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 2015

Contents of the consolidated financial statements

DECLARATION,

We, the undersigned, in our capacity of administrators of Banca Comerciala Romana S.A., and in accordance with Art. 30 of the Accounting Law no. 82/1991 republished, undertake full responsibility for the preparation of the annual financial statements as at 31.12.2015 and declare the following:

a) The accounting policies used for the preparation of the financial statements for 2015 are in compliance with the accounting standards applicable to credit institutions, correspondingly in accordance with the NBR's Order no. 27/2010 for the approval of the Accounting Regulations compliant to International Financial Reporting Standards applicable to credit institutions, as subsequently amended and supplemented;

b) The annual financial statements reflect a true and fair view of the financial position, financial performance and further information related to the activity of the bank;

c) Banca Comerciala Romana S.A. carries out its activity on a going concern basis.

Chief Executive Officer,

SERGIU MANEA

BANCA COMERCIALĂ ROMÂNA
BCR
PREȘEDINTE EXECUTIV

Chief Financial Officer,

ADRIANA JANKOVICOVA

DECLARATION,

We, the undersigned, in our capacity of administrators of Banca Comerciala Romana S.A., and in accordance with Art. 31 of the Accounting Law no. 82/1991 republished, undertake full responsibility for the preparation of the consolidated annual financial statements as at 31.12.2015 and declare the following:

a) The accounting policies used for the preparation of the annual consolidated financial statements for 2015 are in compliance with the accounting standards applicable to credit institutions, correspondingly in accordance with the NBR's Order no. 27/2010 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards applicable to credit institutions, as subsequently amended and supplemented;

b) The annual consolidated financial statements reflect a true and fair view of the financial position, financial performance and further information related to the activity of the group.

Chief Executive Officer,

SERGIU MANEA

BANCA COMERCIALA ROMANA BCR PRESEDINTE EXECUTIV

Chief Financial Officer,

ADRIANA JANKOVICOVA

No. Cabinet of the President
Supervisory Board

ADMINISTRATORS' REPORT
Banca Comerciala Romana SA

Regarding the Financial year 2015

A. Macroeconomic environment in 2015

Romania grew 3.7% y/y in the first nine months, as domestic demand brightened further. After lagging behind its potential for at least six years, the country seems now on pace to close the negative output gap. Investments have been on the rise in 2015, after falling sharply by an aggregate 9% in the previous two years. Private consumption, on the other hand, has consolidated its contribution to GDP formation, backed by ever-growing wages. Hourly labor costs continued on the fast track in the first half of 2015 posting the second largest growth in EU (+7.4% y/y) after Latvia, while a close look at the contributors showed that manufacturing significantly outpaced the country average in the first six months (+8.4% y/y). This came on the heels of 2014, during which Romania saw the quickest increase of all EU countries. This takes us to the second-largest GDP category – 'external demand' – as labor costs definitely had an impact on the country's foreign trade. Net exports have undoubtedly held back the economic advance over the past two years, as domestic demand rebounded and the dynamics of imports outpaced those of exports. But apart from the brisker volume of imports, Romanian exports have most likely lost some competitiveness due to soaring labor costs in general and in manufacturing in particular. This goes to show that Romania still remains largely restricted to the same old growth pattern. Now that the country is coming close to, or is even on the verge of, outgrowing its potential, external demand begins to weigh on GDP. On top of that, it looks as though local industry, or at least parts of it, needs technological upgrades to increase labor productivity and thus reduce pressure from labor-intensive activities. A cheap labor force is not always a winning solution, as it will – sooner or later – result in productivity gaps, especially when other countries in the region or elsewhere in world are already working at higher productivity rates.

Prices in 2015 have been under the spell of a knee-jerk decision last spring to reduce the VAT rate to 9% for all food products effective from June. This had a major influence on local prices, as food is a 'heavy-weight', accounting for more than 30% of the consumer basket. For the first time over the past twenty five years, annual inflation in Romania fell pretty deeply into the red zone, driven down by a stronger-than-estimated VAT pass-through. As the timing of the VAT cut tied in perfectly with the seasonal rise in the local production of vegetables and fruits, inflation was pushed down further into negative territory in July and August. Also, food imports grew an aggregate 20% y/y in June-August, and this was also reflected in sizzling retail sales for this product category. Hefty growth in households' purchasing power amid the loose wage policy rolled out by the former cabinet has definitely played a big part in the overall consumption equation. Fuels were another significant inflation suppressor, pushing the overall price level down to new historic lows in August (-1.9%). Deflation pressures have since moderated, as food prices began to rise in September and October, a telltale sign that local production of vegetables and fruits was rapidly tapering off. Annual inflation rate was -0.9% in December 2015, well below the NBR's target of 2.5%±1pp.

Romania started 2015 with a monetary policy rate of 2.75% and mandatory reserves of 10% for RON liabilities and 14% for foreign-currency liabilities. Against a backdrop of slowing inflation, a persistent negative output gap, subdued international prices and the consolidation of inflationary expectation at low levels, the central bank resumed cutting the key rate in January 2015 and continued to do so in each of the following four months except for March, bringing the indicative rate down to 1.75%. Moreover, in May, the central bank surprised the market by also trimming RON mandatory reserves to 8%. The benefits of monetary relaxation have been evident all this time, as the interest rate on new loans continued to trend lower, while loans in the national currency have begun to display a double-digit annual growth rate ever since June 2015 (up more than 15% y/y in September). Meanwhile, the government stood pat on carrying out additional broad fiscal easing as of 2016, beyond the substantial VAT reduction for all food products delivered in June. Under these circumstances and with the latest data showing that private consumption was already up and away, the central bank paused monetary easing and began sending out clear warning signals regarding the risks posed by excessive fiscal relaxation to the country's macro stability. The central bank's governor felt also the urge in early August to caution that monetary and fiscal easing cannot be coincident events. The last Monetary Policy Council in 2015 held in early November brought nothing new, with the central bank keeping the key rate and mandatory reserves on hold.

In February 2015, the former cabinet for the first time unveiled a four-year fiscal relaxation plan that included a cut in standard VAT to 20% as of 2016, reduced VAT (9%) for some staple food (meat, fish, vegetables and fruits) in 2016, the elimination of the corporate tax on special buildings in 2016, smaller social insurance contributions paid by employers and employees in 2017 and a lowered personal income tax to 14% in 2019. Both the IMF and the European Commission took a dim view of the relaxation – at that time the IMF/EU precautionary bail-out program had long been put in mothballs, with no new macro assessment issued by the Fund. In a turnaround, the government decided to put part of the initial plan on the fast track, advancing the date for the first VAT cut for food to June 2015, while increasing the scope to all food items instead of only the staples. Meanwhile, the Ministry of Finance struggled and managed to increase revenue collection and VAT-related income in particular (+0.5pp of GDP in full-year 2015 for VAT revenues). Officials from the Ministry of Finance linked the improved performance to the growing number of cash registers and more frequent onsite inspections conducted by the local Fiscal Agency. Equally true was that the retail sales volume has been supportive for the VAT revenues. With the central bank and Fiscal Council raising serious alerts over immoderate fiscal easing plans amid the IMF and EU's flashing warning lights, the parliament revisited the 'loose' amendments of the Fiscal Code in early September, opting for a more staged-approach to fiscal easing. However, by late October, the ex-cabinet had already reversed itself, re-including and altering some of the measures previously endorsed by the parliament: reduced dividend taxation (5% from 16%); reduced VAT quota for ‘water & sewerage’ services paid by households and for irrigation water.

2015 budget execution ended with a cash deficit of 1.5% of GDP after a sharp increase in public expenditures in December alone. Investments which include both locally-financed projects and projects financed through European funds stood at RON 41.3bn in 2015 (5.9% of GDP, an increase of 1pp of GDP compared to the previous year).

B. Important events since the end of 2015

At the beginning of January, the central bank has cut the FX minimum reserves to 12% (-2pp) and released approximately EUR 450mn into the market. The additional liquidity could be invested by banks into a locally-issued EUR-denominated bond. Key rate was left unchanged at 1.75% both in January and February due to fiscal risks and volatile emerging markets. Central bank considered that negative inflation rate did not require a response in the form of a cut in the key rate because it was mainly the result of supply-side shocks like the cut in the VAT rate, lower oil price and the decline of some administered prices.

Fitch maintained Romania’s rating at BBB- with stable outlook in January citing healthy economic outlook and stable fiscal position at present.

In the beginning of February 2016, BCR received reimbursements in total amount of RON 80 million for a number of cases subject to operational risk insurance. The event is non-adjusting for the financial statements as at YE 2015.

C. Romanian Commercial Bank’s Supervisory Board, Management Board, and Assets and Liabilities Committee structure during 01.01 - 31.12.2015

I. Supervisory Board

Period 01.01 – 28.01.2015

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

Period 29.01 – 31.12.2015

- **Manfred Wimmer** - Chairman
- **Andreas Treichl** - Deputy Chairman
- **Gernot Mittendorfer** - member
- **Brian O'Neill** - member

- **Andreas Gottschling** - member (appointed by SB on 29.01.2015 and granted approval by NBR on 17.06.2015)
- **Tudor Ciurezu** - member

II. Management Board

Period 1.01 – 30.09.2015

- **Tomas Spurny** - CEO (his mandate ended starting on 30.09.2015)
- **Bernd Mittermair** - executive vice – president
- **Sergiu Manea** - executive vice – president
- **Paul Ursaciuc** - executive vice – president
- **Jonathan Locke** - executive vice – president
- **Adriana Jankovicova** - executive vice – president
- **Dana Demetrian** - executive vice – president (appointed by SB on 24.10.2014 and granted approval by NBR on 05.01.2015)

Period 1.10 – 31.12.2015

- **Sergiu Manea** - CEO (appointed by SB as of 1.10.2015 in the meeting as of 31.08.2015, took over the position after the NBR approval on 26.10.2015)
- **Bernd Mittermair** - executive vice – president
- **Paul Ursaciuc** - executive vice – president
- **Jonathan Locke** - executive vice – president
- **Adriana Jankovicova** - executive vice – president
- **Dana Demetrian** - executive vice - president

III. Assets and Liabilities Management Committee

Period 01.01 – 30.09.2015

- **Adriana Jankovicova** - ALCO chairman
- **Tomas Spurny** - ALCO deputy chairman (he ended mandate starting on 30.09.2015)
- **Bernd Mittermair** - member
- **Sergiu Manea** - member

- **Paul Ursaciuc** - member
- **Jonathan Locke** - member
- **Dana Demetrian** - member (appointed by SB on 24.10.2014 and granted approval by NBR on 5.01.2015)

Period 1.10 – 31.12.2015

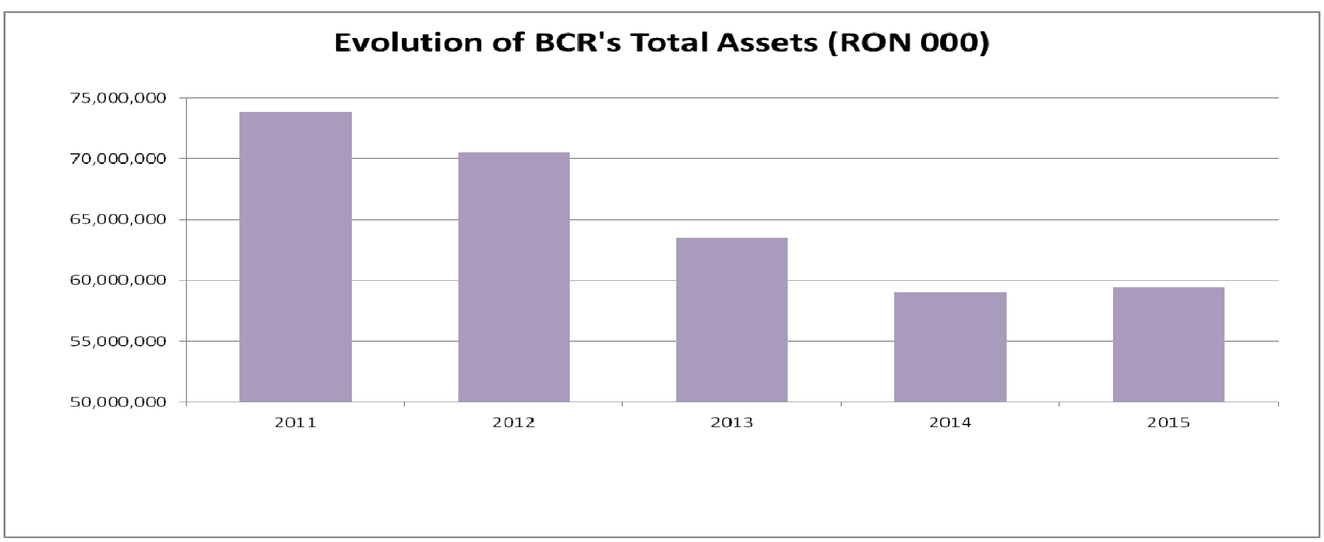
- **Adriana Jankovicova** - ALCO chairman
- **Sergiu Manea** - ALCO deputy chairman
- **Bernd Mittermair** - member
- **Paul Ursaciuc** - member
- **Jonathan Locke** - member
- **Dana Demetrian** - member

Details regarding BCR Corporate Governance Code may be found on the following link: https://www.bcr.ro/en/about-us/corporate-governance

D. Patrimony of the Romanian Commercial Bank

As of 31 December 2015, 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 2015 amounted to RON 59,460,913 thousand, increasing by 1.0% compared to 31 December 2014.

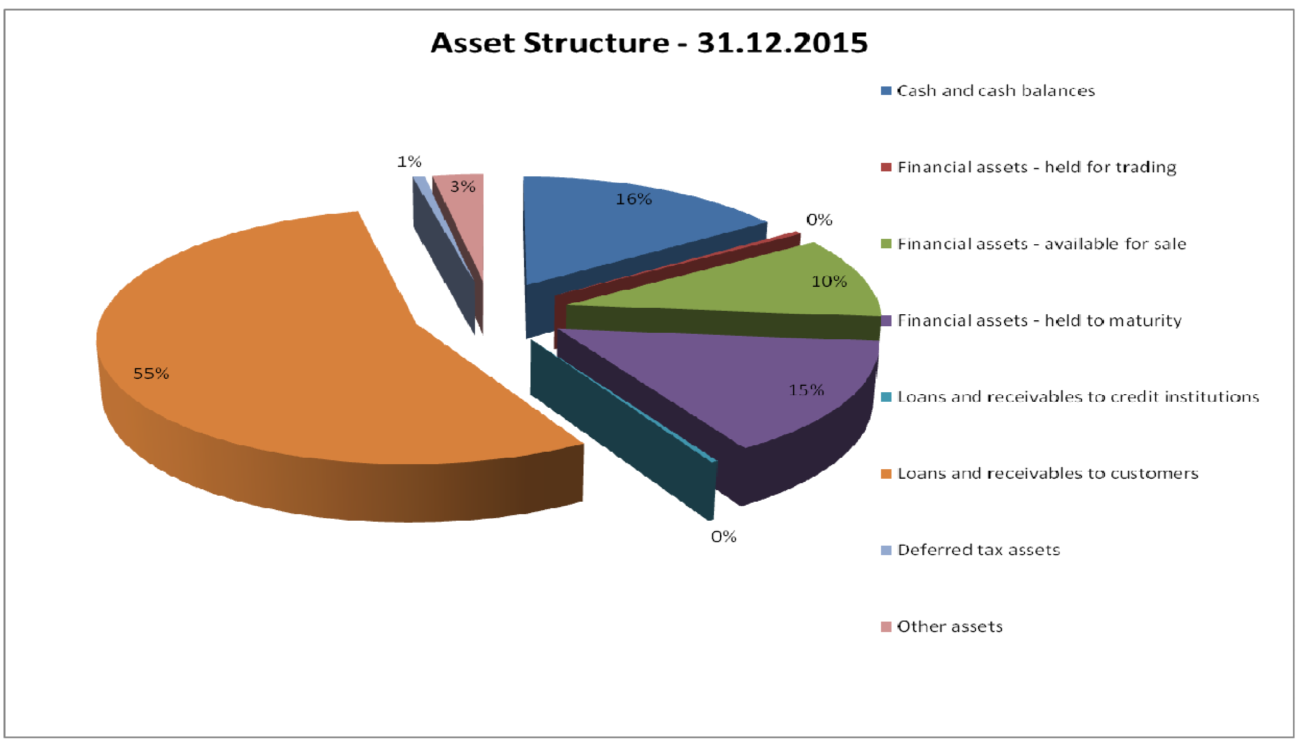


In EUR equivalent, total assets at 31 December 2015 represent 13,142.0 million, compared to EUR 13,171.8 million as at 31 December 2014 (converted at the exchange rates at the end of each corresponding financial year).

Assets in the balance sheet have the following structure:

ASSETS

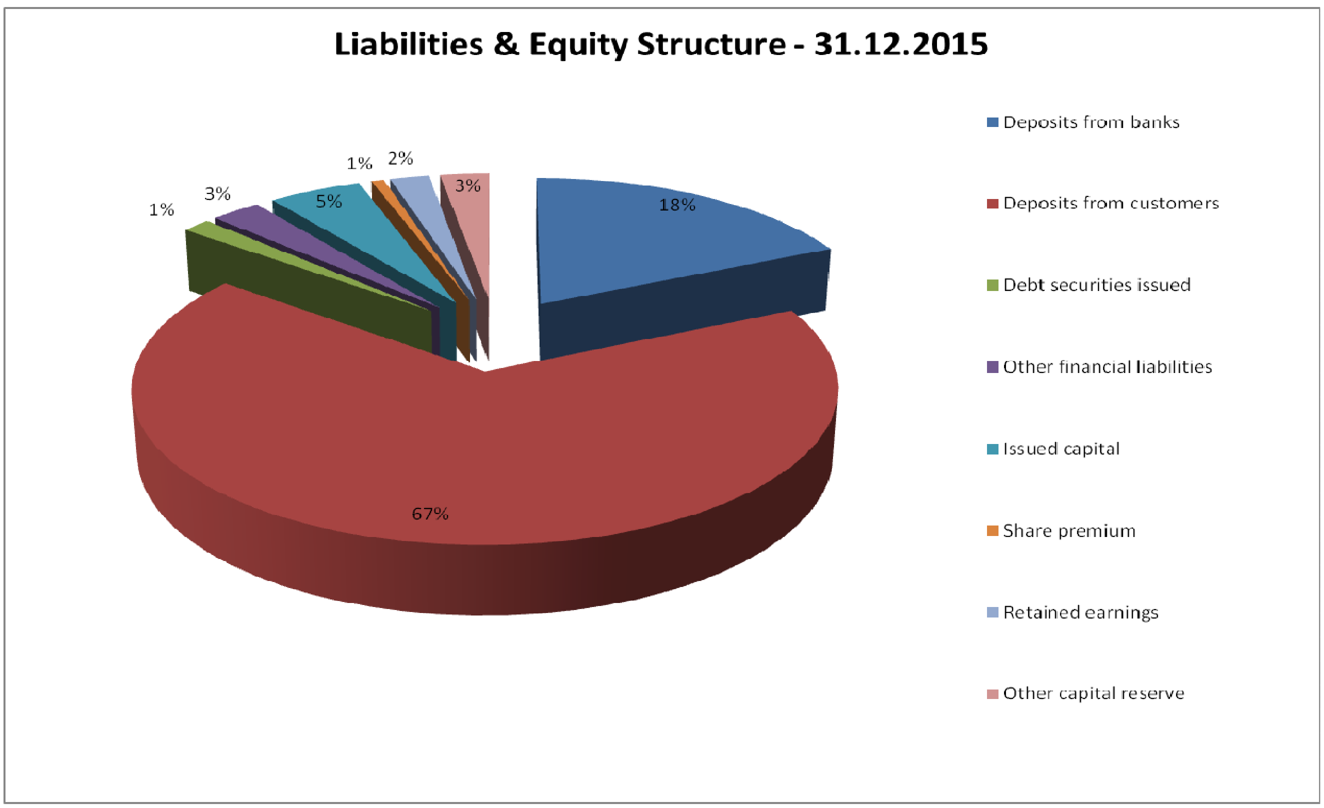
Nr		31.12.2014	31.12.2015	Percentage Change 2015/2014
	in RON thou			
1	Cash and cash balances	8,158,441	9,255,487	13.4%
2	Financial assets - held for trading	370,829	248,108	-33.1%
	Derivatives	*154,976*	*78,814*	*-49.1%*
	Other trading assets	*215,853*	*169,294*	*-21.6%*
3	Financial assets designated at fair value through profit or loss	24,587	22,246	-9.5%
4	Financial assets - available for sale	6,635,423	6,256,238	-5.7%
5	Financial assets - held to maturity	8,429,417	8,818,660	4.6%
6	Loans and receivables to credit institutions	480,666	184,631	-61.6%
7	Loans and receivables to customers	32,937,273	32,548,724	-1.2%
8	Property and equipment	222,539	235,921	6.0%
9	Intangible assets	206,874	224,239	8.4%
10	Investments in associates	7,509	7,509	0.0%
11	Current tax assets	89,042	131,826	48.0%
12	Deferred tax assets	503,888	398,530	-20.9%
13	Non-current assets and disposal groups classified as held for sale	37,678	38,037	1.0%
14	Other assets	932,968	1,090,757	16.9%
	TOTAL	**59,037,134**	**59,460,913**	**0.7%**



