and other borrowed funds	-	171,011	194,012	365,023	438,440	329,556	767,996	1,133,019
Subordinated liabilities	-	-	-	-	1,833,995	1,304,062	3,138,057	3,138,057
Total undiscounted financial liabilities	**13,206,233**	**18,609,176**	**8,166,802**	**39,982,211**	**12,964,881**	**4,398,358**	**17,363,239**	**57,345,450**

Bank 2012

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Due to banks	1,924,431	1,190,213	3,740,301	6,854,945	12,242,175	3,453,591	15,695,766	22,550,711
Derivative financial instruments	1,082	129,498	442,294	572,874	1,066,766	40,223	1,106,989	1,679,863
Due to customers	8,127,108	20,485,566	6,242,897	34,855,571	1,385,534	1,153,739	2,539,273	37,394,844
Debt issued and other borrowed funds	32,606	30,740	55,376	118,722	698,512	438,058	1,136,569	1,255,292
Subordinated liabilities	-	-	-	-	823,191	2,479,981	3,303,172	3,303,172
Total undiscounted financial liabilities	**10,085,227**	**21,836,018**	**10,480,867**	**42,402,112**	**16,216,177**	**7,565,592**	**23,781,770**	**66,183,881**

38. RISK MANAGEMENT (continued)

38.6. Liquidity risk (continued)

38.6.4 Analysis of contingent liabilities and commitments by remaining contractual maturities

The tables below show the contractual expiry by maturity of the contingent liabilities and commitments.

Group 2013

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	388,291	910,619	1,298,910	847,866	481,546	1,329,412	2,628,322
Commitments	5,034,564	97,487	5,132,051	869,718	72,630	942,348	6,074,399
Total	5,422,855	1,008,106	6,430,961	1,717,584	554,176	2,271,760	8,702,721

Group 2012

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	1,277,881	1,119,615	2,397,496	630,410	135,581	765,991	3,163,487
Commitments	5,525,734	164,236	5,689,970	224,720	104,898	329,618	6,019,588
Total	6,803,615	1,283,851	8,087,466	855,130	240,479	1,095,609	9,183,075

Bank 2013

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	518,454	910,619	1,429,073	847,866	481,546	1,329,412	2,758,485
Commitments	5,409,047	97,487	5,506,534	869,718	72,630	942,348	6,448,882
Total	5,927,501	1,008,106	6,935,607	1,717,584	554,176	2,271,760	9,207,367

Bank 2012

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	1,259,195	1,119,615	2,378,810	630,410	135,581	765,991	3,144,801
Commitments	5,519,831	164,236	5,684,067	224,720	104,898	329,618	6,013,685
Total	6,779,026	1,283,851	8,062,877	855,130	240,479	1,095,609	9,158,486

38. RISK MANAGEMENT (continued)

38.7 MARKET RISK

Market risk is the risk of loss that could arise from adverse changes in the market prices and rates, equity prices, foreign exchange rates and interest rates, the correlations between them and their levels of volatility.

In terms of market risk, the Bank focuses on:

- setting an appropriate structure of its assets and liabilities, enabling it to avoid significant negative impact on the Bank's activity and financial performance, should the interest rates, foreign exchange rates and market prices change;
- identifying the causes behind the market risk, assessing its exposure to such risks and taking necessary steps to mitigate them.

The evolution of the foreign currency ("FX") positions, as percentage of own funds, were:

Exposure on currencies		2013 % of own funds	2012 % of own funds
EUR	Average	0.55	7.40
	Maximum	2.00	20,89
USD	Average	0.03	0.12
	Maximum	0.10	1.32
Total	**Average**	**0.78**	**8.11**
	Maximum	**2.29**	**21.11**

The value at risk ("VaR") of the total FX position was reduced accordingly for 2013, as presented below:

1 day, 99%, RON VaR		2013	2012
The VaR of the total FX position	Average	21.495	82.143
	Maximum	47.814	200.980

Currently the Bank computes the VaR using the Historical simulation method. The parameters of the VaR computation are: holding period = 1 day, confidence level = 99%, lambda = 1, length of risk factors time series = 730 days. This is the standard across Erste Group.