Liabilities and Equity in the balance sheet as at 31 December 2015, amounting to RON 59,460,913 thousand, have the following structure:

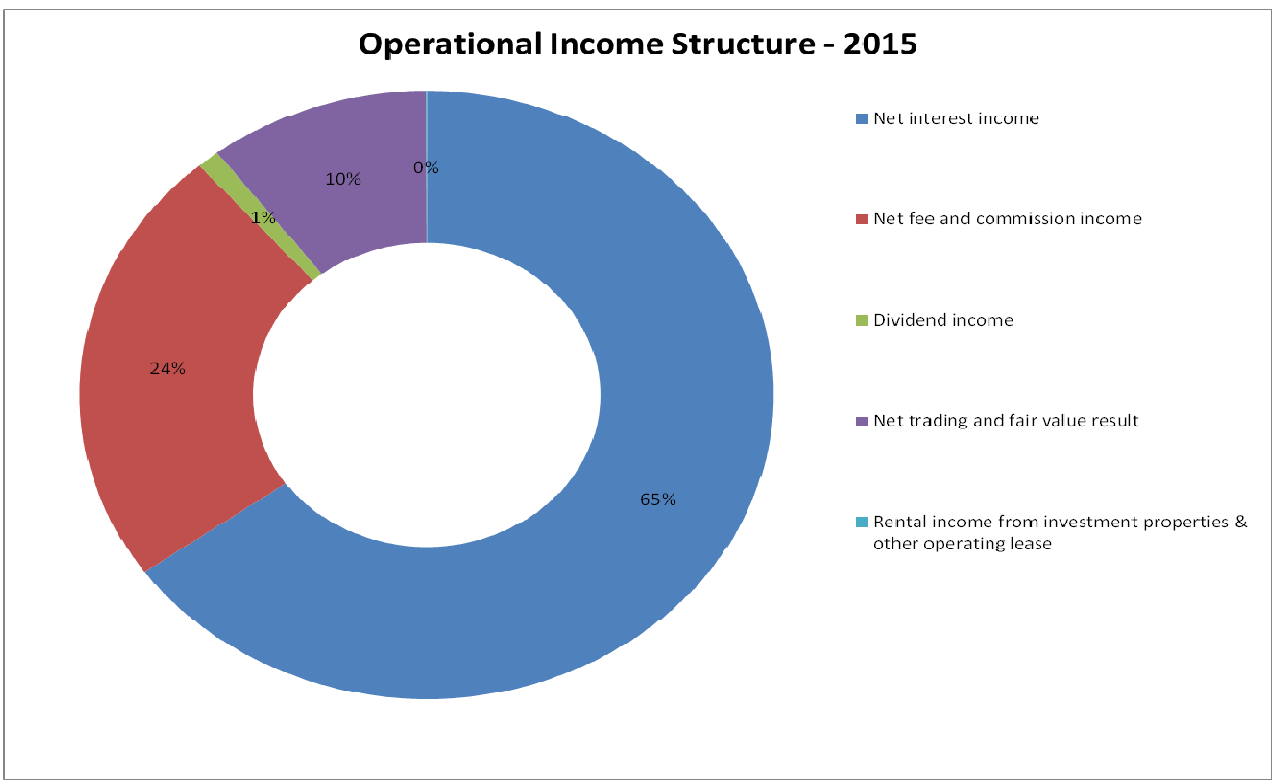
LIABILITIES AND EQUITY

Nr		31.12.2014	31.12.2015	Percentage Change 2015/2014
	in RON thou			
1	Financial liabilities held for trading	70,127	35,102	-49.9%
2	Financial liabilities measured at amortised costs	52,872,441	52,241,984	-1.2%
	Deposits from banks	*13,864,122*	*10,837,456*	*-21.8%*
	Deposits from customers	*37,592,461*	*39,973,916*	*6.3%*
	Debt securities issued	*1,044,208*	*912,236*	*-12.6%*
	Other financial liabilities	*371,650*	*518,376*	*39.5%*
3	Derivatives Hedge Accounting	554,005	0	-100.0%
4	Provisions	342,694	795,869	132.2%
5	Other Liabilities	86,970	244,969	181.7%
6	**TOTAL EQUITY**	**5,110,897**	**6,142,989**	**20.2%**
7	Issued capital	2,952,565	2,952,565	0.0%
8	Share premium	395,483	395,483	0.0%
9	Retained earnings	410,475	1,243,181	202.9%
10	Other capital reserve	1,352,374	1,551,760	14.7%
	TOTAL	**59,037,134**	**59,460,913**	**0.7%**



E. Income statement for the year ended 31 December 2015

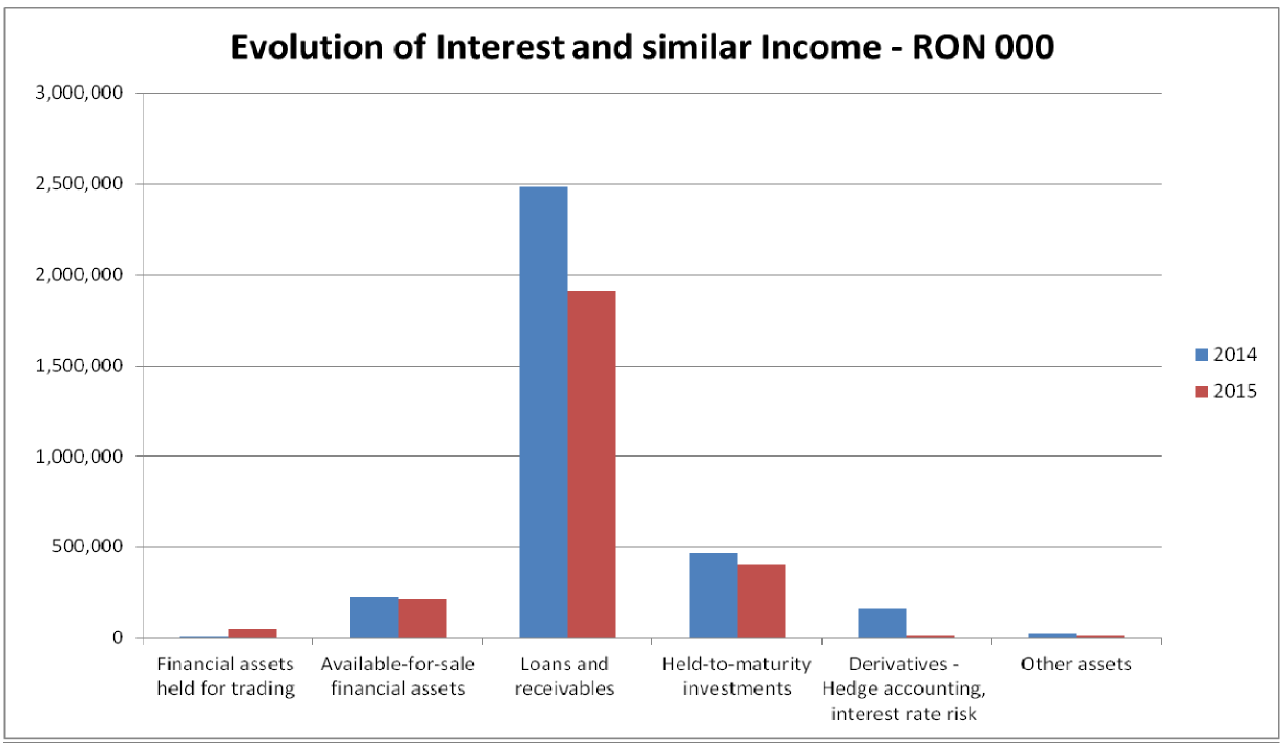
Nr		31.12.2014	31.12.2015	Percentage Change 2015/2014
	in RON thou			
1	Net interest income	2,215,176	1,925,963	-13.1%
2	Net fee and commission income	685,825	695,461	1.4%
3	Dividend income	26,134	31,295	19.7%
4	Net trading and fair value result	358,568	303,988	-15.2%
5	Rental income from investment properties & other operating lease	4,280	1,406	-67.1%
6	Personnel expenses	(597,183)	(648,327)	8.6%
7	Other administrative expenses	(776,880)	(762,830)	-1.8%
8	Depreciation and amortisation	(119,737)	(119,667)	-0.1%
9	Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	8,058	(10)	-100.1%
10	Net impairment loss on financial assets not measured at fair value through profit or loss	(3,815,146)	58,300	-101.5%
11	Other operating result	(857,625)	(429,876)	-49.9%
12	**Pre-tax profit from continuing operations**	**(2,868,530)**	**1,055,703**	**-136.8%**
13	Taxes on income	238,962	(92,276)	-138.6%
14	**Post-tax profit from continuing operations**	**(2,629,568)**	**963,427**	**-136.6%**
15	Profit from discontinued operations net of tax	-	-	NA
16	**NET PROFIT OF THE YEAR**	**(2,629,568)**	**963,427**	**-136.6%**



Net interest income declined by 13.1 % compared with December 31, 2014.

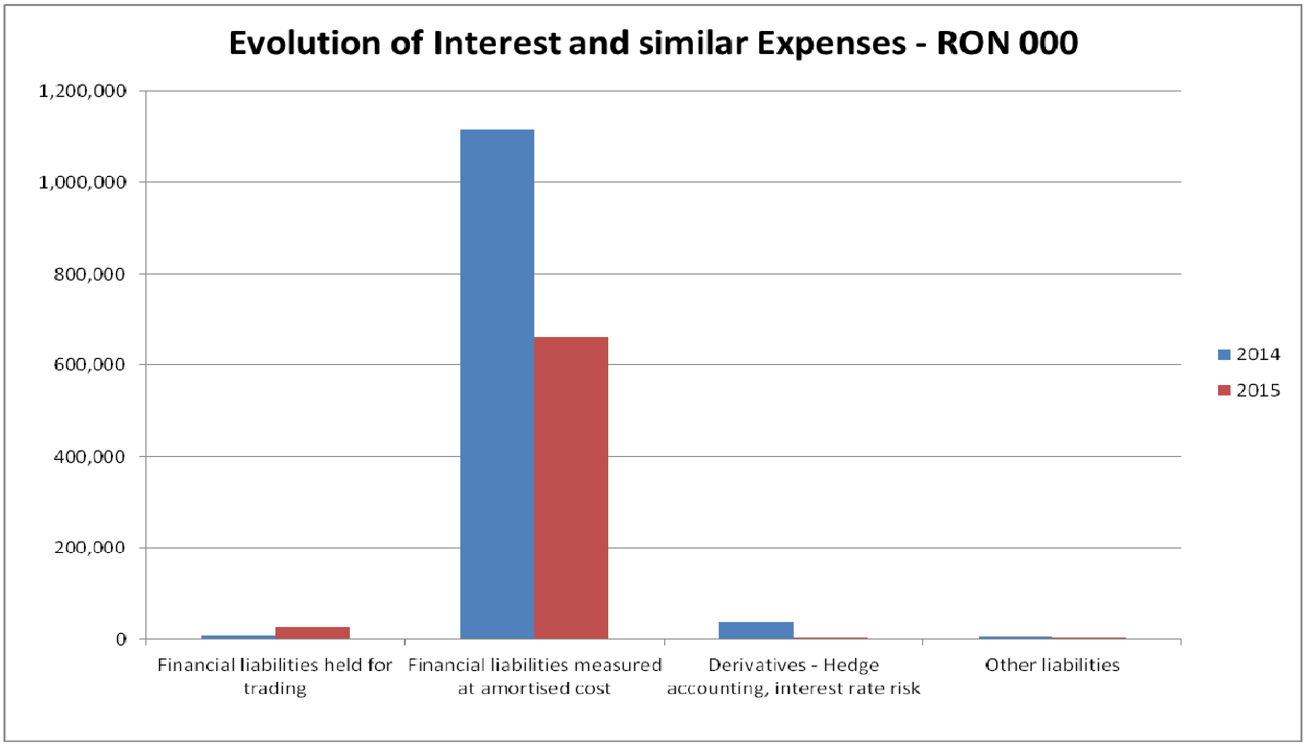
INTEREST AND SIMILAR INCOME

Nr		31.12.2014	31.12.2015	Percentage Change 2015/2014
	in RON thou			
1	Financial assets held for trading	11,037	53,633	385.9%
2	Available-for-sale financial assets	226,237	214,189	-5.3%
3	Loans and receivables	2,485,257	1,916,127	-22.9%
4	Held-to-maturity investments	465,133	405,001	-12.9%
5	Derivatives - Hedge accounting, interest rate risk	163,119	16,153	-90.1%
6	Other assets	27,487	12,068	-56.1%
7	**Total Interest Income**	**3,378,270**	**2,617,171**	**-22.5%**



INTEREST AND SIMILAR EXPENSE

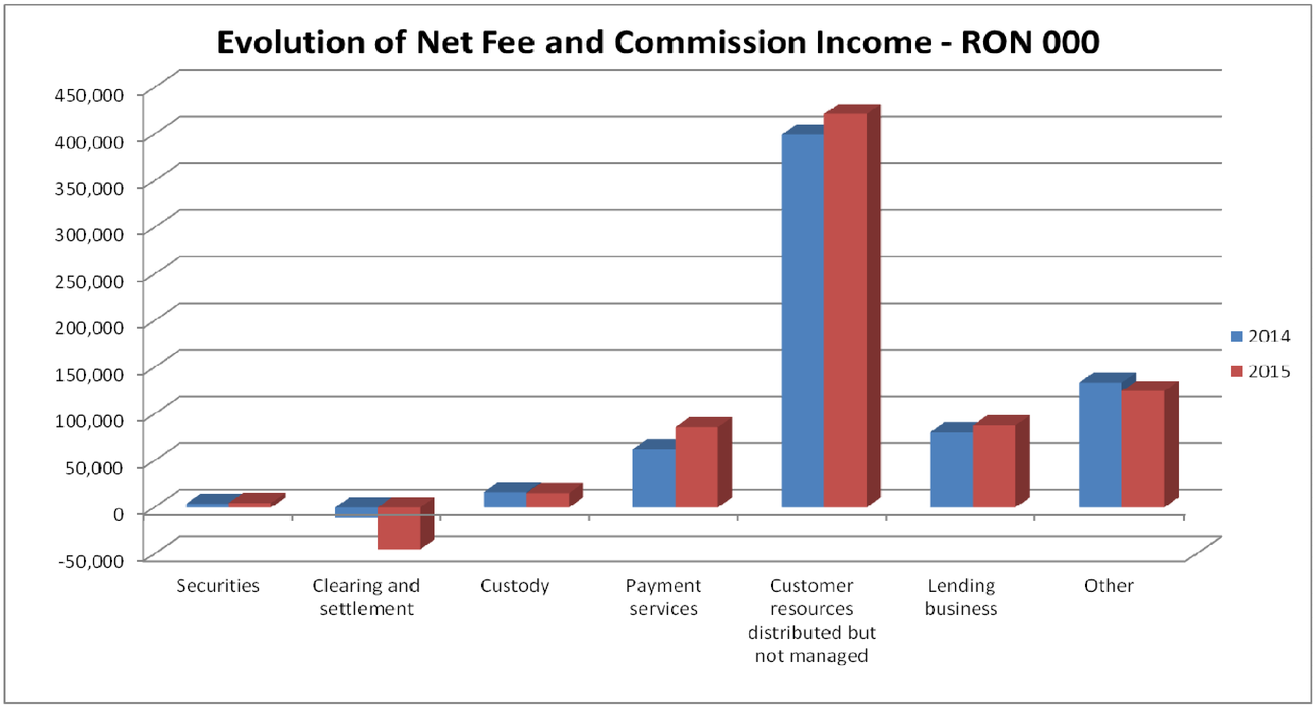
Nr		31.12.2014	31.12.2015	Percentage Change 2015/2014
	in RON thou			
1	Financial liabilities held for trading	6,790	26,042	283.5%
2	Financial liabilities measured at amortised cost	1,115,904	661,603	-40.7%
3	Derivatives - Hedge accounting, interest rate risk	35,558	53	-99.9%
4	Other liabilities	4,842	3,510	-27.5%
5	**Total Interest Expense**	**1,163,094**	**691,208**	**-40.6%**



Net commission income in amount of RON 695,461 thousand (as of December 2015) compared to RON 685,825 thousand (as of December 2014), show an increase of 1.4%, as follows:

NET FEES AND COMMISSION INCOME

Nr		31.12.2014	31.12.2015	Percentage Change 2015/2014
	in RON thou			
1	Securities	4,016	4,839	20.5%
2	Clearing and settlement	(10,944)	(45,027)	311.4%
3	Custody	16,185	15,204	-6.1%
4	Payment services	62,160	86,017	38.4%
5	Customer resources distributed but not managed	399,584	421,739	5.5%
6	Lending business	80,939	87,970	8.7%
7	Other	133,885	124,719	-6.8%
8	**Net Commission Income**	**685,825**	**695,461**	**1.4%**



The net result of 2015, calculated as the difference between revenues and their related expenses, represents a profit of RON 963,427 thousand, compared to 2014 with a loss of RON 2,629,568 thousands.

F. <u>The Bank's risk profile</u>

In order to protect the interests of its shareholders, depositors and other clients, BCR **targets a lower risk profile** across all its activities and its objectives, policies and exposure to each significant (material) risk, including its outsourced activities. It adopts policies, practices and procedures in its lending and other activities consistent with the targeting of this risk profile.

In order to lower the credit risk profile rating of the Bank the **credit risk strategy for 2015** targeted the following directions:

- **Protecting the credit portfolio quality** and **maintaining a diversified portfolio**, with moderate concentration risk on industries, groups and clients;
- Focus on a better rating distribution of customers across all products and segments via new lending and the reduction of exposures to worse rated customers. The Bank has continued to refine, update and improve its statistically validated scorings, ratings and financial analysis applications;
- **Increasing the efficiency of the selection process of the industries/sub-industries/client segments** towards which the bank will further expose itself (specifically lower risk infrastructure financing, increasing exposure to Corporate sector exporters, focusing on domestic currency lending across all PI or Retail products);

- Maintaining and selectively increasing credit exposure to existing BCR customers with good historical relations (e.g. current account active, turnover, loans) in order to reduce the credit risk and increase volumes within the investment grades.
- Maintaining **appropriate levels of collateralization** via the use of the unsecured limits policy. The Bank also has reviewed and improve its collateral management policy such that it is aligned with its commercial and risk objectives;
- I**mproving the monitoring process of the credit portfolio** through the enhancement of the early warning policies and processes and increase efficiency of WLAC meeting in order to speed up the transfer process of clients which can generate loses for the bank;
- A **low risk cost ratio** to reflect a cleaned and healthy BCR credit portfolio;
- **The reduction of the NPL portfolio** by 31 December 2015, specifically via seeking to exploit opportunities to sell NPL portfolios and writing off fully provisioned claims.

The implementation of an appropriate framework to identify, measure, control, report and manage **concentration risks** is essential to ensure the long-term BCR viability, especially in case of stressed economic conditions.

BCR targets to have a **market risk profile** within the approved appetite statement basing its activities on the following actions:

- The trading book of BCR containing equities, fixed income instruments (FI) and money market instruments is managed by Group Capital Markets Division and has established budgets (profitability targets);
- Both trading book and banking book portfolios are subject to market risk limits;
- Within ICAAP, among others, BCR performs yearly stress tests on the interest rate risk in the banking book, and also for risks specific to the trading book.

Liquidity risk profile of the bank is within risk appetite of the bank. A series of risk management tools are used to manage liquidity risk, as following:

- **Survival period analysis (SPA).** The survival period analysis (SPA) is the key tool in Erste Group Bank for measuring insolvency risk due to liquidity problems, thus it focuses on the short-term horizon – up to 1 year – and uses ‘dynamic’ stress testing methodology.
- **Liquidity coverage ratio (LCR)** ensures that a bank maintains an adequate level of high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors.

While LCR is a regulatory liquidity indicator subject to both regulatory and internal limits, SPA is an internally developed methodology containing six scenarios with different degrees of severity. The scenarios are formulated to reflect a market crisis, an idiosyncratic (specific to the bank) crisis and also a combination between the two.

The Bank is exposed to **operational risk** from various sources. In order to decrease the Bank's exposure to operational risk, the main directions targeted in 2015 were:

- Continue to mitigate the risks coming from litigation area;
- Increase the operational risk culture by several initiatives at Banks level, such as: involvement in the Induction program, operational risk brochure available for all BCR employees via Infonet, training and test for all the Bank's employees on E-learning platform; outsourcing workshops for new risk assessment methodology and outsourcing governance, other workshops on operational risk topics;
- Performed Risk and Control Self-Assessments according with approved plan;
- Quarterly monitoring of the outsourcing activities. New Outsourcing Policy was implemented at BCR level in line with Erste Group Policies;
- Permanent development and improvement of control environment using implementation and review of internal procedures/ norms/ work instructions;
- Improvement of loss data collection framework by assuring reporting completeness and operational risk data quality;
- Escalating the major operational risk issues at the level of the Operational Risk Management Committee, the forum for discussing the main operational risk issues and establishing the related mitigation action plan with the involvement of all stakeholders;
- Concluding insurance policies against operational risks and follow-up for recovering outstanding amounts;
- Regular review of the plans drawn up for the re-running of activity and for unforeseen situations;

For an adequate management of its business and the risks exposed during its regular activity (all material products, activities, processes and systems), the Bank developed and managed a solid and comprehensive internal control framework, adapted to its size and complexity, structured on three levels:

- ✓ Level 1 of control is represented by the business lines - business management, staff in the business lines of the Bank's first line of defense against operational risks occurrence. Each of the Bank employees must be fully aware of their responsibilities to the management of risks, including operational risks;
- ✓ Level 2 of control is represented by the risk management and compliance functions;
- ✓ Level 3 of control is represented by the Internal Audit function.

The Bank continue its efforts to keep the objective of increasing shareholder value by generating and growing business that is consistent with its risk appetite and building more effective risk management capabilities. In the context of digitalization and fluidizing client relationships via social media, redefinition of services propositions in accordance to customers' feedback, enhancing value proposition by creating opportunities for clients' growth, the main target of the Bank is to have an appropriate balance of its business and the risk management capabilities.

Starting with October 2010, the Bank uses the AMA (Advanced Measurement Approach for operational risk) as per National Bank of Romania and Austrian Financial Markets Authority approval. AMA is a sophisticated approach for measuring operational risk. The required capital under AMA approach is calculated using an internal Value at Risk (VaR) model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors.

The bank allocates high importance to **legal risk**, various measures being undertaken for lowering this risk profile:

- 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.

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, marketing, internal control and risk management functions, aiming to identify, assess, control, report and mitigate of existing and possible threats to which the Bank's reputation is exposed and decide whether to accept a particular risk or take actions to avoid it;
- 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 value, as well as the achievement of a high degree of customer satisfaction in respect of his products and services, staff behavior and the working and regulatory 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;
- changing beliefs and expectations of stakeholders by adapting policies and strategies to the present market conditions and respond to requests from society and the various communities affected by the changes.
- Continue to build a sound and sustainable reputation by strategic objectives, business planning and image trust worthiness.

G. Risk Management

BCR has continued to take all necessary actions to assure compliance with the NBR Regulation no. 5 from December 20, 2013 regarding the prudential requirements for credit institutions, Regulation (EU) no. 575/2013 of the European Parliament and the Council from June 26, 2013 regarding the prudential requirements for credit institutions and investment firms and Erste Group requirements.

Risk Appetite Statement

Risk Appetite Statement (RAS) serves to define the level of risks the bank is willing to take from a strategic point of view. RAS sets boundaries and defines strategic limits which are relevant for the bank's daily operations.

The RAS is composed of a set of risk appetite indicators, which are operationalized as limits, targets and principles. Subsequent to the definition of RAS, operational limits should clearly reflect the expressed risk appetite.

BCR has defined its **Risk Appetite for 2015** based on a set of risk **limits / targets / principles**.

Management of significant risks - principles, systems and procedures

For a proper management of significant risks, the Bank uses:

- a **system of procedures for the authorization of operations** affected by the respective risks, consisting in the drawing up of credit approval competences/ pouvoirs for the granting of loans and credit-type products, interbank placements and operations with derivatives;

- a **limit system** on countries, sovereign entities, banks, financial institutions affiliated to banking groups, GCC (groups of connected clients), as well as economic sectors, geographical regions, specific bank products, unsecured portfolios, operational, market and liquidity limits;

- a **risk exposures reporting system**, as well as additional aspects related to these risks, to the proper management levels (reports on the bank's exposure to significant risks, the compliance with the risk limits drawn up by the Bank, etc.);

- a system of responsibilities, policies, norms and procedures on **internal control** at the Bank level;

- a policy for **outsourced activities** administration;

- **criteria for the recruitment and remuneration of personnel,** including criteria drawn up in order to avoid conflicts of interest, which should stipulate high training, experience and integrity standards;

- Personnel training programs;

- Risks are assessed by BCR specialists who have **no direct responsibilities in fulfilling commercial and financial targets**, assuring no conflict of interests through a separation of duties;

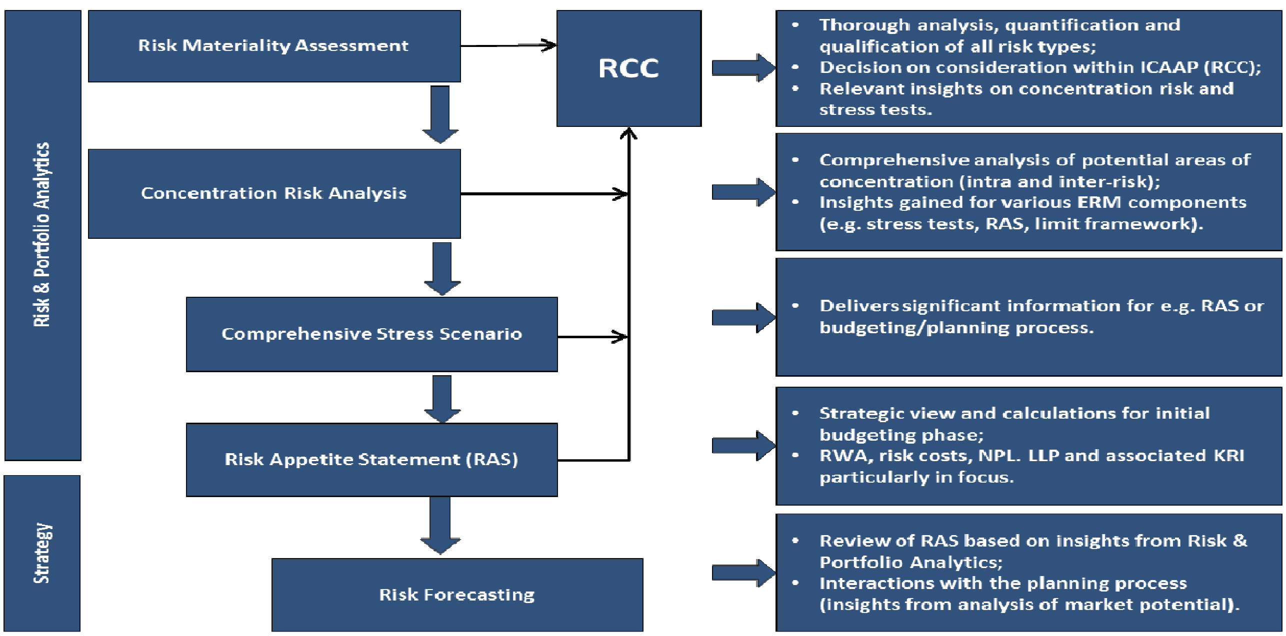
- The bank properly assigns **responsibilities to all its organizational levels**, making sure that the personnel does not have responsibilities which might lead to **conflicts of interest** (e.g. dual responsibilities for one individual, such as: performing both front-office and back-office activities, approval of fund drawings and performing the respective drawings, the assessment of the credit documentations and the monitoring of the client after the latter has obtained the loan).

Internal Capital Adequacy Assessment Process (ICAAP)

Starting with 2010, BCR uses the **Internal Capital Adequacy Assessment Process** (ICAAP), in compliance with the ERSTE Group's standards and NBR regulations, to determine on a regular basis the amount, constitution and the distribution of capital necessary for the quantitative and qualitative coverage of all identified risks entailed by banking transactions and banking operations.

ICAAP/ERM is designed to support the bank's management to proactively **manage the risk portfolio**, as well as the **coverage potential**, which should ensure **capital adequacy** reflecting the nature and level of the bank's risk portfolio at all times.

An illustrative link between the relevant ERM concepts is depicted below:



It represents a modular and comprehensive system within BCR. It is designed to fulfill internal management requirements and external regulatory requirements, particularly ICAAP.

Risk-bearing Capacity Calculation (RCC)

ICAAP and the Risk-bearing Capacity Calculation (RCC) are required by Basel Accords under Pillar 2 and essentially serve to determine whether the bank can "afford" its acquired risks by comparing the risk portfolios across all risk types with the bank's internal capital (coverage potential).

The RCC is an internally designed model which serves to measure the risk exposure the bank is exposed to and compares it to the capital or coverage potential the bank has for covering such risks.

Risk Materiality Assessment Process

The Bank has implemented and continuously develops its risk materiality framework. The materiality assessment has to consider both the current risk profile and its potential future development and is based on a set of well-defined assessment criteria.

Stress tests

Key risk management tools within the bank, in particular to support these in taking a forward-looking view in their risk management as well as strategic, business, risk, capital and liquidity planning. In this sense, stress testing constitutes a vital tool of BCR's Enterprise Risk Management (ERM) framework.

The results of stress testing have to be analyzed for further consideration, particularly with regard to the bank's planning and budgeting process, Risk Materiality Assessment and/or in the Risk-bearing Capacity Calculation. Mitigating management actions designed to reduce the impact of a stress event should be discussed at the most senior levels with particular attention placed on the credibility and feasibility of such actions.

H. <u>BCR policy regarding environmental issues</u>

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.

Analysis of environmental issues is part of the lending process is mandatory for every transaction.

In Romanian Commercial Bank, environmental activity is coordinated by Credit Analysis & Sabine Department.

I. Own Funds disclosure

Reconciliation of IFRS and CRR items included in the Statement of Financial Position

The following tables provide a reconciliation of IFRS statement of the financial position items to CET1 items, AT1 items, T2 items and filters according to Articles 32 to 35 as well as deductions as defined in Articles 36, 56, 66 and 79 CRR.
Last column contains a letter to link the amount derived from the accounting figures to the related eligible amount as disclosed in the own funds template.

Total Equity					Dec 15
in RON thousands	IFRS (audited)	CRR	Regulatory Adjustments	Own Funds	Own funds disclosure table reference
Subscribed capital	2,952,565	2,952,565	-	2,952,565	
Capital reserve	395,484	395,484	-	395,484	
Capital instruments and the related share premium accounts	**3,348,049**	**3,348,049**	**-**	**3,348,049**	**a**
Retained earnings from previous periods	279,755	279,755	-	279,755	
Profit/loss in the period	963,427	963,427	-	963,427	
Retained earnings	**1,243,182**	**1,243,182**	**-**	**1,243,182**	**b**
Other comprehensive income (OCI)	427,295	427,295	-	427,295	c
Cash flow hedge reserve	-	-	-	-	
Available for sale reserve	361,733	361,733	-	361,733	
unrealised gains according to Art.35 CRR			-	385,571	
unrealised losses according to Art.35 CRR			-	(23,838)	
Other	65,562	65,562	-	65,562	
Other reserves	1,124,463	1,124,463	(960)	1,123,503	c
Total Equity	**6,142,989**	**6,142,989**	**(960)**	**6,142,029**	

Intangible assets					Dec 15
in RON thousands	IFRS (audited)	CRR	Regulatory Adjustments	Own Funds	Own funds disclosure table reference
Intangible assets	224,239	224,239	-	224,239	d
Intangible assets	**224,239**	**224,239**	**-**	**224,239**	

Deferred taxes			**Dec 15**
in RON thousands	**IFRS (audited)**	**CRR/Own Funds**	**Own funds disclosure table reference**
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	**240,548**	**240,548**	**e**
related DTA allocated on or after 1 January 2014 for which 40% deduction is required according to CRR transitional provisions	114,004	114,004	
related DTA allocated before 1 January 2014 for which 10% deduction from CET 1 is required according to CRR transitional provisions	126,544	126,544	
Deferred tax assets that rely on future profitability and arise from temporary differences net of associated tax liabilities	253,244	253,244	f
Other deferred tax liabilities	(95,262)	(95,262)	
out of which deferred tax liabilities associated to other intangible assets	(13,872)	(13,872)	g
Deferred tax assets	**398,530**	**398,530**	

Subordinated liabilities					**Dec 15**
in RON thousands	**IFRS (audited)**	**CRR**	**Regulatory Adjustments**	**Own Funds**	**Own funds disclosure table reference**
Subordinated issues and deposits	2,589,931	2,589,931	(837,187)	1,752,744	h
Subordinated liabilities	**2,589,931**	**2,589,931**	**(837,187)**	**1,752,744**	

Details regarding subordinated liabilities are disclosed in the Group Consolidated Financial Statements 2015 (IFRS) under Note 30 "Financial liabilities measured at amortised costs".
In accordance with EU Regulation 575/2013, the subordinated liabilities with less than 5 years maturity, are amortised.

Threshold calculations according to Articles 46 and 48 CRR

Treshold calculations according to Articles 46 and 48 of (EU) Regulation no.575/2013	in RON thousands
Non significant investments in financial sector entities	
Treshold (10% of CET 1)	551,373
Holdings in CET 1	(39,392)
Holdings in AT 1	
Holdings in T 2	
Distance to treshold	**396,153**
Significant investments in financial sector entities	
Treshold (10% of CET 1)	551,373
Holdings in CET 1	(7,509)
Distance to treshold	**430,535**
Deffered tax assets	
Treshold (10% of CET 1)	551,373
Deffered tax assets that are dependent on future profitability and arise from temporary differences	(253,244)
Distance to treshold	**214,152**
Combined treshold for deffered tax assets and significant investments	
Treshold (17,65% of CET 1)	973,173
Deffered tax assets that are dependent on future profitability and arise from temporary differences and CET 1 instruments of financial sector entities where the institution has a significant investment	(260,753)
Distance to treshold	**541,747**

Own funds template

The table below presents the composition of the regulatory capital during the transitional period based on the Implementing Technical Standards of UE no 1423/2013.

In column (A), the current amount, which considers all the transitional requirements, is disclosed. Column (C) discloses the residual amount, implying full CRR implementation. Column (D) provides information of data comparable figures within the IFRS annual report related to equity, intangible assets, deferred tax assets, subordinated liabilities.

	in RON thousands	(A) 31 December 2015	(B) Regulation (EU) no. 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) no,575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) 575/2013	(D) Reference to reconciliation tables
1	Common equity tier 1 (CET1) capital: instruments and reserves	3,348,049	26 (1), 27, 28, 29, EBA list 26 (3)	-	a
2	of which: ordinary shares	3,348,049	26 (1) (c)	-	
3	Retained earnings	1,243,182	26 (1)	-	b
3a	Accumulated other comprehensive income (and any other		26 (1) (f)		c

in RON thousands		(A) 31 December 2015	(B) Regulation (EU) no. 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) no,575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) 575/2013	(D) Reference to reconciliation tables
	reserves)	1,550,798		-	
4	Funds for general banking risk	-	486 (2)	-	
5	Public sector capital injections grandfathered until 1 January 2018	-	84, 479, 480	-	
5a	Minority interests (amount allowed in consolidated CET1)	-	26 (2)	-	
6	Independently reviewed interim profits net of any foreseeable charge or dividend	-		-	
	Common Equity Tier 1 (CET1) capital before regulatory adjustments	**6,142,029**		-	
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(5,626)	34, 105	-	
8	Intangible assets (net of related tax liability) (negative amount)	(210,367)	36 (1) (b), 37, 472 (4)	-	d+g
9	Empty set in the EU	-		-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(240,548)	36 (1) (c), 38, 472 (5)	182,292	e
11	Fair value reserves related to gains or losses on cash flow hedges	-	33 (a)	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159, 472 (6)	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	32 (1)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(1,174)	33 (1) (b) (c)	-	
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) (e), 41, 472 (7)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42, 472 (8)	-	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	36 (1) (g), 44, 472 (9)	-	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	-	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	-	
20	Empty set in the EU	-		-	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36 (1) (k)	-	
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i), 89 to 91	-	
20c	of which: securitisation positions (negative amount)	-	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	-	
20d	of which: free deliveries (negative amount)	-	36 (1) (k) (iii), 379 (3)	-	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)	-	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i), 48 (1) (b), 470, 472 (11)	-	
24	Empty set in the EU	-		-	
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	
25a	Losses for the current financial year (negative amount)	-	36 (1) (a), 472 (3)	-	
25b	Foreseeable tax charges relating to CET1 items (negative		36 (1) (l)		

	in RON thousands	(A) 31 December 2015	(B) Regulation (EU) no. 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) no,575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) 575/2013	(D) Reference to reconciliation tables
	amount)	(170,587)		-	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	77,169		-	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(231,343)		-	
	of which unrealised losses	-	467	-	
	of which unrealised gains	(231,343)	468	-	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	308,512	481	-	
	of which Intangible assets (net of related tax liability)	126,220		-	(d+g) * 60%
	of which Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met)	182,292		-	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	(301,995)	36 (1) (j)	-	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(853,128)**		-	
29	**Common Equity Tier 1 (CET1) capital**	**5,288,901**		-	
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	-	51, 52	-	
31	of which: classified as equity under applicable accounting standards	-		-	
32	of which: classified as liabilities under applicable accounting standards	-		-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3)	-	
	Public sector capital injections grandfathered until 1 January 2018	-	483 (3)	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-	85, 86, 480	-	
35	of which: instruments issued by subsidiaries subject to phase-out	-	486 (3)	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**		-	
Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57, 475 (2)	-	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58, 475 (3)	-	
39	Holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79, 475 (4)	-	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)	-	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (ie. CRR residual amounts)	(301,995)		-	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	(126,220)	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	-	
	of which Intangible assets (net of related tax liability)	(126,220)		-	(d+g) *60%
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	477, 477 (3), 477 (4) (a)	-	
41c	Amounts to be deducted from / added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	(175,775)	467, 468, 481	-	