Below, one can see the structure of the internal market risk limits:

➢ **Limits for the Trading Book**

- **Limits on the FX position:**
  - Exposure (Delta) (for three categories: i) EUR and USD, ii) other currencies except EUR and USD, iii) Total FX position)
  - 1 Day, 99% - VaR limit;

- **Limits of Fixed Income Trading Book:**
  - Present value of a basis point ("PVBP")
  - 1 Day, 99% - VaR

- **Limits for money market ("MM"):**
  - PVBP limits for MM (for RON, EUR, USD, other currencies and total):
  - 1 Day, 99% - VaR limit

- **Limits on common stock position:**
  - ✓ If the volatility index VDAX (Reuters: "/.V1XI") is at most 30
    - Exposure (delta) limits (for three categories: i) Erste, ii) Fondul Proprietatea, iii) All except Erste, iv) Others single position, v) Total)
    - 1 Day, 99% - VaR
  - ✓ If the volatility index VDAX (Reuters: "/.V1XI") exceeds 30 then the Delta limits above are reduced by 35%.

38. RISK MANAGEMENT (continued)

38.7 Market Risk (continued)

- **Aggregated VaR limits for Trading Book:**
  - for FI TB plus MM
  - for the whole TB.

- **S/L limits.**

➢ <u>**Limits for the Banking Book**</u>

- **Limits for fixed income**
  - PVBP limits for FI BB - AFS and HTM (for RON, EUR, USD, other currencies and total) :
  - 1 Day, 99% - VaR

During 2013 there were no market risk limit breaches.

The Bank developed specific norms for transactions with financial derivatives, used both as products offered to customers for risk mitigation and for hedging against the market risk exposure of its own portfolio.

As a member of Erste Bank Group, the Bank was included in 2009 in the program of trading activity centralization set up at Holding level and according to the business model BCR- Erste Bank Group, starting with October 2009, all trading operations were transferred on a centralized trading book on holding level. The Bank foreign exchange position is closed and is transferred to holding and the result is returned to BCR on a pro-rated basis, depending on the contribution of the local trader and the volume of transactions.

38. RISK MANAGEMENT (continued)

38.7 Market Risk (continued)

38.7.1. Currency risk

Group 2013

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	5,464,339	3,820,686	44,479	69,849	9,399,353
Due from banks	492,388	97,663	30,620	32,831	653,502
Financial assets held for trading	330,817	-	-	-	330,817
Derivative financial instruments	33,499	48,487	28	-	82,014
Financial assets designated at fair value through profit or loss	34,351	-	-	-	34,351
Loans and advances to customers	14,036,168	23,088,473	598,564	35,415	37,758,620
Financial investments - available-for-sale	3,102,223	2,129,750	32,239	17,101	5,281,313
Financial investments - held-to-maturity	6,739,241	3,443,960	-	52,055	10,235,256
Other assets	380,764	261,471	25,547	9,016	676,798
Total assets	**30,613,790**	**32,890,490**	**731,477**	**216,267**	**64,452,024**
Liabilities					
Due to banks	5,438,561	10,414,669	36,086	24,239	15,913,555
Derivative financial instruments	1,099,156	54,139	32	-	1,153,327
Due to customers	23,747,859	11,552,632	1,952,817	241,638	37,494,946
Debt issued and other borrowed funds	725,641	527,139	117	-	1,252,897
Other liabilities	478,635	69,124	12,793	1,278	561,830
Subordinated Liabilities	1,359,641	1,164,242	-	-	2,523,883
Total liabilities	**32,849,493**	**23,781,945**	**2,001,845**	**267,155**	**58,900,438**
Net	**(2,235,703)**	**9,108,545**	**(1,270,368)**	**(50,888)**	**5,551,586**