	in RON thousands	(A) 31 December 2015	(B) Regulation (EU) no. 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) no,575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) 575/2013	(D) Reference to reconciliation tables
	of which Local prudential filter - difference between prudential adjustments and adjustments for impairment according to IFRS	(166,091)		-	
	of which Local filter - exposure from loans granted to former employees in more favorable conditions than market	(9,684)		-	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	(301,995)		-	
	Excess of deduction from AT1 items over AT1	301,995		-	
44	**Additional Tier 1 (AT1) capital**	-		-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**5,288,901**		-	
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	1,752,743	62, 63	-	h
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4)	-	
	Public sector capital injections grandfathered until 1 January 2018	-	483 (4)	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	-	87, 88, 480	-	
49	of which: instruments issued by subsidiaries subject to phase-out	-	486 (4)	-	
50	Credit risk adjustments	-	62 (c) & (d)	-	
51	**Tier 2 (T2) capital before regulatory adjustment**	**1,752,743**		-	
Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67, 477 (2)	-	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68, 477 (3)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79, 477 (4)	-	
54a	Of which new holdings not subject to transitional arrangements	-		-	
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-		-	
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-	66 (d), 69, 79, 477 (4)	-	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	(166,091)		-	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	-	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	475, 475 (2) (a), 475 (3), 475 (4) (a)	-	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	(166,091)	467, 468, 481	-	
	of which Local prudential filter - difference between prudential adjustments and adjustments for impairment according to IFRS	(166,091)		-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(166,091)**		-	
58	**Tier 2 (T2) capital**	**1,586,652**		-	
59	**Total capital (TC = T1 + T2)**	**6,875,553**		-	

	in RON thousands	(A) 31 December 2015	(B) Regulation (EU) no. 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) no,575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) 575/2013	(D) Reference to reconciliation tables
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	-		-	
	Of which:…items not deducted from CET1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1)	-	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	-	
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	475, 475 (2) (b), 475 (2) ©, 475 (4) (b)	-	
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	-	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	-	
60	**Total risk-weighted assets**	**28,889,096**		-	
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	14.11%	92 (2) (a), 465	-	
62	Tier 1 (as a percentage of total risk exposure amount	14.11%	92 (2) (b), 465	-	
63	Total capital (as a percentage of total risk exposure amount	19.60%	92 (2) (c)	-	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	not yet implemented	CRD 128, 129, 140	-	
65	of which: capital conservation buffer requirement	not yet implemented		-	
66	of which: countercyclical buffer requirement	not yet implemented		-	
67	of which: systemic risk buffer requirement	not yet implemented		-	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	not yet implemented	CRD 131	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	not yet implemented	CRD 128	-	
69	[non-relevant in EU regulation]			-	
70	[non-relevant in EU regulation]			-	
71	[non-relevant in EU regulation]			-	
Amounts below the thresholds for deduction (before risk-weighting)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	39,392	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	-	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	7,509	36 (1) (i), 45, 48, 470, 472 (11)	-	
74	Empty set in the EU	-		-	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	253,244	36 (1) (c), 38, 48, 470, 472 (5)	-	f
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	62	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	62	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	-	62	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62	-	

	in RON thousands	(A) 31 December 2015	(B) Regulation (EU) no. 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) no,575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) 575/2013	(D) Reference to reconciliation tables
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	- Current cap on CET1 instruments subject to phase-out arrangements	-	484 (3), 486 (2) & (5)	-	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) & (5)	-	
82	- Current cap on AT1 instruments subject to phase-out arrangements	-	484 (4), 486 (3) & (5)	-	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) & (5)	-	
84	- Current cap on T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) & (5)	-	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) & (5)	-	

Individual Own funds development

	in RON thousand
CET1 as of 1 Jan 2015	**3,997,765**
Release of share premium (shift to retained earnings)	-
Dividends declared	-
Increase retained earnings	832,705
net profit	3,592,995
shift from share premium	-
Increase accumulated other comprehensive income	68,679
Increase minority interest	-
Decrease prudential filters	3,336
Changes in regulatory deductions	(19,228)
goodwill	-
other intangibles	(19,228)
Other	405,644
Changes in CET1	1,291,136
CET1 as of 31 Dec 2015	**5,288,901**
Additional Tier 1 development, phase in	-
AT1 as of 1 Jan 2015	-
Net increase / decrease in AT1	-
Changes in regulatory deduction	-
Other	-
Changes in AT1	-
AT1 as of 31 Dec 2015	-
Tier 2 development, phase in	
T2 as of 1 Jan 2015	**1,851,144**
Net decrease in T2	(288,482)
Changes in regulatory deduction	23,990
IRB Excess and SA credit risk adjustments	-
Changes in Tier 2	(264,492)
T2 as of 31 Dec 2015	**1,586,652**
Total own funds	**6,875,553**

Capital Instruments

For each capital level, a description of the main features of instruments used by the bank for own funds calculation according to article 437 (1) (b) CRR and presented in related Technical Standards.

CET 1 Capital Instruments - shares - table 1/3

1	Issuer	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a	n/a	n/a	n/a	n/a
3	Governing law(s) of the instrument	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990
	Regulatory treatment						
4	Transitional CRR rules	CET1	CET1	CET1	CET1	CET1	CET1
5	Post-transitional CRR rules	CET1	CET1	CET1	CET1	CET1	CET1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	ordinary shares	ordinary shares	ordinary shares	ordinary shares	ordinary shares	ordinary shares
8	Amount recognised in regulatory capital (in RON thousands)	1,872	1,337	4,815	14,444	6,703	11
	Currency of issue	RON	RON	RON	RON	RON	RON
9	Nominal amount of instrument (agregate) - in currency of issue	700,000	500,000	1,800,000	5,400,000	2,505,850	3,947
9a	Issue price (unit price)	1.00	1.00	1.00	1.00	1.00	1.00
9b	Redemption price (min. Redemption price)	n/a	n/a	n/a	n/a	n/a	n/a
10	Accounting classification	shareholder's equity	shareholder's equity	shareholder's equity	shareholder's equity	shareholder's equity	shareholder's equity
11	Original date of issuance	1/23/1991	11/5/1991	7/16/1993	5/11/1994	2/22/1995	8/16/1995
12	Perpetual or dated	perpetual	perpetual	perpetual	perpetual	perpetual	perpetual
13	Original maturity date	no maturity	no maturity	no maturity	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	no	no	no	no	no	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	-	-	-	-	-	-
16	Subsequent call dates, if applicable	-	-	-	-	-	-
	Coupons / dividends						
17	Fixed or floating dividend/coupon	floating	floating	floating	floating	floating	floating
18	Coupon rate and any related index	n/a	n/a	n/a	n/a	n/a	n/a
19	Existence of a dividend stopper	no	no	no	no	no	no
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	discretionary	discretionary	discretionary	discretionary	discretionary	discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	discretionary	discretionary	discretionary	discretionary	discretionary	discretionary
21	Existence of step up or other incentive to redeem	no	no	no	no	no	no
22	Noncumulative or cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative
23	Convertible or non-convertible	no	no	no	no	no	no
24	If convertible, conversion trigger(s)	-	-	-	-	-	-
25	If convertible, fully or partially	-	-	-	-	-	-
26	If convertible, conversion rate	-	-	-	-	-	-
27	If convertible, mandatory or optional conversion	-	-	-	-	-	-
28	If convertible, specify instrument type convertible into	-	-	-	-	-	-
29	If convertible, specify issuer of instrument it converts into	-	-	-	-	-	-
30	Write-down features	no	no	no	no	no	no
31	If write-down, write-down trigger(s)	-	-	-	-	-	-
32	If write-down, full or partial	-	-	-	-	-	-
33	If write-down, permanent or temporary	-	-	-	-	-	-
34	If temporary write-down, description of write-up mechanism	-	-	-	-	-	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	subordinated	subordinated	subordinated	subordinated	subordinated	subordinated
36	Non-compliant transitioned features	no	no	no	no	no	no
37	If yes, specify non-compliant features	-	-	-	-	-	-

CET 1 Capital Instruments - shares - table 2/3

1	Issuer	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a	n/a	n/a	n/a	n/a
3	Governing law(s) of the instrument	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990
	Regulatory treatment						
4	Transitional CRR rules	CET1	CET1	CET1	CET1	CET1	CET1
5	Post-transitional CRR rules	CET1	CET1	CET1	CET1	CET1	CET1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	ordinary shares	ordinary shares	ordinary shares	ordinary shares	ordinary shares	ordinary shares
8	Amount recognised in regulatory capital (in RON thousands)	28,792	20,641	53,335	92,885	450,966	477,970
	Currency of issue	RON	RON	RON	RON	RON	RON
9	Nominal amount of instrument (agregate) - in currency of issue	10,764,096	7,716,757	19,940,000	34,725,850	168,598,200	178,694,050
9a	Issue price (unit price)	1.00	1.00	1.00	1.00	1.00	1.00
9b	Redemption price (min. Redemption price)	n/a	n/a	n/a	n/a	n/a	n/a
10	Accounting classification	shareholder's equity	shareholder's equity	shareholder's equity	shareholder's equity	shareholder's equity	shareholder's equity
11	Original date of issuance	3/11/1997	9/15/1997	9/21/1998	1/6/1999	8/10/1999	5/18/2000
12	Perpetual or dated	perpetual	perpetual	perpetual	perpetual	perpetual	perpetual
13	Original maturity date	no maturity	no maturity	no maturity	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	no	no	no	no	no	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	-	-	-	-	-	-
16	Subsequent call dates, if applicable	-	-	-	-	-	-
	Coupons / dividends						
17	Fixed or floating dividend/coupon	floating	floating	floating	floating	floating	floating
18	Coupon rate and any related index	n/a	n/a	n/a	n/a	n/a	n/a
19	Existence of a dividend stopper	no	no	no	no	no	no
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	discretionary	discretionary	discretionary	discretionary	discretionary	discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	discretionary	discretionary	discretionary	discretionary	discretionary	discretionary
21	Existence of step up or other incentive to redeem	no	no	no	no	no	no
22	Noncumulative or cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative
23	Convertible or non-convertible	no	no	no	no	no	no
24	If convertible, conversion trigger(s)	-	-	-	-	-	-
25	If convertible, fully or partially	-	-	-	-	-	-
26	If convertible, conversion rate	-	-	-	-	-	-
27	If convertible, mandatory or optional conversion	-	-	-	-	-	-
28	If convertible, specify instrument type convertible into	-	-	-	-	-	-
29	If convertible, specify issuer of instrument it converts into	-	-	-	-	-	-
30	Write-down features	no	no	no	no	no	no
31	If write-down, write-down trigger(s)	-	-	-	-	-	-
32	If write-down, full or partial	-	-	-	-	-	-
33	If write-down, permanent or temporary	-	-	-	-	-	-
34	If temporary write-down, description of write-up mechanism	-	-	-	-	-	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	subordinated	subordinated	subordinated	subordinated	subordinated	subordinated
36	Non-compliant transitioned features	no	no	no	no	no	no
37	If yes, specify non-compliant features	-	-	-	-	-	-

CET 1 Capital Instruments - shares - table 3/3

1	Issuer	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a	n/a	n/a	n/a
3	Governing law(s) of the instrument	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990	Romanian Law-no.31/1990
	Regulatory treatment					
4	Transitional CRR rules	CET1	CET1	CET1	CET1	CET1
5	Post-transitional CRR rules	CET1	CET1	CET1	CET1	CET1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	ordinary shares	ordinary shares	ordinary shares	ordinary shares	ordinary shares
8	Amount recognised in regulatory capital (in RON thousands)	965,922	237,741	55,427	467,799	467,389
	Currency of issue	RON	RON	RON	RON	RON
9	Nominal amount of instrument (agregate) - in currency of issue	361,120,000	237,740,625	55,427,113	467,799,056	71,906,071
9a	Issue price (unit price)	1.00	share capital increase without shares issue	0.1 : share capital increase with shares issue	0.10	0.65
9b	Redemption price (min. Redemption price)	n/a	n/a	n/a	n/a	n/a
10	Accounting classification	shareholder's equity	shareholder's equity	shareholder's equity	shareholder's equity	shareholder's equity
11	Original date of issuance	7/5/2001	5/14/2010	6/3/2011	1/3/2012	1/18/2013
12	Perpetual or dated	perpetual	perpetual	perpetual	perpetual	perpetual
13	Original maturity date	no maturity	no maturity	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	no	no	no	no	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	-	-	-	-	-
16	Subsequent call dates, if applicable	-	-	-	-	-
	Coupons / dividends					
17	Fixed or floating dividend/coupon	floating	floating	floating	floating	floating
18	Coupon rate and any related index	n/a	n/a	n/a	n/a	n/a
19	Existence of a dividend stopper	no	no	no	no	no
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	discretionary	discretionary	discretionary	discretionary	discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	discretionary	discretionary	discretionary	discretionary	discretionary
21	Existence of step up or other incentive to redeem	no	no	no	no	no
22	Noncumulative or cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative
23	Convertible or non-convertible	no	no	no	no	no
24	If convertible, conversion trigger(s)	-	-	-	-	-
25	If convertible, fully or partially	-	-	-	-	-
26	If convertible, conversion rate	-	-	-	-	-
27	If convertible, mandatory or optional conversion	-	-	-	-	-
28	If convertible, specify instrument type convertible into	-	-	-	-	-
29	If convertible, specify issuer of instrument it converts into	-	-	-	-	-
30	Write-down features	no	no	no	no	no
31	If write-down, write-down trigger(s)	-	-	-	-	-
32	If write-down, full or partial	-	-	-	-	-
33	If write-down, permanent or temporary	-	-	-	-	-
34	If temporary write-down, description of write-up mechanism	-	-	-	-	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	subordinated	subordinated	subordinated	subordinated	subordinated
36	Non-compliant transitioned features	no	no	no	no	no
37	If yes, specify non-compliant features	-	-	-	-	-

Tier 2 - Capital Instruments - subordinated loans - table 1/2

1	Issuer	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a	n/a	n/a
3	Governing law(s) of the instrument	Romanian Law-OUG 99/2006	Romanian Law-OUG 99/2006	Romanian Law-OUG 99/2006	Romanian Law-OUG 99/2006
	Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	subordinated loan	subordinated loan	subordinated loan	subordinated loan
8	Amount recognised in regulatory capital (in RON thousands)	542,940	452,450	250,301	460,055
	Currency of issue	EUR	EUR	RON	RON
9	Nominal amount of instrument (aggregate) - in currency of issue	120,000,000	100,000,000	550,000,000	780,000,000
9a	Issue price	120,000,000	100,000,000	550,000,000	780,000,000
9b	Redemption price - in currency of issue	120,000,000	100,000,000	550,000,000	780,000,000
10	Accounting classification	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost
11	Original date of issuance	26/06/2009	26/06/2012	10/04/2008	12/12/2008
12	Perpetual or dated	dated	dated	dated	dated
13	Original maturity date	30/09/2021	27/07/2022	10/04/2018	12/12/2018
14	Issuer call subject to prior supervisory approval	no	no	no	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	-	-	-	-
16	Subsequent call dates, if applicable	n/a	n/a	n/a	n/a
	Coupons / dividends				
17	Fixed or floating dividend/coupon	floating	floating	floating	floating
18	Coupon rate and any related index	EURIBOR 1M	EURIBOR 1M	ROBOR 1M	ROBOR 1M
19	Existence of a dividend stopper	n/a	n/a	n/a	n/a
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a	n/a	n/a
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a	n/a	n/a
21	Existence of step up or other incentive to redeem	n/a	n/a	n/a	n/a
22	Noncumulative or cumulative	n/a	n/a	n/a	n/a
23	Convertible or non-convertible	no	no	no	no
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a
30	Write-down features	no	no	no	no
31	If write-down, write-down trigger(s)				
32	If write-down, full or partial				
33	If write-down, permanent or temporary				
34	If temporary write-down, description of write-up mechanism				
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	to all other non subordinated liabilities	to all other non subordinated liabilities	to all other non subordinated liabilities	to all other non subordinated liabilities
36	Non-compliant transitioned features	no	no	no	no
37	If yes, specify non-compliant features	-	-	-	-

Tier 2 - Capital Instruments - subordinated bonds - table 2/2

1	Issuer	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română	Banca Comercială Română
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ROBCRODBC029	ROBCRODBC037	ROBCRODBC045	ROBCRODBC052	ROBCRODBC060	ROBCRODBC078
3	Governing law(s) of the instrument	Romanian Law-OUG 99/2006	Romanian Law-OUG 99/2006	Romanian Law-OUG 99/2006	Romanian Law-OUG 99/2006	Romanian Law-OUG 99/2006	Romanian Law-OUG 99/2006
	Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	subordinated bonds	subordinated bonds	subordinated bonds	subordinated bonds	subordinated bonds	subordinated bonds
8	Amount recognised in regulatory capital (in RON thousands)	3,357	1,899	8,630	4,707	8,729	19,675
	Currency of issue	RON	EUR	EUR	EUR	EUR	EUR
9	Nominal amount of instrument (aggregate) - in currency of issue	20,000,000	2,500,000	10,000,000	5,000,000	6,000,000	10,000,000
9a	Issue price	91.0	91.0	96.0	96.0	96.3	96.3
9b	Redemption price	184.00	145.00	min. 145.56 max.155.00	min.145.56 max.155.00	min.138.38 max.148.00	min.140.71 max.144.00
10	Accounting classification	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost
11	Original date of issuance	02/12/2009	02/12/2009	28/12/2009	29/01/2010	01/09/2010	04/04/2011
12	Perpetual or dated	dated	dated	dated	dated	dated	dated
13	Original maturity date	02/12/2016	02/12/2016	28/12/2016	30/01/2017	01/09/2017	04/04/2018
14	Issuer call subject to prior supervisory approval	no	no	no	no	no	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	-	-	-	-	-	-
16	Subsequent call dates, if applicable	n/a	n/a	n/a	n/a	n/a	n/a
	Coupons / dividends						
17	Fixed or floating dividend/coupon	fixed	fixed	n/a	n/a	n/a	n/a
18	Coupon rate and any related index	0%	0%	-	-	-	-
19	Existence of a dividend stopper	no	no	no	no	no	no
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	mandatory	mandatory	mandatory	mandatory	mandatory	mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	mandatory	mandatory	mandatory	mandatory	mandatory	mandatory
21	Existence of step up or other incentive to redeem	no	no	no	no	no	no
22	Noncumulative or cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative
23	Convertible or non-convertible	no	no	no	no	no	no
24	If convertible, conversion trigger(s)	-	-	-	-	-	-
25	If convertible, fully or partially	-	-	-	-	-	-
26	If convertible, conversion rate	-	-	-	-	-	-
27	If convertible, mandatory or optional conversion	-	-	-	-	-	-
28	If convertible, specify instrument type convertible into	-	-	-	-	-	-
29	If convertible, specify issuer of instrument it converts into	-	-	-	-	-	-
30	Write-down features	no	no	no	no	no	no
31	If write-down, write-down trigger(s)	-	-	-	-	-	-
32	If write-down, full or partial	-	-	-	-	-	-
33	If write-down, permanent or temporary	-	-	-	-	-	-
34	If temporary write-down, description of write-up mechanism	-	-	-	-	-	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	to all other non subordinated liabilities	to all other non subordinated liabilities	to all other non subordinated liabilities	to all other non subordinated liabilities	to all other non subordinated liabilities	to all other non subordinated liabilities
36	Non-compliant transitioned features	no	no	no	no	no	no
37	If yes, specify non-compliant features	-	-	-	-	-	-

The full terms and contractual conditions related to all Common Equity Tier 1 and Tier 2 instruments are also part of this report (https://www.bcr.ro/en/investors/transparency-and-public-disclosure/Report on transparency and public disclosure 2014).