38. RISK MANAGEMENT (continued)

38.7 Market Risk (continued)

38.7.1. Currency risk (continued)

Group 2012

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	3,960,871	5,111,484	43,711	71,272	9,187,338
Due from banks	204,439	71,667	52,797	32,318	361,221
Financial assets held for trading	671,944	-	-	-	671,944
Derivative financial instruments	36,093	96,079	82	-	132,254
Financial assets designated at fair value through profit or loss	44,736	-	-	-	44,736
Loans and advances to customers	15,957,507	27,566,476	1,287,589	50,308	44,861,880
Financial investments - available-for-sale	3,375,527	897,525	33,253	18,196	4,324,501
Financial investments - held-to-maturity	7,338,954	3,381,179	-	37,452	10,757,585
Other assets	518,126	144,411	38,247	10,856	711,640
Total assets	**32,108,197**	**37,268,821**	**1,455,679**	**220,402**	**71,053,099**
Liabilities					
Due to banks	8,997,554	12,826,894	46,324	23,907	21,894,679
Derivative financial instruments	1,599,772	79,986	105	-	1,679,863
Due to customers	24,268,738	11,470,526	1,859,498	276,356	37,875,118
Debt issued and other borrowed funds	783,710	551,679	12,327	-	1,347,716
Other liabilities	413,621	93,116	10,284	2,812	519,833
Subordinated Liabilities	1,357,247	1,139,952		-	2,497,199
Total liabilities	**37,420,642**	**26,162,153**	**1,928,538**	**303,075**	**65,814,408**
Net	**(5,312,445)**	**11,106,668**	**(472,859)**	**(82,673)**	**5,238,691**

38. RISK MANAGEMENT (continued)

38.7 Market Risk (continued)

38.7.1. Currency risk (continued)

Bank 2013

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	5,455,877	3,810,422	41,635	51,075	9,359,009
Due from banks	451,165	105,635	39,887	32,341	629,028
Financial assets held for trading	330,817	-	-	-	330,817
Derivative financial instruments	33,498	46,653	28	-	80,179
Financial assets designated at fair value through profit or loss	34,351	-	-	-	34,351
Loans and advances to customers	15,389,212	21,748,848	577,205	1,183	37,716,448
Financial investments - available-for-sale	2,916,747	2,129,750	32,239	-	5,078,736
Financial investments - held-to-maturity	5,565,979	3,443,960	-	-	9,009,939
Other assets	179,855	133,185	25,624	1,198	339,862
Total assets	**30,357,501**	**31,418,453**	**716,618**	**85,797**	**62,578,369**
Liabilities					
Due to banks	5,519,100	8,988,780	16,439	15,805	14,540,124
Derivative financial instruments	1,099,156	54,139	32	-	1,153,327
Due to customers	21,958,226	11,695,048	1,945,851	194,475	35,793,600
Debt issued and other borrowed funds	725,641	390,586	117	-	1,116,344
Other liabilities	426,282	68,902	12,773	721	508,678
Subordinated Liabilities	1,359,641	1,164,242	-	-	2,523,883
Total liabilities	**31,088,046**	**22,361,697**	**1,975,212**	**211,001**	**55,635,956**
Net	**(730,545)**	**9,056,756**	**(1,258,594)**	**(125,204)**	**6,942,413**

38. RISK MANAGEMENT (continued)

38.7 Market Risk (continued)

38.7.1. Currency risk (continued)

Bank 2012

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	3,960,699	5,103,645	39,557	49,295	9,153,196
Due from banks	97,116	84,571	71,868	31,716	285,271
Financial assets held for trading	671,944	-	-	-	671,944
Derivative financial instruments	36,094	94,241	82	-	130,417
Financial assets designated at fair value through profit or loss	44,736	-	-	-	44,736
Loans and advances to customers	17,362,240	25,985,108	1,217,500	1,451	44,566,299
Financial investments - available-for-sale	4,113,456	897,525	33,253	-	5,044,234
Financial investments - held-to-maturity	6,037,207	3,381,179	-	-	9,418,386
Other assets	179,460	141,125	38,213	736	359,534
Total assets	**32,502,952**	**35,687,394**	**1,400,473**	**83,198**	**69,674,017**
Liabilities					
Due to banks	8,997,376	11,079,906	29,721	16,671	20,123,674
Derivative financial instruments	1,599,772	79,986	105	-	1,679,863
Due to customers	23,128,088	11,629,555	1,844,924	215,908	36,818,475
Debt issued and other borrowed funds	783,710	415,936	12,327	-	1,211,973
Other liabilities	337,431	88,265	10,284	1,611	437,591
Subordinated Liabilities	1,357,247	1,139,952	-	-	2,497,199
Total liabilities	**36,203,624**	**24,433,600**	**1,897,361**	**234,190**	**62,768,775**
Net	**(3,700,672)**	**11,253,794**	**(496,888)**	**(150,992)**	**6,905,242**

38.7.2 Interest rate risk

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities (including off-balance-sheet items) in respect of their maturities or of the timing of interest rate adjustments.