CHAIRMAN
OF THE SUPERVISORY BOARD

MANFRED WIMMER

CONSILIUL DE SUPRAVEGHERE
BCR
PREȘEDINTE

Banca Comerciala Romana S.A.
No. Cabinet of the Chairman
Supervisory Board

CONSOLIDATED ADMINISTRATORS' REPORT
Banca Comerciala Romana Group
Year ended 31 December 2015

1. General information

During 2015, 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 2014**	**31 December 2015**
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%
Financiara SA (under liquidation)	Romania	Financial	97.46%	97.46%
BCR Leasing IFN SA	Romania	Financial leasing	99.96%	99.97%
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%
Suport Colect SRL	Romania	Workout	100.00%	100.00%
CIT ONE 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	99.96%	99.97%
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 2015

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 2015 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 2015, while Appendix 2 presents the consolidated balance sheet at 31 December 2015.

3. Highlights

On the back of a RON 1,561.5 million (EUR 351.3 million) operating result, full year 2015 net profit stood at RON 918.9 million (EUR 206.8 million), supported by risk provision release due to higher recoveries, on the basis of improved workout capabilities and macroeconomic environment.

As a result of the on-going efforts to continue the resolution of the Group's critical portfolios, via cash recoveries, write-offs and debt sales, 2015 brought a release of **risk provisions**, in amount of RON **72.9mn**. Write-offs amounted to RON 1.7bn, which, doubled by the portfolio sales of RON 700mn (including debt-to-asset deals), lead to a YoY decrease of 25.4% of the NPL stock. The NPL coverage ratio for BCR Group has improved throughout the year, reaching 77.4% as of YE 2015 (compared to 75.8% at the end of 2014).

Significant uplift in new loan production: in retail business, new production in local currency totalled RON 5.0 bn, while in corporate business new on-balance sheet loans totalled RON 3.6 bn.

Expenses were up by 2.6% yoy, on the back of significant infrastructure investments.

The capital position of the bank remains exceptionally strong to support business growth. BCR's solvency ratio stood at 19.6% as of Dec 2015 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 5.66 billion as of Dec 2015.

"*Our results rely first and fore mostly on the dedication of our employees to our clients. We have gone through a deep transformation of the bank and the results of that transformation translate everyday into improvement of customer service. We are strongly capitalized and determined to be a reliable financial partner to our customers and, if case be, find commercial solutions for their financial life challenges. In the last year BCR, channelled over 8 billion RON new funding into the economy and adjusted the instalment rates of over 30.000 customers. That, we believe, is the right thing to do as a bank*", said Sergiu Manea, CEO of BCR.

"*There are significant unexpected challenges for the local financial sector, not least a heated debate as of how the banking sector should serve the economy. We are determined to seek, together with all the stakeholders the right way to promote a solid development agenda and sustainable access to financial service, anchored in stability,* *economic growth, as well as adequate protection for social-case debtors*", added Sergiu Manea.

Resolution of NPL stock

BCR Group maintained the resolution trend set up in 2014 and continued the portfolio clean-up actions, with the visible result of reducing the **NPL stock** by **RON 1.6bn** and the **NPL ratio** dropping to **20.2%** as of YE 2015 (compared to 25.7% as of 31 December 2014).

As a result, the net charge of impairments on financial assets not measured at fair value through profit amounted to **RON (72.9) mn**, on the back of significant releases of provisions triggered by the write-offs and sales performed within the year, the higher recoveries compared with the provisioning level booked in 2014, both showing the improved capabilities of the Workout Unit, the good macro-economic environment and the improving quality of the healthy portfolio.

As a result of trying to achieve a lower credit risk profile and maintaining a prudent course of action, the **NPL coverage ratio** for **BCR Group** has improved throughout the year, reaching the value of 77.4% as of YE 2015 (compared to 75.8% at the end of 2014), after taking into account all the above-mentioned portfolio clean-up actions.

4. Business performance overview

Banca Comerciala Romana (BCR) in 2015 achieved a strong **net profit of RON 918.9 million (EUR 206.8 million)**, supported by good operating performance and risk provision release due to higher recoveries on the basis of improved workout capabilities and macroeconomic environment.

The operating result stood at RON 1,561.5 million (EUR 351.3 million), 18.4% lower than the previous year at RON 1,914.4 (EUR 430.8), driven by lower operating income, impacted by reduced unwinding contribution, low interest rate environment and higher costs related to running IT projects.

In bank retail business, strong performance in volume generation by the franchise resulted **in new loans in local currency totalling RON 5.0 bn**, with sales of secured loans increasing by 11,5% annually, driven by Prima Casa new production up by 29% yoy, while new volumes of cash loans increased by 7% yoy.

In bank corporate business, **new volumes added on the balance sheet totalled RON 3.6 billion**, supported by 3.6% growth in SME business. New approved loans are substantially picking up, supported by a solid pipeline of better quality new business, particularly in overdraft, working capital and supply chain financing.

Net interest income was down by 13.0%, to **RON 1,992.6 million** (EUR 448.3 million), from RON 2,289.4 million (EUR 515.1 million) in 2014, on the back of accelerated NPL portfolio resolution, efforts to price competitively in the market and a low interest rate environment.

Net fee income was up by 2%, to **RON 725.2 million** (EUR 163.2 million), from RON 711.3 million (EUR 160.0 million) in 2014, on the back of higher transaction banking fees and distribution of insurance products.

Net trading result decreased by 14.5%, to **RON 308.4 million** (EUR 69.4 million), from RON 360.8 million (EUR 81.2 million) in 2014 on the back of reduced trading activity.

The **operating income** decreased by 9.3% to **RON 3,074.9 million** (EUR 691.9 million) from RON 3,389.3 million (EUR 762.4 million) in 2014, mainly driven by reduced net interest income along with lower trading result.

General administrative expenses in 2015 reached **RON 1,513.4 million** (EUR 340.5 million), up by 2.6% in comparison to RON 1,474.9 million (EUR 331.9 million) in 2014. The fulfilment of cost targets, set forth in 2012 turnaround plan and supported by continuous focus on productivity improvements, is translating into significant IT infrastructure and branch refurbishment investments.

As such, **cost-income ratio** advanced to **49.2%** in 2015, versus 43.5% in 2014.

The **Other operating result** includes the effect of both litigation provisions and additional provision for potential future litigations with customers for contracts which contain "allegedly abusive clauses". For the estimation of the provision, the bank considered and used as a basis for calculation assumptions as to the trend in litigations, the history of litigations and the related court resolutions against the bank and against its clients and the results of the active set of mitigating measures implemented in 2015.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of Dec 2015 stood at **19.6%,** well above the regulatory requirements of the National Bank of Romania (min 10%). Also, IFRS **Tier 1+2 capital ratio of 18.9%** (BCR Group), as of Dec 2015, is clearly showing BCR's strong capital adequacy and continuing support of Erste Group. In this respect, BCR enjoys one of the strongest capital and funding positions amongst Romanian banks.

BCR will continue to maintain a sustainable solvability, proving its ability and commitment to support quality of lending growth in both Retail and Corporate franchises, further reinforcing core revenue generating capacity.

Deposits from customers were up, by 6.8% to **RON 42,626.0 million** (EUR 9,422.2 million) at 31 December 2015, versus RON 39,922.6 million (EUR 8,905.7 million) at 31 December 2014, driven by positive development of retail and SME deposits. Customer deposits remain BCR's main funding source, while the bank benefits from diversified funding sources, including parent company.

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.

Risk costs and Asset Quality

In terms of **net charge of impairments on financial assets not measured at fair value through profit and loss,** BCR recorded a provision release of **RON 72.9 million** (EUR 16.4 million) in 2015, versus a negative charge of RON -4,440.0 million (EUR -999.0 million) in 2014. In 2015 BCR witnessed continued improvement of the performing book, driven by new selection and monitoring tools implemented over the last years.

NPL ratio at **20.2%,** as of 31 December 2015, significantly decreased versus 25.7% as of 31 December 2014, despite overall reduction of the loan book, determined by recoveries, sales of selected NPL portfolios and write-offs. **NPL coverage ratio stood at 77.4%.**

The net charge with risk provisions for loans and advances (including commitments and guarantees given) dropped at YE 2015, leading to a **Risk Cost ratio** of **(0.11) %** (for comparison, the Risk Cost ratio at YE 2014 was **10.2%**).

The **risk cost** figure is driven by the significant releases of provisions triggered by the write-offs and sales performed within the year, the higher recoveries compared with the provisioning level booked in 2014, both showing the improved capabilities of the Workout Unit, the good macro environment and the improving quality of the healthy portfolio.

5. 2015 Business performance overview and 2016 outlook for the subsidiaries

BCR owns at 31.12.2015 equity investments in 19 companies, 9 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 Fleet Management SRL, BCR Real Estate Management SRL, Bucharest Financial Plazza SRL, Suport Colect SRL, CIT ONE SRL, BCR Payments Services SRL, Financiara SA.

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 2015.

BCR Chisinau SA

In spite of the challenging macro and business environment in 2015, BCRC achieved to increase operating profit to MDL 39.9 MM (+84% compared to 2014). This performance was possible thanks to: (i) BCRC realizations (growth of client's transactional incomes and adequate management of deposits volumes pricing), as well as to (ii) external factors (higher FX trading margins as a result of market volatility and higher IR in Government Securities).

After the bank management decision of increasing provisions, calculated in accordance with International Financial Reporting Standards (IFRS) and strict prudential requirements applied in BCR/ Erste Group, BCR Chisinau registered a Net Profit of MDL 26.4 million. In this context, the coverage on nonperforming loans by provisions has increased from 37% in 2014 to 52% in 2015.

Non-performing loans increased in 2015 to 33.3% from 30.4% in 2014 (72.2% of NPL are concentrated in 3 clients). Liquidity ratio increased to 63.0% in 2015 compared with 55.0% in previous year, solvency ratio (local standards) improved to 164.4% in 2015 compared to 137.2% in 2014. BCR Chisinau improved the Loans/Deposits ratio (excluding banks) to 90.0%, compared to 114.0% in 2014

BCR Banca pentru Locuinte SA

The activity of Banca pentru Locuinte SA consists in the sale and management of savings and loan products for housing (type Bauspar).
On 31.12.2015, BCR Banca pentru Locuinte SA had a total of 82,821 net contracts (new contracts signed), in amount of RON 3.3 bn. The total portfolio of BCR Banca pentru Locuinte SA was 377.499 net contracts for which customers have realized savings of more than RON 2.89 bn. Estimated market share on deposits volumes (Bauspar banks) was approx. 86.3% at the end of 2015. Lending activity recorded a decrease rate, as of the end of 2015 (RON 63.08 mn) – 0.95 times lower than at the end of 2014 (RON 66.06 mn), but the estimated market share for outstanding loans as of 31st of December 2015, granted by BCR Banca pentru Locuinte SA, was 67%.
The company's goal for next years is to be the absolute market maker for the Romanian Bauspar market, being the "Bauspar bank of choice" for customers, by embedding customer focus in all activities.

BCR Leasing IFN SA

In 2015 BCR Leasing focused mainly on boosting sales and optimizing its market share. Sales volume increased significantly in 2015 with a rate of 72% compared with 2014 (EUR 121.1 mn in 2015 vs. EUR 70.6 mn in 2014, financed value), while the market

share grew from 6.5% in 2014 to 9.4% in 2015, BCR Leasing coming back in Top 3 on the leasing market at the end of 2015.
Concurrently total assets also increased, by 15% compared to the previous year, while the share of non-performing exposures continued to improve from 13.4% in 2014 to 10.6% in 2015.
BCR Leasing profitability reached RON 13.6 mn in 2015 recovering from the loss recorded in 2014 of RON 2.8 mn. One of the key factors that contributed significantly to increasing profitability is the cost of risk which recorded a level of RON 1.3 mn compared to RON 17.0 mn in 2014. This reduced cost of risk reflects successful sustained efforts to improve the quality of the lease portfolio, and higher quality of the new sales.
Operating result doubled (RON 36.6 mn in 2015 vs. RON 17.2 mn in 2014) mainly due to increase in net interest income by 32% (RON 40.5 mn in 2015 vs. RON 25.5 mn in 2014).
In 2015 the bank continued to be the main sales channel, with 64% of sales, while developing partnerships with dealers / importers (these volumes almost doubled compared to previous year).
In 2016 BCR Leasing expects sales growth of 10%-15% compared to 2015 and aims to cover all segments of potential customers by developing the bank and dealers channel and by implementing a new strategy for individuals, taking advantage of the bank's customer base and its extended sales network.

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 2015 the company ranked 6th 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 8.29% and 543,687 subscribers.
In terms of total number of subscribers for voluntary pensions funds, BCR Pensii ranked 2nd, with a market share of 29.52% corresponding to a number of 112,847 participants.
In 2015, BCR Pensii had the second position for voluntary pensions new sales, with 40.53 % market share of new sales.
The strategy of the subsidiary is to continue on the same ascending trend as in 2015 when it was achieved the first profitable result of the company, on the background of increased sales quality and improved collection ratios.
The projects and initiatives of the subsidiary are long-term oriented and they are aimed to increase the financial literacy of young people, employees and participants so that to develop better understanding of the need for long-term savings. For the short and medium term the subsidiary is focused on a client- centricity approach, using all available communication channels in order to capture and integrate their feedback in our activities.

BCR Real Estate Management SRL

The Company’s core business is the management of the real estate based on tariffs or leased agreements. Integration of REM personnel into the Bank was done starting with 1st of July 2014; the core activities of the company are performed by BCR based on the mandate contract.

Bucharest Financial Plazza SRL

Bucharest Financial Plazza SRL is wholly owned by BCR Real Estate Management SRL. In 2015, 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.

CIT ONE SRL

Set-up in August 2009, as a spin off from BCR, CIT One 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.
During 2015, the company has successfully implemented the rebranding project, from BCR Procesare into CIT One and licensing as a security company in order to diversify its services portfolio and optimize cost base. Also, CIT One has implemented a new GPS monitoring solution and several major BCR corporate clients and it has started servicing Garanti Bank SA and its corporate client’s portfolio. Implementation is under way for a Route optimization application aiming to increase CIT One operational efficiency.
The financial result for the year ending 31 December 2015 is a net profit in amount of RON 0.2 mn, better than the last year result. In December 2015 shareholders decide to reduce the issued capital to RON 7,090,090 by incorporating retained losses of RON 6.2 mn accumulated before 2015.
For 2016, CIT ONE is proposing to finalizating route optimization project, implementation of incentive scheme based on individual performance criteria and taking over new clients.

BCR Fleet Management SRL

BCR Fleet Management started its operations in 2012, providing operational leasing and fleet management services both to external clients as well as to BCR Group. BCR Fleet Management developed partnerships with the all the passenger cars and commercial vehicles in Romania being able to provide its services for almost any passenger car or commercial vehicles.

In only 3 years time, BCR Fleet Management has become an important player in the operational leasing market with a total fleet to reach nearly 3,000 vehicles and total asset size of 140 MN RON at the end of 2015. In 2015, new business volume doubled compared with 2014, 15 MN EUR total financed value vs. 7 MN EUR in 2014. BCR Fleet Management's clients are mostly multinational corporations or large romanian companies, as well as public sector organizations. Given the quality of BCR Fleet Management's clients, the NPL ratio is 0.01% at the end of 2015.

For 2016 BCR Fleet Management estimates a 35% increase in new sales compared to the pervious year. The sales strategy will be focused on the same channels as in the previous years, cross-selling with BCR's retail and corporate networks being the most important of them. Apart for that, BCR Fleet Management will aim to improve operational efficiency by developing its IT infrastructure and optimizing the company's headcount.

Suport Colect SRL

Suport Colect is wholly owned by BCR. In 2015, the Company continued performing its core business activity represented by the collection of the loans portfolio owned, including cash collections from receivables or through properties obtained as debt to asset swaps, either amiable or in enforcement.

In 2015 the Company continued the efforts to improve the assets quality and profitability of the company. Thus, the Company recorded profits in 2015 for the first time in the last 6 years, due to positive impact of recoveries from (either on or off balance sheet) receivables and from selling of properties obtained as debt to asset.

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.

BCR Payments Services has 86 active specialized employees and serves all local units of BCR, Banking Operations Division, and other directions BCR, on the base of the outsourcing contract signed between the two parties.

During 2015 5.9 million transactions were processed. Also, a new version of Fordela was implemented, which came with system and security improvements, as well as change requests implementation. Moreover, it opens new possibilities for developments in order to ensure more efficiency, reduced risk and better productivity.

Discussions with BpL were initiated in terms of possible take over of activities specific to a processing center (data entry, archiving, etc.) during 2016.

Following extreme staff turnover rate registered during 2015 of 41% per company, it was the decision to reorganize company structure by creating new function – operator senior and promoting 20 persons to new created function. This, along with other measures for stimulating staff retaining planned for 2016 will support the stabilization and satisfaction of the staff.

6. The Risk Exposure Profile of BCR Group

1. Credit risk profile

In order to protect the interests of its shareholders, depositors and other clients, BCR Group targets **a lower risk profile** across all its activities and its objectives, policies and exposure to each significant (material) risk, including its outsourced activities. BCR Group adopts policies, practices and procedures in its lending and other activities consistent with the targeting of this risk profile.

Concentration risk

The implementation of an appropriate framework to identify, measure, control, report and manage concentration risks is essential to ensure the long-term BCR Group viability, especially in case of stressed economic conditions.

Market risk profile

BCR targets to have a market risk profile within its appetite undertaking risk management actions for maintaining the market risks arising from trading book and banking book within the risk appetite.

Liquidity risk profile

The liquidity risk profile is within risk appetite of the bank. The liquidity risk profile is mainly assessed with two liquidity indicators proposed under Basel III (Liquidity Coverage Ratio and Net Stable Funding Ratio) framework and a methodology developed at the Erste Group level referring to the Survival Period Analysis.

Operational risk profile

BCR Group is exposed to **operational risk** from various sources, due to its complexity and dimension. In order to decrease the exposures to operational risk, actions were undertaken during 2015 to reduce the risks. BCR Group uses AMA (Advanced Measurement Approach) model for operational risk capital requirement calculation and BIA (Basic Indicator Approach) for its Subsidiaries capital requirements. Policies for managing operational risk are implemented at BCR Group level in order to assure a consist approach, according with local regulations and risk strategy.

The **reputational risk** management targets to maintain the trust of the public and of its business partners with respect to its economic, political and financial standing, in order to preserve a proper risk profile.

The bank allocates high importance to **legal risk**, various measures being undertaken for lowering this risk profile.

2. Risk Appetite Statement

Risk Appetite Statement (RAS) serves to define the level of risks the BCR Group is willing to take from a strategic point of view. RAS sets boundaries and defines limits which are relevant for its daily operations.

The RAS is composed of a set of risk appetite indicators, which are operationalized as limits, targets and principles. Subsequent to the definition of RAS, operational limits should clearly reflect the expressed risk appetite.

BCR Group has defined its risk appetite for 2015 based on a set of **risk limits/targets/principles**.

3. Management of significant risks -principles, systems and procedures

BCR Group has continued to take all necessary actions to correlate its principles with the standards of NBR Regulation no. 5 from December 20, 2013 regarding the prudential requirements for credit institutions, Regulation (EU) no. 575/2013 of the European Parliament and the Council from June 26, 2013 regarding the prudential requirements for credit institutions and investment firms and Erste Group requirements.

In order to identify and assess significant risks, 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, BCR Group must take all necessary measures to **identify all risk sources**, to **assess and monitor its exposures**.

For a proper management of significant risks, BCR Group covers at least the directions stated for the Bank.

The BCR Group takes all the necessary measures in order to maintain a management information process for the identification, assessment, monitoring and systematic documentation of significant risks, both at Bank level and at structural level.

4. Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP process –which consists in assuring the capital adequacy and it's sustenability at all times – within the ERM components from Risk Materiality Assessment, Concentration Risk Analysis and Stress Testing with BCR Group's Risk Appetite is related to the Bank and extended for BCR Group.

7. Important events since the end of 2015

At the beginning of January, the central bank has cut the FX minimum reserves to 12% (-2pp) and released approximately EUR 450mn into the market. The additional liquidity could be invested by banks into a locally-issued EUR-denominated bond. Key rate was left unchanged at 1.75% both in January and February due to fiscal risks and volatile emerging markets. Central bank considered that negative inflation rate did not require a response in the form of a cut in the key rate because it was mainly the result of supply-side shocks like the cut in the VAT rate, lower oil price and the decline of some administered prices.

Fitch maintained Romania's rating at BBB- with stable outlook in January citing healthy economic outlook and stable fiscal position at present.

In the beginning of February 2016, BCR received reimbursements in total amount of RON 80 million for a number of cases subject to operational risk insurance. The event is non-adjusting for the financial statements as at YE 2015.

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.

Analysis of environmental issues is part of the lending process is mandatory for every transaction.

In Romanian Commercial Bank, environmental activity is coordinated by Credit Analysis & Sabine Department.

9. Outlook for BCR Group's activity

BCR Strategy 2016 onward is built around four major pillars addressing client service, use of Business Intelligence in every day work, commercial capabilities making BCR attractive for clients and a modern work environment for employees.

Benefitting from the complex turnaround programs implemented in the recent years, Bank's targets move now towards bringing process efficiency to the next level by increasing both operating productivity and customer experience. The Bank will continue to develop its platform of integrated services and to simplify workflow solutions, while implementing a Digital Ecosystem to meet customers' needs across all distribution channels.

BCR Group's strategy was defined with a clear focus on improving data quality and governance to support business management and compliance with regulators' requirements, as well as to facilitate internal reporting transformation in favour of more dynamic analysis and move towards advanced risk management methodologies, tools and processes.

BCR is committed to stay a bank fully focused on the real economy, with retail and SMEs franchises to be further developed, leveraging on Bank's market leadership. Major drivers are assumed to be increased utility of the basic products and refined value proposition through tailor made offers for our customers. Consequently, keeping strong capital and liquidity positions are of significant importance to ground sustainable growth in core business. Resolution of NPLs legacy through cash recoveries and debt sales will continue in 2016, while risk return will be the key driver for new lending and any investment opportunity.

Higher self-funding rates are envisaged in a local currency lending environment, resulting in the expansion of the current accounts base. Increasing efforts will be made to turn more of the clients into "active clients", to improve products awareness and financial knowledge which will enable the development of responsible consumption of banking services.

Under toughening conditions in the international financial markets, BCR strategy relies on balanced assets development and manageable costs aligned to business growth potential.

Going forward, BCR Group sets its ambitions while considering expected market developments. The bank plans single digit growth in overall loans, driven by stronger increase in the retail portfolio. Growth will be supported by the favorable economic environment – higher disposable income, ongoing improvement of the labor market, low inflation and interest rate environment. NPL resolution actions likely to continue, mainly impacting the corporate loan stock. Self-funding to strengthen relying on increasing share of customer deposits in total liabilities.

However, significant downside risk to growth ambitions is stemming from consumer protection-related legislative initiatives, which would most likely trigger the tightening of the lending criteria leading to customers' restricted access to loans.

10. Own funds disclosure

Regulatory Requirements

Since 1 January 2014, BCR Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements have been implemented within the EU by the CRR and the CRD IV as well as within various technical standards issued by European Bank Authority, which were enacted in national law in the National Bank of Romania, Regulation No 5/2013.
All requirements as defined in the CRR, the NBR and the aforementioned technical standards are fully applied by BCR Group.

Accounting Principles

The financial and regulatory figures published for BCR Group are based on IFRS. Regulatory capital components are derived from the statement of the financial position and income statement which have been prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the difference for items where the regulatory treatment is not equal to the accounting requirements.
The uniform closing date of the consolidated financial statements and consolidated regulatory figures of BCR Group is 31 December of each respective year.

Comparison of consolidation for accounting purposes and regulatory purposes

Disclosure requirements covered by: Art. 436 (b) CRR.

Scope of Consolidation

The financial scope of consolidation is used to describe the scope of consolidation required by the International Financial and Reporting Standards (IFRS), which are applicable to the financial statements of BCR Group.
The regulatory scope of consolidation is used as a synonym for the scope of consolidation, that follows the regulatory requirements for consolidation as defined by the CRR and CRD IV and enacted by NBR into national law.

Financial scope of consolidation (pursuant to IFRS)

The relevant scope of consolidation for the financial statements of BCR Group includes the parent company, its subsidiaries and associated companies.
The BCR group subsidiaries are those entities which are directly or indirectly controlled. Control over an entity is evidenced by the Group's ability to exercise its power in order to affect any variable returns that the Group is exposed to through its involvement with

the entity (as defined by IFRS 10). An associate is an entity over which the Group has significant influence, but not a controlling interest, over the operating and financial management policy decisions of the entity. Significant influence is generally presumed when the Group holds between 20% and 50% of the voting rights.

Regulatory scope of consolidation

The regulatory scope of consolidation is defined in Part One, Title II, Chapter 2, Section 3 of the CRR.
The definition of entities to be consolidated for regulatory purposes are mainly defined in Article 4 (1) (3) and (16) to (27) CRR in conjunction with the Articles 18 and 19 CRR. Based on the relevant sections in Article 4, CRR entities to be consolidated are determined based on the business activity of the relevant entities.

Main differences between the accounting scope and the regulatory scope based on the different requirements as defined within IFRS and CRR as well as the NBR

- Based on the CRR and NBR regulation, mainly credit institutions pursuant to Article 4 (1) (1) CRR, investment firms pursuant to Article 4 (1) (2) CRR, ancillary services undertakings pursuant to Article 4 (1) (18) CRR and financial institutions pursuant to Article 4 (1) (26) CRR have to be considered within the scope of consolidation. In contrast, under IFRS all other entities not required to be consolidated under CRR, such as insurance undertakings, must be included in the financial scope of consolidation.

- Exclusion of entities from the regulatory scope of consolidation can be applied based on Article 19 CRR. According to Article 19 (1) CRR, entities can be excluded from the regulatory scope if their total assets and off-balance sheet items are less than the lower of either EUR 10 mn or 1% of the total amount and off-balance sheet items of the parent company. BCR Group doesn't make use of Article 19 (1) CRR.

- According to Article 19 (2) CRR, entities can also be excluded if the limits defined in Article 19 (1) CRR are exceeded, but are not relevant for regulatory purposes. Exclusion of entities based on Article 19 (2) CRR needs the prior approval of the competent authorities. For entities that exceed the limits as defined in Article 19 (1) CRR by insignificant amounts, BCR Group doesn't make use of Article 19 (2) CRR. BCR Group's scope of consolidation according to IFRS is disclosed in the Financial Statements, see Accounting Policy page 6. BCR has the same scope of consolidation for CRR purposes.

Consolidation methods

Main differences between the financial consolidation method and the regulatory consolidation method, considering regulatory adjustments

BCR Group applies full consolidation according to IFRS 10 for accounting purposes. At equity method according to the international accounting standard (IAS) 28 is applied to participations between 20% and 50% in associated entities.

For the calculation of consolidated own funds, BCR Group applies the same consolidation methods as used for accounting purposes.

Consideration of consolidation methods for the calculation of consolidated own funds pursuant to the CRR

The amounts used for the calculation of the own funds are derived from the statement of the financial position according to IFRS as reported in the audited financial statements. The financial and regulatory consolidations have the same scope. The amounts that are used as the basis for the calculation of own funds are based on the definition of the regulatory scope of consolidation pursuant to the CRR. Amounts that relate to the own share as well as to the minority interest in fully consolidated entities are therefore determined based on the regulatory scope of consolidation according to CRR. Minority interests are calculated based on the requirements as defined in Articles 81 to 88 CRR. Minority interests that relate to entities other than credit institutions are excluded from the own funds. Minority interests that relate to credit institutions are limited to capital requirements that relate to the minority interests in the relevant credit institutions. BCR Group made use of Article 84 (2) CRR and did not include any minority interest of credit institutions as of 31 December 2015. According to Romanian transitional provisions, 40% of the non-eligible minorities have to be excluded from consolidated own funds in 2015. As BCR Group applies the Romanian transitional provisions on Group-level this percentage was applied to the exclusion of minority interest in own funds as of 31 December 2015. Amounts that relate to minority interests in other comprehensive income are neither included in the consolidated own funds of BCR Group nor considered in the calculation according to the final CRR provisions or during the transitional period.

Consideration of non-consolidated financial sector entities and deferred tax assets that rely on future profitability arising from temporary differences within the calculation of consolidated common equity tier 1 of BCR Group

Carrying amounts representing the investments in financial sector entities have to be deducted from the own funds based on the requirements as defined in Articles 36 (1) (h), Article 45 and Article 46 CRR for non-significant investments and Articles 36 (1) (i) CRR, Article 43 and Article 45 CRR for significant investments. For these purposes, non-significant investments are defined as investments in financial sector entities in which the participation is equal to or less than 10% of common equity tier 1 (CET 1) of the relevant financial sector entities, while significant investments are defined as investments that are above 10% of the common equity (CET 1) of the relevant financial sector entities.

To determine the participation in the relevant financial sector entities, these participations are calculated based on the direct, indirect and synthetic holdings in the relevant entities.

According to Article 46 (1) CRR, holdings in non-significant investments have to be deducted only if the total amount for such investments exceeds a defined threshold of 10% in relation to CET1 of the reporting institution. Deduction shall be applied to the amount that exceeds the 10% threshold. Amounts that are equal to or less than 10% of the CET1 of the reporting institution are considered within the RWAs based on the requirements according to Article 46 (4) CRR.

For the deduction of significant investments in the CET1 of financial sector entities, a threshold is defined in Article 48 (2) CRR. According to Article 48 (2) CRR, significant investments in the CET1 of financial sector entities shall only be deducted if they exceed 10% of the CET1 of the reporting institution. If the 10% threshold is exceeded, the deduction is limited to the amount by which the defined threshold is exceeded. The remaining amount has to be considered within the calculation of the RWAs. The risk weight (RW) is defined at 250% according to Article 48 (4) CRR.

In addition to the aforementioned threshold, a combined threshold for the deduction of significant investments according to Article 36 (1) (i) CRR and for deferred tax assets that rely on future profitability and arise from temporary differences according to Article 36 (1) (c) CRR as well as according to Article 38 CRR is defined in Article 48 (2) CRR. The combined threshold according to Article 48 (2) CRR is defined at 17.65% of the CET1 of the reporting institution. If the threshold is exceeded, the exceeding amount has to be deducted from the CET1 of the reporting institution. The remaining amount has to be considered within the RWAs. A 250% RW shall be applied for the amount not exceeding the 17.65% threshold according to Article 48 (4) CRR.

Beside the 17.65% combined threshold, a 10% threshold related to the CET1 capital of the reporting institution is applied for deferred tax assets that rely on future profitability arising from temporary differences according to Article 48 (3) CRR. In case the amount for deferred tax assets that rely on future profitability that arise from temporary differences exceeds the threshold of 10% of CET1 of the reporting institution the exceeding amount has to be deducted from the CET1 of the reporting institution. The amount that is equal to or less than the threshold as defined in Article 48 (3) CRR has to be considered within the calculation of RWAs. The RWA that has to be applied for the remaining amount of deferred tax assets that rely on future profitability and arise from temporary differences is defined with a RW of 250% according to Article 48 (4) CRR.

At the reporting date, BCR Group did not exceed any of the aforementioned thresholds. Hence, direct, indirect and synthetic investments in financial sector entities were not deducted from the consolidated own funds of BCR Group and therefore are considered in RWAs.

Presentation of the scope of consolidation

Number of entities within the scope of consolidation

	IFRS Full	IFRS Equity	CRR Full	CRR Equity
Credit institutions	3	0	3	0
Financial institutions, financial holding companies and mixed financial holding companies	4	1	4	1
Ancillary service undertakings, investment firms	5	0	5	0

The number of companies consolidated pursuant to IFRS and to regulatory capital requirements were 12 as of 31 December 2015.

Changes within the fully consolidated entities within the regulatory scope of consolidation in 2015 in accordance with Art. 436 (b) CRR

There are no changes to the regulatory scope of consolidation of fully consolidated companies in 2015.

Consolidated Own Funds

For the disclosure of own funds, BCR Group follows the requirements under Article 437 CRR as well the requirements defined in the Implementing Technical Standards (EU) No 1423/2013.
Based on the requirements defined by the European Bank Authority in the Implementing Technical Standards, the following information must be provided:

- A full reconciliation of CET1 items, Additional Tier 1 (AT1) items, Tier 2 (T2) items, filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution’s statement of the financial position in the audited financial statements in accordance with Article 437 (1) (a) CRR.
- A description of the main features of the CET1, AT1 and T2 instruments issued by the institution according to Article 437 (1) (b) CRR (see section Capital instruments).
- A table designed by the European Bank Authority to show the capital structure of regulatory capital. Presentation of this table that shows the details on the capital structure of BCR Group including the capital components as well as any regulatory deductions and prudential filters. Disclosures in this table cover the disclosure requirements as defined in Article 437 (1) (d) CRR, separate disclosure of the nature and amounts of each prudential filter applied pursuant to Articles 32 to 35 CRR, each deduction made pursuant to Articles 47, 48, 56, 66 and 79 CRR as well as items not deducted in accordance with Articles 47, 48, 56, 66 and 79 CRR (see section Own funds template).

Statement of financial position

Disclosure requirements covered: Art. 437 (1) (a) CRR and Annex 1 from EU Regulation 1423/2013.

CRR Statement of financial position

At 31.12.2015 the IFRS scope of consolidation and the regulatory scope of consolidation were the same, the statement of the financial position figures are presented in the Group Consolidated Financial Statements 2015 (IFRS) under "Statement of financial position".

Reconciliation of IFRS and CRR items included in the Statement of financial position

The following tables provide a reconciliation of IFRS statement of the financial position items to CET1 items, AT1 items, T2 items and filters according to Articles 32 to 35 as well as deductions as defined in Articles 36, 56, 66 and 79 CRR.
Last column contains a letter to link the amount derived from the accounting figures to the related eligible amount as disclosed in the own funds template in section Own funds template.

Total equity for the Group					**Dec 15**
in RON thousands	**IFRS (audited)**	**CRR**	**Regulatory Adjustments**	**Own funds**	**Own funds disclosure table - Reference**
Subscribed capital	2,952,565	2,952,565		2,952,565	
Capital reserve	395,483	395,483		395,483	
Capital instruments and the related share premium accounts	**3,348,048**	**3,348,048**		**3,348,048**	**a**
Retained earnings from previous periods	21,826	21,826		21,826	
Profit/loss in the period	918,950	918,950		918,950	
Retained earnings	**940,776**	**940,776**		**940,776**	**b**
Other comprehensive income (OCI)	**1,555,179**	**1,555,179**		**1,555,179**	**c**
Cash flow hedge reserve net of tax	-	-		-	
Available for sale reserve net of tax	390,266	390,266		390,266	
unrealized gains acc. to Art. 35 CRR	-	-		422,213	d
unrealized loss acc. to Art. 35 CRR	-	-		(31,947)	
other	-	-		-	
Currency translation	(25,045)	(25,045)		(25,045)	
Remeasurement of net liability of defined benefit obligation	77,970	77,970		77,970	
Deferred tax	(12,475)	(12,475)		(12,475)	
Other	1,124,463	1,124,463		1,124,463	
Equity attributable to the owners of the parent	**5,844,003**	**5,844,003**		**5,844,003**	
Equity attributable to non-controlling interest	31,282	31,282	(16,695)	14,587	e
Total equity	**5,875,285**	**5,875,285**	**(16,695)**	**5,858,590**	

Further details regarding the development of IFRS equity are disclosed in the Group Consolidated Financial Statements 2015 (IFRS) under "Statement of Changes in Equity".

Intangible assets for the Group					Dec 15
in RON thousands	**IFRS (audited)**	**CRR**	**Regulatory adjustments**	**Own funds**	**Own funds disclosure table - Reference**
Intangible assets	234,265	234,265	-	234,265	f
Intangible assets	**234,265**	**234,265**	**-**	**234,265**	

Details regarding the development of intangible assets are disclosed in the Group Consolidated Financial Statements 2015 (IFRS) under Note 26 "Intangible assets".

Deferred Taxes for the Group			Dec 15
in RON thousands	**IFRS / (audited)**	**CRR / Own Funds**	**Own funds disclosure table - Reference**
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	**240,548**	**240,548**	**h**
related DTA allocated on or after 1 January 2014 for which 40% deduction is required according to CRR transitional provisions	126,544	126,544	
related DTA allocated before 1 January 2014 for which 10% deduction from CET 1 is required according to CRR transitional provisions	114,004	114,004	
Deferred tax assets that rely on future profitability and arise from temporary differences net of associated tax liabilities *	280,365	280,365	k
Deferred tax assets that do not rely on future profitability	1,024	1,024	
Other deferred tax liabilities	(95,574)	(95,574)	
out of which deferred tax liabilities associated to other intangible assets	(13,988)	(13,988)	g
Deferred tax assets	**426,363**	**426,363**	

* Based on the threshold definition according to Article 48 CRR Deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for BCR Group at year end 2015. In accordance with Article 48 (4) CRR the non-deductible amount is risk weighted with 250% and considered within the credit risk.

Subordinated liabilities for the Group					Dec 15
in RON thousands	**IFRS (audited)**	**CRR**	**Regulatory adjustments**	**Own funds**	**Own funds disclosure table - Reference**
Subordinated issues and deposits and supplementary capital	2,589,931	2,589,931	(837,188)	1,752,743	j
Subordinated liabilities	**2,589,931**	**2,589,931**	**(837,188)**	**1,752,743**	

Details regarding subordinated liabilities are disclosed in the Group Consolidated Financial Statements 2015 (IFRS) under Note 30 "Financial liabilities measured at amortised costs".

In accordance with EU Regulation 575/2013, the subordinated liabilities with less than 5 years maturity, are amortised.

Threshold calculations according to Articles 46 and 48 CRR

Treshold calculations according to Articles 46 and 48 of (EU) Regulation no.575/2013	Dec 15
Non significant investments in financial sector entities	**in RON thousands**
Threshold (10% of CET1)	520,579
Holdings in CET 1	(39,392)
Holdings in AT 1	-
Holdings in T 2	-
Distance to threshold	**481,187**
Significant investments in financial sector entities	
Threshold (10% of CET1)	520,579
Holdings in CET 1	(16,193)
Distance to threshold	**504,386**
Deferred tax assets	
Threshold (10% of CET1)	520,579
Deferred tax assets that are dependent on future profitability and arise from temporary differences	(280,365)
Distance to threshold	**240,214**
Combined threshold for deferred tax assets and significant investments	
Threshold (17.65% of CET1)	918,822
Deferred tax assets that are dependent on future profitability and arise from temporary differences and CET1 instruments of financial sector entities where the institution has a significant investment	(296,558)
Distance to threshold	**622,264**

Transitional Provisions based on CRR- from the NBR Regulation 5/2013 used in 2015 for the Group and for the Bank

a) Capital Ratios		
Capital Ratios		
Common Equity TIER 1(CET1)	465 (1) CRR	4,50%
Subordinated Capital (T2)	465 (1) CRR	2,50%
b) Transitional Provisions concerning CET1		
Minority interest		
Minority interests	480 (1) CRR	60%
Prudential Filters		
Unrealised losses AFS reserve	467 (2) CRR	100%
Unrealised gains AFS reserve	468 (2) CRR	40%
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	468 (4) CRR	100%
Regulatory Deductions		
Losses for the current financial year	36 (1) a) CRR	100%
Intangible assets	36 (1) b) CRR	40%
Direct holdings in CET1 capital instruments of financial sector entities where the institution does not have a significant investment	36 (1) h) CRR	40%
Deferred tax assets that rely on future profitability and do not arise from temporary differences booked before 2014	36 (1) c) CRR	10%
Deferred tax assets that rely on future profitability and do not arise from temporary differences booked in 2014 or afterwards	36 (1) c) CRR	40%
Direct holdings in CET1 capital instruments of financial sector entities where the institution has a significant investment	36 (1) i) CRR	40%
c) Transitional Provisions concerning AT1		
Minority interests		
Minority interests	480 (1) CRR	60%
Regulatory Deductions		
Direct holdings in AT1 capital instruments of financial sector entities where the institution does not have a significant investment	56 c) CRR	40%
Direct holdings in AT1 capital instruments of financial sector entities where the institution has a significant investment	56 d) CRR	40%
Difference between prudential adjustments and adjustments for impairment according to IFRS		30%
d) Transitional Provisions concerning T2		
Minority interests		
Minority interests	480 (1) CRR	60%
Regulatory Deductions		
Difference between prudential adjustments and adjustments for impairment according to IFRS		30%
e) Deduction of remaining amounts		
Remaining amounts out of CET1 deducted from AT1		
Intangible assets	472 (4) CRR	60%
Direct holdings in CET1 capital instruments of financial sector entities where the institution does not have a significant investment	472 (10) CRR	40%
Deferred tax assets that rely on future profitability and do not arise from temporary differences booked before 2014	472 (5) CRR	RW
Deferred tax assets that rely on future profitability and do not arise from temporary differences booked booked in 2014 or afterwards	472 (5) CRR	RW

Consolidated Own funds template

Disclosure requirements covered by Art. 437 (1) (d) (e) CRR with respect to Art. 437 (1) (f), a nil report is made.