38. RISK MANAGEMENT (continued)

38.7 Market Risk (continued)

38.7.2 Interest Rate Risk (continued)

Beginning with September 2010, the Bank performs an assessment of potential changes in the economic value of the bank due to changes in interest rates, according to the NBR's Regulation no. 18. All financial instruments, including transactions not recognized in the balance sheet, are grouped into maturity bands based on their remaining term to maturity or term to an interest rate adjustment.

The change of economic value is the result of applying sudden and unexpected changes in interest rates – standard shocks – towards on- and off-balance sheet items, prescribed by the NBR. The size of the standard shocks is 200 basis points, in both directions, regardless of the currency. The economic value of the Bank is then computed by multiplying the net position with an "adjustment factor" that varies between 0.08% and 26%. As a result of applying the standard shocks, the decrease of a credit institution's economic value must not exceed 20% of its own funds.

The following table lists the net positions on each time band and main currency together with the corresponding weighted net positions as of:

million RON

December 2013	RON		EUR		Other	
Maturity band	Net pos.	Weighted	Net pos.	Weighted	Net pos.	Weighted
≤ 1 m	6,621.29	5.30	1,734.31	1.38	726.43	0.58
> 1 m, ≤ 3 m	(2,962.55)	(9.48)	872.47	2.79	120.40	0.39
> 3 m, ≤ 6 m	386.53	2.78	997.71	7.18	(266.81)	(1.92)
> 6 m, ≤ 12 m	(546.94)	(7.82)	(1,649.75)	(23.59)	(263.20)	(3.76)
> 1 y, ≤ 2 y	(131.72)	(3.65)	801.27	22.20	(71.89)	(1.99)
> 2 y, ≤ 3 y	181.82	8.16	1,937.48	86.99	(71.09)	(3.19)
> 3 y, ≤ 4 y	2,137.56	131.24	(868.00)	(53.30)	(65.33)	(4.01)
> 4 y, ≤ 5 y	1,138.84	87.81	(103.92)	(8.01)	3.97	0.31
> 5 y, ≤ 7 y	674.17	68.43	292.29	29.67	1.84	0.20
> 7 y, ≤ 10 y	105.76	14.02	(295.66)	(39.20)	(1.70)	(0.22)
> 10 y, ≤ 15 y	5.46	0.97	(43.34)	(7.73)	0.20	0.04
> 15 y, ≤ 20 y	2.97	0.67	(313.22)	(70.25)	0.01	0.00
> 20 y	(0.81)	(0.20)	(53.64)	(13.96)	0.02	0.00
Total		**298.23**		**65.83**		**13.60**

million RON

December 2012	RON		EUR		Other	
Maturity band	Net Pos.	Weighted	Net Pos.	Weighted	Net Pos.	Weighted
≤ 1 m	(4,611.01)	(3.69)	(13,622.25)	(10.89)	607.44	0.49
> 1 m, ≤ 3 m	(2,074.05)	(6.64)	(462.39)	(1.48)	(211.93)	(0.68)
> 3 m, ≤ 6 m	2,192.04	15.78	1,232.78	8.87	(285.16)	(2.05)
> 6m, ≤ 12 m	1,248.20	17.85	250.15	3.58	(393.55)	(5.63)
> 1 y, ≤ 2 y	1,307.50	36.22	(10.67)	(0.29)	(7.82)	(0.22)
> 2 y, ≤ 3 y	727.40	32.66	1,171.78	52.60	(2.04)	(0.09)
> 3 y, ≤ 4 y	574.20	35.25	1,259.01	77.30	(2.23)	(0.14)
> 4 y, ≤ 5 y	1,496.05	115.35	(274.37)	(21.15)	(2.16)	(0.17)
> 5 y, ≤ 7 y	(212.77)	(21.60)	226.67	23.00	(1.88)	(0.19)
> 7 y, ≤ 10y	(564.30)	(74.83)	(315.18)	(41.79)	(1.72)	(0.23)
> 10 y, ≤ 15 y	(458.41)	(81.78)	(365.50)	(65.20)	(0.20)	(0.03)
> 15 y, ≤ 20 y	2.29	0.52	(66.69)	(14.96)	(0.00)	0.00
> 20 y	(1.05)	(0.27)	(51.72)	(13.46)	0.00	0.00
Total		**64.82**		**3.87**		**8.94**

38. RISK MANAGEMENT (continued)

38.7 Market Risk (continued)

38.7.2 Interest Rate Risk (continued)

The following table lists the change in the economic value of the Bank as percentage of the own funds as of:

December 2013			RON
Own Funds			4,284,618,137
The Potential Decrease in the Economic Value	in absolute value	RON	298,226,022
		EUR	65,833,218
		USD	13,604,128
		Total	377,663,369
	% of Own Funds		8.81%

December 2012			RON
Own Funds			4,776,986,918
The Potential Decrease in the Economic Value	in absolute value	RON	64,819,056
		EUR	3,870,829
		USD	8,940,346
		Total	77,630,231
	% of Own Funds		1.63%

The Bank also analyses the sensitivity of the net interest income (NII) to interest rates changes.
The following table lists the possible changes in NII for 2013 due to a parallel shift of the yield curves with -0.5%, ±1%, ±2%, ±3%. The analysis is based on December 31st, 2013 data.

RON thousands

Shift	Sensitivity of profit or loss	Sensitivity of equity
+1%	(109,400)	(176,698)
+2%	(220,870)	(351,483)
-1%	33,696	104,859
-2%	44,021	177,397

The impact in profit or loss and equity of variation of foreign exchange currencies EUR/RON and USD/RON with ±5%:

RON Thousands		Sensitivity of profit or loss		Sensitivity of equity	
Change in foreign exchange currencies		Impact for EUR position	Impact for USD position	Impact for EUR position	Impact for USD position
2012	5%	(28,586)	514	(24,012)	432
	-5%	28,586	(514)	24,012	(432)
2013	5%	12,548	387	10,540	325
	-5%	(12,548)	(387)	(10,540)	(325)

38. RISK MANAGEMENT (continued)

38.8 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and inadequate internal systems or which did not properly fulfilled their function, or from external events, and includes legal risk.

The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and reacting to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff awareness and assessment processes, including the use of internal audit.

For an adequate management of its business and the risks he is exposed during its regular activity, the Bank developed and manages a solid and comprehensive internal control framework, adapted to its size and complexity, and structured on three internal control layers:

- The layer of operational units and support functions, who bear the main responsibility for defining and enforcing adequate internal control procedures,
- The risk management and compliance functions layer, and
- The internal audit layer.

For managing operational risks the Bank uses and develop a variate set of tools, processes, methods and practices:

- collection, monitoring, analysis and reporting operational risk events using a dedicated software and a central database;
- risk data quality assurance by verifying and reconciling informations received from different sources within the Bank;
- periodical Risk & Control Self-Assessment;
- Key Risk Indicators and alert limit monitoring;
- scenario analysis;
- permanent enhancement of personnel risk management expertise, in order to improve the ability to identify, assess, mitigate, control, monitor and report operational risks; and
- assurance of a permanent communication between units and persons relevant for risk management, both top-down and down-top (risk reporting and decision), and on horizontal (communication between internal control functions and with operational units).

In order to decrease the Bank's exposure to operational risk, the main directions targeted in 2013 were:

- improving and increasing efficiency of the operational risk management tools;
- constant development of the Bank's Control Culture in respect of operational risks;
- development and monitoring of new Key Risk Indicators;
- improving fraud risk management capabilities and tools (prevention, early detection, investigation and recovery)
- the development and constant updating and testing of the business continuity plan in crisis situations;
- proper management of information security risks.

The Bank remains committed to the objective of increasing shareholder value by generating and growing business that is consistent with his risk appetite, and by building more effective risk management capabilities. Responsibility for risk management resides at all hierarchical levels within the Bank. The Bank is seeking an appropriate balance of its businesses, continuing to build the risk management capabilities that will help to deliver growth plans in a controlled environment.

Starting with October 2010, The Bank uses the AMA (advanced measurement approach for operational risk) as per National Bank of Romania and Financial Markets Authority in Austria approval.

38. RISK MANAGEMENT (continued)

38.9 LEGAL RISK

Legal risk is risk of loss as a result of fines, penalties and sanctions for which the Bank is liable in case of failure to comply with or improper enforcement of legal or contractual provisions, or the Bank's and/or its counterparty's contractual rights and obligations are not adequately established.

For an adequate legal management and in order to protect its legal and business interests, the Bank:

- ensures the establishment of an efficient legal function and an adequate monitoring of the Bank's exposure to the legal risk;
- periodically reviews the internal regulation framework and the legal acts templates used in the current activity (e.g. credit agreements and deposit agreements), and analyses their adequacy as well as their alignment to the Bank's activity, the banking practices and the applicable legal framework;
- develops and implements processes and control mechanisms for complying with the internal and external regulatory framework;
- monitors the course of the litigation portfolio and assesses the causes having led to the litigation, for the purpose of improving the business practice and the legal documents attached to its products and services; and
- provides adequate and high quality internal legal assistance to its staff and the management of the Bank.