Own funds under Basel 3 consist of CET1, AT1 and T2. In order to determine the capital ratios, each respective capital component, after consideration of all the regulatory deductions and filters, is compared to the total risk. According to the final rules, the minimum ratio for CET1 is 4.5%, which can be increased based on the buffer regime according to CRD IV. The minimum capital requirement for tier 1 capital (CET1 plus AT1) and for total own funds are 6% and 8%, respectively. According to the NBR transitional provisions, the minimum ratios for 2015 are 4% for CET1, 5.5% for Tier 1 and 8% for total own funds. No additional capital buffers were required for the year end 2015.

The table below presents the composition of the regulatory capital during the transitional period based on the Implementing Technical Standards on the disclosure of own funds published in 1423/2013 EU.

In column (A), the current amount, which considers all the transitional requirements, is disclosed. Column (C) discloses the residual amount, implying full CRR implementation. Column (D) provides information of data comparable figures within the IFRS annual report related to equity, intangible assets, deferred tax assets and subordinated liabilities as shown in section Reconciliation of IFRS and CRR items included in the Statement of financial position.

	in RON thousands	(A) 31/12/2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013	(D) Own funds disclosure table - Reference
1	Common equity Tier 1 (CET1) capital: instruments and reserves	3,348,048	26 (1), 27, 28, 29, EBA list 26 (3)	-	
2	of which: ordinary shares	3,348,048	26 (1) (c)	-	a
3	Retained earnings	940,776	26 (1)	-	b
3a	Accumulated other comprehensive income (and any other reserves)	1,555,179	26 (1) (f)	-	c
4	Funds for general banking risk	-	486 (2)	-	
5	Public sector capital injections grandfathered until 1 january 2018	N/A	84, 479, 480	-	
5a	Minority interests (amount allowed in consolidated CET1)	14,587	26 (2)	-	e
6	Independently reviewed interim profits net of any foreseeable charge or dividend	-		-	
	Common Equity Tier 1 (CET1) capital before regulatory adjustments	**5,858,590**		-	
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(5,626)	34, 105	-	
8	Intangible assets (net of related tax liability) (negative amount)	(220,277)	36 (1) (b), 37, 472 (4)	-	-(f+g)
9	Empty set in the EU	-		-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(240,548)	36 (1) (c), 38, 472 (5)	182,292	-h
11	Fair value reserves related to gains or losses on cash flow hedges	-	33 (a)	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159, 472 (6)	-	

	in RON thousands	(A) 31/12/2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013	(D) Own funds disclosure table - Reference
13	Any increase in equity that results from securitised assets (negative amount)	-	32 (1)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(1,174)	33 (1) (b) (c)	-	
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) (e), 41, 472 (7)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42, 472 (8)	-	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	36 (1) (g), 44, 472 (9)	-	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	-	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	-	
20	Empty set in the EU	-		-	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36 (1) (k)	-	
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i), 89 to 91	-	
20c	of which: securitisation positions (negative amount)	-	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	-	
20d	of which: free deliveries (negative amount)	-	36 (1) (k) (iii), 379 (3)	-	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)	-	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i), 48 (1) (b), 470, 472 (11)	-	
24	Empty set in the EU	-		-	
25	of which: deferred tax assets arising from temporary difference	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	
25a	Losses for the current financial year (negative amount)	-	36 (1) (a), 472 (3)	-	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	(170,587)	36 (1) (l)	-	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	61,130		-	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(253,328)		-	
	of which unrealised losses	-	467	-	
	of which unrealised gains	(253,328)	468	-	-d*0.6
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	314,458	481	-	
	of which Intangible assets (net of related tax liability)	132,166		-	
	of which Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met)	182,292		-	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	(132,166)	36 (1) (j)	-	-(f+g)*0.6

in RON thousands		(A) 31/12/2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013	(D) Own funds disclosure table - Reference
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(709,248)**		-	
29	**Common Equity Tier 1 (CET1) capital**	**5,149,342**		-	
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	-	51, 52	-	
31	of which: classified as equity under applicable accounting standards	-		-	
32	of which: classified as liabilities under applicable accounting standards	-		-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3)	-	
	Public sector capital injections grandfathered until 1 january 2018	-	483 (3)	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-	85, 86, 480	-	
35	of which: instruments issued by subsidiaries subject to phase-out	-	486 (3)	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**		-	
Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57, 475 (2)	-	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58, 475 (3)	-	
39	Holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79, 475 (4)	-	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)	-	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (ie. CRR residual amounts)	(132,166)		-	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	(132,166)	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	-	
	of which Intangible assets (net of related tax liability)	(132,166)		-	-(f+g)*0.6
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	477, 477 (3), 477 (4) (a)	-	
41c	Amounts to be deducted from / added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	-	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	(132,166)		-	
	Excess of deduction from AT1 items over AT1	132,166			
44	**Additional Tier 1 (AT1) capital**	-		-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**5,149,342**		-	
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	1,752,743	62, 63	-	j
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4)	-	
	Public sector capital injections grandfathered until 1 january 2018	-	483 (4)	-	

	in RON thousands	(A) 31/12/2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013	(D) Own funds disclosure table - Reference
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	-	87, 88, 480	-	
49	of which: instruments issued by subsidiaries subject to phase-out	-	486 (4)	-	
50	Credit risk adjustments	-	62 (c) & (d)	-	
51	**Tier 2 (T2) capital before regulatory adjustment**	**1,752,743**		-	
	Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67, 477 (2)	-	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68, 477 (3)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79, 477 (4)	-	
54a	Of which new holdings not subject to transitional arrangements	-		-	
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements	-		-	
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-	66 (d), 69, 79, 477 (4)	-	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-		-	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	-	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	475, 475 (2) (a), 475 (3), 475 (4) (a)	-	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	-	467, 468, 481	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**		-	
58	**Tier 2 (T2) capital**	**1,752,743**		-	
59	**Total capital (TC = T1 + T2)**	**6,902,085**		-	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	-		-	
	Of which:…items not deducted from CET1(Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deffered tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	-	
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	475, 475 (2) (b), 475 (2) ©, 475 (4) (b)	-	
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	-	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	-	
60	**Total risk-weighted assets**	**30,750,557**		-	
	Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	13.15%	92 (2) (a), 465	-	

	in RON thousands	(A) 31/12/2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013	(D) Own funds disclosure table - Reference
62	Tier 1 (as a percentage of total risk exposure amount	13.15%	92 (2) (b), 465	-	
63	Total capital (as a percentage of total risk exposure amount	18.85%	92 (2) (c)	-	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	not yet implemented	CRD 128, 129, 140	-	
65	of which: capital conservation buffer requirement	not yet implemented		-	
66	of which: countercyclical buffer requirement	not yet implemented		-	
67	of which: systemic risk buffer requirement	not yet implemented		-	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	not yet implemented	CRD 131	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	not yet implemented	CRD 128	-	
69	[non-relevant in EU regulation]			-	
70	[non-relevant in EU regulation]			-	
71	[non-relevant in EU regulation]			-	
Amounts below the thresholds for deduction (before risk-weighting)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	39,392	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	-	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	16,193	36 (1) (i), 45, 48, 470, 472 (11)	-	
74	Empty set in the EU	-		-	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	280,365	36 (1) (c), 38, 48, 470, 472 (5)	-	k
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	62	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	62	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	-	62	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	- Current cap on CET1 instruments subject to phase-out arrangements	-	484 (3), 486 (2) & (5)	-	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) & (5)	-	
82	- Current cap on AT1 instruments subject to phase-out arrangements	-	484 (4), 486 (3) & (5)	-	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) & (5)	-	
84	- Current cap on T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) & (5)	-	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) & (5)	-	

Own funds development for the Group

	in RON thousands
CET1 as of 1 Jan 2015	**4,123,779**
Release of share premium (shift to retained earnings)	-
Dividends declared	-
Increase retained earnings	788,218
net profit	3,718,816
shift from share premium	-
Increase accumulated other comprehensive income	49,975
Increase minority interest	-
Increase prudential filters	3,336
Changes in regulatory deductions	(17,313)
goodwill	-
other intangibles	(17,313)
Other	201,347
Changes in CET1	1,025,563
CET1 as of 31 Dec 2015	**5,149,342**
Additional Tier 1 development, phase in	-
AT1 as of 1 Jan 2015	-
Net increase / decrease in AT1	-
Changes in regulatory deduction	-
Other	-
Changes in AT1	-
AT1 as of 31 Dec 2015	-
Tier 2 development, phase in	
T2 as of 1 Jan 2015	**2,200,270**
Net decrease in T2	(288,482)
Changes in regulatory deduction	(159,045)
IRB Excess and SA credit risk adjustments	-
Changes in Tier 2	(447,527)
T2 as of 31 Dec 2015	**1,752,743**
Total own funds	**6,902,085**

CHAIRMAN of the SUPERVISORY BOARD

MANFRED WIMMER

CONSILIUL DE SUPRAVEGHERE BCR PREȘEDINTE

Appendix 1

Consolidated income statement for the year ended 31 December 2015

in RON million	Dec-14	Dec-15	% change
Net interest income	2,289.4	1,992.6	-13.0%
Net fee and commission income	711.3	725.2	2.0%
Dividend income	2.6	5.7	120.1%
Net trading and fair value result	360.8	308.4	-14.5%
Net result from equity method investments	1.0	2.7	177.1%
Rental income from investment properties & other operating lease	24.2	40.3	66.1%
Personnel expenses	(658.4)	(716.7)	8.9%
Other administrative expenses	(640.8)	(625.1)	-2.4%
Depreciation and amortisation	(175.7)	(171.6)	-2.3%
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	8.1	5.0	-37.9%
Net impairment loss on financial assets not measured at fair value through profit or loss	(4,440.0)	72.9	-101.6%
Other operating result	(520.4)	(627.4)	20.6%
Pre-tax profit from continuing operations	**(3,037.9)**	**1,012.0**	**-133.3%**
Taxes on income	243.8	(90.0)	-136.9%
Post-tax profit from continuing operations	**(2,794.0)**	**922.0**	**-133.0%**
Profit from discontinued operations net of tax	-	-	
NET PROFIT OF THE YEAR	**(2,794.0)**	**922.0**	**-133.0%**
Attributable to non-controlling interests	5.8	3.1	-47.5%
ATTRIBUTABLE TO OWNERS OF THE PARENT	**(2,799.9)**	**919.0**	**-132.8%**
Operating Income	3,389.3	3,074.9	-9.3%
Operating Expenses	(1,474.9)	(1,513.4)	2.6%
Operating Result	**1,914.4**	**1,561.5**	**-18.4%**

Appendix 2

Consolidated balance sheet at 31 December 2015

in RON million	Dec-14	Dec-15	% change
ASSETS			
Cash and cash balances	8,235.2	9,4418	14.7%
Financial assets - held for trading	370.8	248.1	-33.1%
Derivatives	155.0	78.8	-49.1%
Other trading assets	215.9	169.3	-21.6%
Financial assets designated at fair value through profit or loss	24.6	22.2	-9.5%
Financial assets - available for sale	7,655.1	7,203.3	-5.9%
Financial assets - held to maturity	9,578.2	10,154.4	6.0%
Loans and receivables to credit institutions	525.3	204.4	-61.1%
Loans and receivables to customers	32,566.1	32,450.8	-0.4%
Property,plant,equipment	1,056.6	1,098.8	4.0%
Investment properties	-	0.5	>100%
Intangible assets	218.5	234.3	7.2%
Investments in joint ventures and associates	15.3	16.2	5.9%
Current tax assets	89.1	133.2	49.5%
Deferred tax assets	526.2	426.4	-19.0%
Non-current assets and disposal groups classified as held for sale	335.7	3019	-10.1%
Other assets	428.2	423.8	-1.0%
TOTAL ASSETS	**61,624.6**	**62,360.0**	12%
LIABILITIES			
Financial liabilities held for trading	70.1	35.1	-49.9%
Derivatives	70.1	35.1	-49.9%
Financial liabilities measured at amortised costs	55,564.0	55,3217	-0.4%
Deposits from banks	14,1911	11,247.2	-20.7%
Deposits from customers	39,922.6	42,626.0	6.8%
Debt securities issued	1,044.2	912.2	-12.6%
Other financial liabilities	406.1	536.2	32.0%
Derivatives Hedge Accounting	554.0	-	-100.0%
Provisions	347.4	812.7	133.9%
Current tax liabilities	0.7	14	94.2%
Deferred tax liabilities	9.7	6.3	-35.3%
Other Liabilities	168.5	307.6	82.6%
Total equity	4,910.2	5,875.3	19.7%
attributable to non-controlling interest	35.1	313	-10.8%
attributable to owners of the parent	4,875.1	5,844.0	19.9%
TOTAL LIABILITIES AND EQUITY	**61,624.6**	**62,360.0**	12%

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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 2015, 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:	5,875,285 lei thousand
• Consolidated Profit for the year:	922,022 lei thousand
• Individual Net assets/ Total equity and reserves:	6,142,989 lei thousand
• Individual Profit for the year:	963,427 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 2015, 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 2015, 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

Mocanu

Camera Auditorilor Financiari din România
Mocanu
Daniel
Sebastian
Nr. 1603

Sebastian Mocanu

Registered with the Chamber of Financial Auditors in Romania
No. 1603/16 August 2005

Bucharest, Romania
18 March 2016

English translation for information purposes only

BCR

STATEMENT OF COMPREHENSIVE INCOME

Consolidated and Bank

for the year ended 31 December 2015

INCOME STATEMENT

	Note	Group		Bank	
in RON thousands		31.12.2014	31.12.2015	31.12.2014	31.12.2015
Net interest income	3	2,289,419	1,992,595	2,215,176	1,925,963
Net fee and commission income	4	711,261	725,181	685,825	695,461
Dividend income	5	2,604	5,732	26,134	31,295
Net trading and fair value result	6	360,835	308,413	358,568	303,988
Net result from equity method investments	24	992	2,749	-	-
Rental income from investment properties and other operating lease	7	24,233	40,258	4,280	1,406
Personnel expenses	8	(658,442)	(716,721)	(597,183)	(648,327)
Other administrative expenses	8	(640,775)	(625,077)	(776,880)	(762,830)
Depreciation and amortisation	8	(175,694)	(171,637)	(119,737)	(119,667)
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	9	8,058	5,005	8,058	(10)
Net impairment loss on financial assets not measured at fair value through profit or loss	10	(4,440,001)	72,903	(3,815,146)	58,300
Other operating result	11	(520,355)	(627,352)	(857,625)	(429,876)
Pre-tax profit from continuing operations		**(3,037,865)**	**1,012,049**	**(2,868,530)**	**1,055,703**
Taxes on income	12	243,848	(90,027)	238,962	(92,276)
NET PROFIT OF THE YEAR		**(2,794,017)**	**922,022**	**(2,629,568)**	**963,427**
Attributable to non-controlling interests		5,849	3,072	-	-
Attributable to owners of the parent		(2,799,866)	918,950	(2,629,568)	963,427

STATEMENT OF COMPREHENSIVE INCOME

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Net result for the period	**(2,794,017)**	**922,022**	**(2,629,568)**	**963,427**
Other comprehensive income				
Items that may not be reclassified to profit or loss				
Remeasurement of net gain (losses) on benefit plans	(11,833)	(416)	(11,748)	(427)
Deferred taxes relating to items that may not be reclassified	1,941	19	1,880	68
Total	**(9,892)**	**(397)**	**(9,868)**	**(359)**
Items that may be reclassified to profit or loss				
Available for sale reserve	367,391	72,511	323,935	84,605
Gain/(loss) during the period	376,592	77,578	333,136	84,657
Reclassification adjustments	(9,201)	(5,067)	(9,201)	(52)
Cash flow hedge reserve	(1,933)	(2,417)	(1,933)	(2,417)
Reclassification adjustments	(1,933)	(2,417)	(1,933)	(2,417)
Currency translation	(9,166)	(9,880)	-	-
Gain/(loss) during the period	(9,166)	(9,880)	-	-
Deferred taxes relating to items that may be reclassified	(58,358)	(11,197)	(51,519)	(13,150)
Gain/(loss) during the period	(58,358)	(11,197)	(51,519)	(13,150)
Total	**297,934**	**49,017**	**270,483**	**69,038**
Total other comprehensive income	**288,042**	**48,620**	**260,615**	**68,679**
Total comprehensive income	**(2,505,975)**	**970,642**	**(2,368,953)**	**1,032,106**
Total comprehensive income attributable to non-controlling interests	12,913	1,717	-	-
Total comprehensive income attributable to owners of the parent	(2,518,888)	968,925	(2,368,953)	1,032,106

AUTHORISED PERSON,
First name and name
Signature
Executive Vice-President,

Adriana Jankovicova

BANCA COMERCIALĂ ROMÂNĂ
BCR
Cabinet Vice Presedinte Financiar

AUTHORISED PERSON,
First name and name
Signature
Executive Director Accounting Division,

Adina Elena Bartos

BCR

STATEMENT FINANCIAL POSITION
Consolidated and Bank
for the year ended 31 December 2015

STATEMENT OF FINANCIAL POSITION

		Group		Bank	
in RON thousands	Note	31.12.2014	31.12.2015	31.12.2014	31.12.2015
ASSETS					
Cash and cash balances	14	8,235,167	9,441,833	8,158,441	9,255,487
Financial assets - held for trading		370,829	248,108	370,829	248,108
Derivatives	15	154,976	78,814	154,976	78,814
Other trading assets	16	215,853	169,294	215,853	169,294
Financial assets designated at fair value through profit or loss	17	24,587	22,246	24,587	22,246
Financial assets - available for sale	18	7,655,061	7,203,260	6,635,423	6,256,238
Financial assets - held to maturity	19	9,578,176	10,154,420	8,429,417	8,818,660
Loans and receivables to credit institutions	21	525,281	204,403	480,666	184,631
Loans and receivables to customers	22	32,566,066	32,450,757	32,937,273	32,548,724
Property and equipment	25	1,056,610	1,098,757	222,539	235,921
Investment properties	25	-	486	-	-
Intangible assets	26	218,461	234,265	206,874	224,239
Investments in associates	24	15,289	16,193	7,509	7,509
Current tax assets	27	89,086	133,192	89,042	131,826
Deferred tax assets	27	526,170	426,363	503,888	398,530
Non-current assets and disposal groups classified as held for sale	28	335,680	301,900	37,678	38,037
Other assets	29	428,151	423,833	932,968	1,090,757
TOTAL ASSETS		**61,624,614**	**62,360,016**	**59,037,134**	**59,460,913**
LIABILITIES					
Financial liabilities held for trading		70,127	35,102	70,127	35,102
Derivatives		70,127	35,102	70,127	35,102
Financial liabilities measured at amortised costs	30	55,564,030	55,321,688	52,872,441	52,241,984
Deposits from banks		14,191,114	11,247,223	13,864,122	10,837,456
Deposits from customers		39,922,629	42,626,022	37,592,461	39,973,916
Debt securities issued		1,044,208	912,236	1,044,208	912,236
Other financial liabilities		406,079	536,207	371,650	518,376
Derivatives - hedge accounting	23	554,005	-	554,005	-
Provisions	31	347,399	812,717	342,694	795,869
Current tax liabilities	27	695	1,350	-	-
Deferred tax liabilities	27	9,716	6,282	-	-
Other Liabilities	32	168,487	307,592	86,970	244,969
Total equity		4,910,155	5,875,285	5,110,897	6,142,989
Attributable to non-controlling interest		35,051	31,282	-	-
Attributable to owners of the parent		4,875,104	5,844,003	5,110,897	6,142,989
TOTAL LIABILITIES AND EQUITY		**61,624,614**	**62,360,016**	**59,037,134**	**59,460,913**