38.10 REPUTATIONAL RISK

Reputational risk is the actual or future risk of a negative impact on profits and capital caused by an unfavorable perception of Bank's public image in the eyes of his clients, counterparties, shareholders, investors and supervisory bodies.

For an adequate reputational risk management and in order to enhance its reputation in the eyes of its clients, business partners, banking industry and regulatory and supervisory/ oversight bodies, the Bank:

- ensures the reputational risk management in a shared responsibility between communication, internal control and risk management functions, aiming mainly at removal of resident risks inconsistencies and contradictions;
- promotes and enforces clear corporate values, social responsibility and business practices, non-discriminatory and fair to all parties, including by defining and enforcement of standards and codes of conduct on the manner in which bank staff should interact with customers and third parties so that the bank's public image to be represented in accordance with its vision and values;
- aims at a good knowledge and understanding of its customers and partner's needs, of their opinions about products and services, as well as the achievement of a high degree of customer satisfaction in respect of his products and services, staff behavior and the working environment in his operational units;
- collects, analyzes and uses information related to customer and banking industry perception and opinion, in order to improve its operations, products and services;
- aims at ensuring compliance with regulations in force and at selecting customers and business partners so that his public image not to be negatively impacted by being involved in acts or illegal activities;
- engages in social responsibility and environmental protection projects in the interest of community where it is pursuing affairs.

39. CAPITAL ADEQUACY

39.1 Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with the capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

39. Capital adequacy (CONTINUED)

39.2 Capital adequacy

The solvency ratio according to national regulations (Basel II requirements) as at 31 December 2013 based on provisional data was of 14.65% (31 December 2012: 12.40% based on final financial statements).

In addition to the above ratio the Bank and the Group also monitor the adequacy of their capital using ratios established by the Bank for International Settlements ("BIS") in July 1988, based upon financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Based upon financial information prepared in accordance with IFRS standards the Tier 1 and the Tier 1 plus Tier 2 capital adequacy ratios at 31 December 2013 were:

- 20.90% and 26.85%, respectively (31 December 2012: 14.52% and 19.04%, respectively) for the Bank
- 18.85% and 24.89%, respectively (31 December 2012: 13.63% and 18.57%, respectively) for the Group.

Under BIS guidelines, on-balance sheet exposures are allocated to standardized approach asset classes, a risk weighting being assigned according to these classes and the loan quality. The following categories of risk weights are applied: 0%, 10%, 20%, 35%, 50%, 75%, 100%, 150%, 200% and other risk weights according to national law; for example cash and exposures to central banks denominated and financed in local currency or EUR have a zero risk weighting which means that no capital is required to support the holding of these assets. Premises and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 8% of the carrying amount. Other asset categories have intermediate weightings.

Off-balance-sheet credit related commitments, letters of guarantee and derivatives are taken into account by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for balance sheet assets.

The total credit risk capital requirement is calculated as 8% of the risk weighted assets.

Also, in order to calculate the capital adequacy ratio, the Bank computes a capital requirement for market and operational risks.

Tier 1 capital consists of shareholders' eligible equity less deductions (intangibles, participation in insurance companies and other). Tier 2 includes the Bank and the Group's subordinated liabilities.

	Group		Bank	
RON Thousand	**2013**	**2012**	**2013**	**2012**
Tier 1 capital	6,925,174	6,264,156	6,923,515	6,284,760
Tier 1+ Tier 2 capital	9,144,520	8,532,611	8,894,143	8,242,261
Risk weighted assets (credit, market and operational risks)	36,740,658	45,942,148	33,124,332	43,294,997
BIS Capital ratios				
Tier 1 capital	18.85%	13.63%	20.90%	14.52%
Tier 1+ Tier 2 capital	24.89%	18.57%	26.85%	19.04%

40. SUBSEQUENT EVENTS

No subsequent events occurred after the reporting period.

AUTHORISED PERSON	AUTHORISED PERSON
First name and name	First name and name
Signature	Signature
Executive Vice-President	Executive Director Accounting Division
Mr. Bernd MITTERMAIR	Renata ANDRIES
	Andries