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Adriana Jankovicova

AUTHORISED PERSON,
First name and name
Signature

Executive Director Accounting Division,

Adina Elena Bartos

BANCA COMERCIALĂ ROMÂNĂ BCR Cabinet Vice Presedinte Financiar

STATEMENT OF CHANGES IN EQUITY

2014 Group

in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserve	Cash flow hedge reserve	Available for sale reserve	Currency translation reserve	Actuarial gains/(loss)	Deferred tax	Total owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 31.12.2013	**2,952,565**	**395,483**	**2,945,532**	**995,151**	**4,350**	**31,353**	**748**	**90,220**	**(20,148)**	**7,395,254**	**27,996**	**7,423,250**
Dividends	-	-	-	-	-	-	-	-	-	-	(5,882)	(5,882)
Other changes	-	-	6,892	(1395)	-	-	(6,759)	-	-	(1262)	24	(1238)
Total comprehensive income	-	-	(2,799,866)	-	(1933)	358,968	(9,155)	(11,833)	(55,069)	(2,518,888)	12,913	(2,505,975)
Net profit/(loss) for the period	-	-	(2,799,866)	-	-	-	-	-	-	(2,799,866)	5,849	(2,794,017)
Statement of comprehensive income	-	-	-	-	(1933)	358,968	(9,155)	(11,833)	(55,069)	280,978	7,064	288,042
Total equity as of 31.12.2014	**2,952,565**	**395,483**	**152,558**	**993,756**	**2,417**	**390,321**	**(15,166)**	**78,387**	**(75,217)**	**4,875,104**	**35,051**	**4,910,155**

2015 Group

in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserve	Cash flow hedge reserve	Available for sale reserve	Currency translation reserve	Actuarial gains/(loss)	Deferred tax	Total owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 31.12.2014	**2,952,565**	**395,483**	**152,558**	**993,756**	**2,417**	**390,321**	**(15,166)**	**78,387**	**(75,217)**	**4,875,104**	**35,051**	**4,910,155**
Dividends	-	-	-		-	-	-	-	-	-	(5,496)	(5,496)
Other changes*	-	-	(130,733)	130,707	-	-	-	-	-	(26)	10	(16)
Total comprehensive income	-	-	918,950	-	(2,417)	74,123	(9,880)	(416)	(11,435)	968,925	1,717	970,642
Net profit/(loss) for the period	-	-	918,950	-	-	-	-	-	-	918,950	3,072	922,022
Statement of comprehensive income	-	-	-	-	(2,417)	74,123	(9,880)	(416)	(11,435)	49,975	(1,355)	48,620
Total equity as of 31.12.2015	**2,952,565**	**395,483**	**940,775**	**1,124,463**	**-**	**464,444**	**(25,046)**	**77,971**	**(86,652)**	**5,844,003**	**31,282**	**5,875,285**

*Other changes mainly represent transfer of equity components between retained earnings and other reserves

2014 Bank

in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserve	Cash flow hedge reserve	Available for sale reserve	Currency translation reserve	Actuarial gains/(loss)	Deferred tax	Total
Total equity as of 31.12.2013	**2,952,565**	**395,483**	**3,038,648**	**995,151**	**4,350**	**22,096**	**-**	**90,225**	**(18,668)**	**7,479,850**
Other changes	-	-	1395	(1395)	-	-	-	-	-	-
Total comprehensive income	-	-	(2,629,568)	-	(1933)	323,935	-	(11,748)	(49,639)	(2,368,953)
Net profit/(loss) for the period	-	-	(2,629,568)	-	-	-	-	-	-	(2,629,568)
Statement of comprehensive income	-	-	-	-	(1933)	323,935	-	(11,748)	(49,639)	260,615
Total equity as of 31.12.2014	**2,952,565**	**395,483**	**410,475**	**993,756**	**2,417**	**346,031**	**-**	**78,477**	**(68,307)**	**5,110,897**

2015 Bank

in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserve	Cash flow hedge reserve	Available for sale reserve	Currency translation reserve	Actuarial gains/(loss)	Deferred tax	Total
Total equity as of 31.12.2014	**2,952,565**	**395,483**	**410,475**	**993,756**	**2,417**	**346,031**	**-**	**78,477**	**(68,307)**	**5,110,897**
Other changes*	-	-	(130,721)	130,707	-	-	-	-	-	(14)
Total comprehensive income	-	-	963,427	-	(2,417)	84,605	-	(427)	(13,082)	1,032,106
Net profit/(loss) for the period	-	-	963,427		-	-	-	-	-	963,427
Statement of comprehensive income	-	-	-		(2,417)	84,605	-	(427)	(13,082)	68,679
Total equity as of 31.12.2015	**2,952,565**	**395,483**	**1,243,181**	**1,124,463**	**-**	**430,636**	**-**	**78,050**	**(81,389)**	**6,142,989**

*Other changes mainly represent transfer of equity components between retained earnings and other reserves

STATEMENT OF CASH FLOWS

in RON thousands	Note	Group 31.12.2014	Group 31.12.2015	Bank 31.12.2014	Bank 31.12.2015
Net result for the period		**(2,794,017)**	**922,022**	**(2,629,568)**	**963,427**
Non-cash adjustments for items in net profit/(loss) for the year					
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	8	175,694	171,637	119,737	119,667
Allocation to and release of impairment of loans	10	4,826,016	433,521	4,166,767	371,458
Gains/(losses) from the sale of assets		14,514	9,094	14,278	2,652
Other provisions	31	(52,423)	463,641	(52,109)	451,595
Impairment of subsidiaries	11	-	-	642,003	(144,834)
Other adjustments		176,347	134,871	(58,134)	120,909
Changes in assets and liabilities from operating activities after adjustment for non-cash components					
Financial assets - held for trading		2,769	122,721	934	122,721
Financial assets - at fair value through profit or loss		9,764	2,341	9,764	2,341
Financial assets - available for sale		(2,067,908)	524,312	(1,858,228)	463,790
Loans and receivables to credit institutions		(17,545)	320,878	2,596	296,035
Loans and receivables to customers		610,307	(318,212)	856,177	17,091
Other assets from operating activities		(67,239)	(72,158)	(939,188)	(49,779)
Financial liabilities - held for trading		4,066	(35,025)	4,066	(35,025)
Financial liabilities measured at amortised cost		(1,218,620)	22,267	(835,432)	(365,848)
Deposits from banks		(3,658,911)	(2,811,254)	(2,612,472)	(2,894,029)
Deposits from customers		2,474,419	2,703,393	1,845,597	2,433,774
Other financial liabilities		(34,128)	130,128	(68,557)	94,407
Derivatives - hedge accounting		(494,028)	(554,005)	(494,028)	(554,005)
Other liabilities from operating activities		(22,020)	126,012	(34,993)	157,999
Cash flow from operating activities		**(914,323)**	**2,273,917**	**(1,085,358)**	**1,940,194**
Proceeds of disposal					
Financial assets - held to maturity		2,054,506	2,330,456	1,977,948	1,835,354
Property and equipment, intangible assets and investment properties		71,455	10,293	76,443	5,872
Acquisition of					
Financial assets - held to maturity and associated companies		(1,530,939)	(2,897,218)	(1,530,939)	(2,263,480)
Property and equipment, intangible assets and investment properties		(238,216)	(240,677)	(174,317)	(156,286)
Cash flow from investing activities		**356,806**	**(797,146)**	**349,134**	**(578,540)**
Dividends paid to non-controlling interests		(5,882)	(5,496)	-	-
Debt securities issued		(485,620)	(131,972)	(349,178)	(131,972)
Other financing activities		(301,819)	(132,637)	(301,819)	(132,636)
Cash flow from financing activities		**(793,321)**	(270,105)	**(650,997)**	(264,608)
Cash and cash equivalents at beginning of period		**9,586,006**	**8,235,167**	**9,545,662**	**8,158,441**
Cash flow from operating activities		(914,323)	2,273,917	(1,085,358)	1,940,194
Cash flow from investing activities		356,805	(797,146)	349,134	(578,540)
Cash flow from financing activities		(793,321)	(270,105)	(650,997)	(264,608)
Cash and cash equivalents at end of period	14	**8,235,167**	**9,441,833**	**8,158,441**	**9,255,487**
Cash flows related to taxes, interest and dividends					
Payments for taxes on income (included in cash flow from operating activities)		(13,748)	(53,367)	-	(42,784)
Interest received		3,858,529	2,899,275	3,700,540	2,712,180
Interest paid		(1,303,195)	(850,903)	(1,219,449)	(743,050)
Dividends received		2,604	5,732	26,134	31,295

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 2015, Erste Bank purchased further 31.70% from employees and other shareholders of the Bank, adding up to 93,5783%. The ultimate parent of the Group is Erste Group Bank AG.

As of 31 December 2015, the foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (hereinafter referred to as the 'Privatstiftung') controlled a total of 29.26% interest in Erste Group Bank AG. 9.91% of the shares were held directly by the Privatstiftung. Indirect participation of the Privatstiftung was at 9.43%, thereof 5.25% of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung; 1.10% of the shares held by Austrian savings banks, which act together with the Privatstiftung and are affiliated with Erste Group by virtue of the Haftungsverbund; and 3.08% of the shares held by other syndicate members. 9.92% interest in Erste Group Bank AG was controlled by the Privatstiftung based on syndication agreement with Caixabank S.A.

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 2015 were authorized for issue in accordance with a resolution of the Management Board on 08 March 2016.

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' and 'Banca pentru Locuinte' 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. The tables in this report may contain rounding differences.
The consolidated financial statements have been prepared on a going concern basis.

2. ACCOUNTING POLICIES (continued)

The Group 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 46.

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2015 and 31 December 2014:

Company's name	Country of incorporation	Nature of the business	Shareholding 2014	Shareholding 2015
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%
Financiara SA (in liquidation)	Romania	Financial	97.46%	97.46%
BCR Leasing IFN SA	Romania	Financial leasing	99.96%	99.97%
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%
Suport Colect SRL	Romania	Workout	100.00%	100.00%
CIT One 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	99.96%	99.97%
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

*** BCR Procesare changed the name in CIT One

(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 and the Bank 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.

(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's investments in subsidiaries are accounted at cost in separate financial statements.

The Bank presents the investments in subsidiaries in the separate financial statements as "Other assets".

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 when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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.

2. ACCOUNTING POLICIES (continued)

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.

2.2. 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 inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Disclosures for valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 41 Fair value of assets and liabilities.

2. ACCOUNTING POLICIES (continued)

(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 Group 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 40.5.

(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 recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. 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. Disclosures concerning deferred taxes are in Note 12 and 27.

(5) Benefits granted on the date of retirement

The cost of the defined benefit consisting of a one-off payment of up to four 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.

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.

2. ACCOUNTING POLICIES (continued)

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 and fair value result' 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 foreign subsidiaries are translated into the Bank's presentation currency (RON) at the European Central Bank (ECB) rate of exchange ruling at the statement of financial position date, and their profits or losses is translated at the average ECB 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 result'.

(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.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost (other than impairment losses). For assets carried at fair value, however, the change in fair value shall be recognised in profit or loss or in other comprehensive income, as appropriate.

Derivatives are recognized on trade date basis, i.e. the date that the Group commits to purchase or sell the asset.

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in Net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

(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 and fair value result'.

(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 and fair value result'. Interest and dividend income or expenses are recorded in 'Net trading and fair value result' according to the terms of the contract, or when the right to the payment has been established.

2. ACCOUNTING POLICIES (continued)

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 trading and fair value result'. 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 'Dividend income' when the right to the payment has been established.

(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 'Net interest income' in the statement of comprehensive income. The losses arising from impairment of such investments are recognized in the statement of comprehensive income line 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

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) Loans and receivable to credit institution and to customers

'Loans and receivable to credit institution and 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 'Net interest income' in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in 'Net impairment loss in financial assets not measured at fair value through profit or loss'.

(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 'Gain/losses from financial assets and liabilities not measured at fair value through profit or loss'. 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

2. ACCOUNTING POLICIES (continued)

investments are recognized in the profit or loss as 'Dividend 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 'Gain/losses from financial assets not measured at fair value through profit or loss' and removed from the available-for-sale reserve.

(ix) Debt securities issued

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as liabilities under 'Debt securities issued', 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.

(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 between the respective carrying amounts is recognised in profit or loss.

(4) Repurchase and reverse repurchase agreements

Transactions where securities are sold under an agreement to repurchase at a specified future date are also known as 'repos' or 'sale and repurchase agreements'. Securities sold are not derecognised from the statement of financial position, as Group retains substantially all the risks and rewards of ownership because the securities are repurchased when the repo transaction ends. Furthermore, the Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the repo transactions. These payments are remitted to the Group or are reflected in the repurchase price.

2. ACCOUNTING POLICIES (continued)

The corresponding cash received is recognised on the statement of financial position with a corresponding obligation to return it as a liability under the line item 'Financial liabilities measured at amortised cost', sub-items 'Deposits from banks' or 'Deposits from customers' reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and recorded in the income statement under the line item 'Net interest income' and is accrued over the life of the agreement.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised on the statement of financial position. Such transactions are also known as 'reverse repos'. The consideration paid is recorded on the balance sheet under the respective line items 'Loans and receivables to credit institutions' or 'Loans and receivables to customers', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the income statement under the line item 'Net interest income'.

(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 and fair value result'.

(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.
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 e.g. Investments in subsidiaries (see note 29) 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. Disclosures concerning impairment of financial assets are in Note 40.5.

(i) Loans and receivable to credit institution and to customers

For amounts due from banks and loans and advances to customers carried at amortized cost, the Group 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.

2. ACCOUNTING POLICIES (continued)

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'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 recognised on the reduced carrying amount based on the original effective interest rate of the asset. Interest income reduces the allowance account. 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. 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 a write-off is later recovered, the recovery is credited to the 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

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.

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.

(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 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

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 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

(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.

2. ACCOUNTING POLICIES (continued)

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 'Net interest 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.

For clients with renegotiated loans with an exposure larger than EUR 400 thousands and who have either default or watch flag or are in a workout process, the impairment test is performed on a monthly basis on account level, but for the entire exposure.

(v) 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 their fair value. Assets that are determined better to be sold are immediately transferred to inventories at their fair value at the repossession date in line with the Group's policy. Inventories are valued at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sell.

(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 and fair value result'. 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 and fair value result'.

2. ACCOUNTING POLICIES (continued)

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 and fair value result'.

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.

(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 receivable 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 'Net interest income' in the statement of comprehensive income.

The lessor in the case of a finance lease reports a receivable from the lessee under the line item "Loans and receivables to customers" or "Loans and advances to credit institutions". The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the income statement under the line item "Net interest income".

In the case of operating leases, the leased asset is reported by the lessor in "Property and equipment" or in "Investment properties" and is depreciateed in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the income statement under the line item "Rental income from investment properties and other operating leases".

Lease agreements in which the group is the lessor almost exclusively comprise finance lease.

2. ACCOUNTING POLICIES (continued)

(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) Net interest income

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 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.

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.

(ii) Net 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.

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 and fair value result

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

(12) Cash and cash balances

Cash and cash balances as referred to in the cash flow statement comprises cash on hand, current accounts with central banks and amounts due from banks on demand and overnight.

2. ACCOUNTING POLICIES (continued)

(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 depreciation 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 result' 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).

After initial recognition an investment property is measured at 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.

(15) Business combinations and Goodwill

Business combinations are accounted for using the acquisition 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 acquiree 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

2. ACCOUNTING POLICIES (continued)

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.

(18) Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary) they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Fair value is based on an independent valuer report. Should the impairment loss in a disposal group exceed the carrying amount of the assets that are within the scope of IFRS 5 measurement requirements, there is no specific guidance on how to treat such a difference. Group recognises this difference in line 'Other operating result'.

(19) 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 'Other operating result' 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.

2. ACCOUNTING POLICIES (continued)

(20) 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.

(iii) 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 four (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.

(21) 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 plan's main features.

(22) 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.

2. ACCOUNTING POLICIES (continued)

(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.

(23) Fiduciary assets

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

(24) 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.

(25) 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.

2. ACCOUNTING POLICIES (continued)

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 policy 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 BCR Group as of 1 January 2015:

Annual Improvements to IFRSs 2011 – 2013 Cycle

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

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 January 2015. The application of this revision has no impact on the Group's financial position or performance.

- **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.

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

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

- **IAS 16 Property, Plant & Equipment and IAS 41 Agriculture (Amendment): Bearer Plants**

The amendment is effective for annual periods beginning on or after 1 January 2016. Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of in accordance with IAS 41. The amendment has no impact on the Group's financial position or performance.

2. ACCOUNTING POLICIES (continued)

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**

The amendment is effective for annual periods beginning on or after 1 February 2015. 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.The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

- **IFRS 9 Financial Instruments: Classification and Measurement**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new standard has not yet been endorsed by the EU The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has no impact on the Group's financial position or performance.

- **IFRS 14 Regulatory Deferral Accounts**

The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. 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 recognize 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 recognize 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, as the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. The new standard has no impact on the Group's financial position or performance.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The Group is in process of assessing the impact of the new standard in the financial position or performance of the Group.

- **IAS 27 Separate Financial Statements (amended)**

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors.

The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when

2. ACCOUNTING POLICIES (continued)

a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The amendment has no impact on the Group's financial position or performance.

- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU. The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

- **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. The Group is in process of assessing the impact of this amendment on the disclosures from its financial statements.

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 February 2015. The Group is in process of assessing the impact of this amendment in 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 2012 – 2014 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

2. ACCOUNTING POLICIES (continued)

- **IFRS 7 Financial Instruments: Disclosures**: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
- **IAS 19 Employee Benefits**: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- **IAS 34 Interim Financial Reporting**: The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.
- **IFRS 16: Leases:** The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. The Group is in process of assessing the impact of this new standard in the financial position or performance of the Group.

3. NET INTEREST INCOME

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Interest Income				
Financial assets held for trading	14,295	53,633	11,037	53,633
Available-for-sale financial assets	268,354	256,894	226,237	214,189
Loans and receivables	2,526,828	1,952,924	2,485,257	1,916,127
Held-to-maturity investments	536,062	467,401	465,133	405,001
Derivatives - Hedge accounting, interest rate risk	163,119	16,153	163,119	16,153
Other assets	27,601	13,788	27,487	12,068
Total interest income	**3,536,259**	**2,760,793**	**3,378,270**	**2,617,171**
Interest expenses				
Financial liabilities held for trading	(11,901)	(26,042)	(6,790)	(26,042)
Financial liabilities measured at amortised cost	(1,194,525)	(738,580)	(1,115,904)	(661,603)
Derivatives - Hedge accounting, interest rate risk	(35,558)	(53)	(35,558)	(53)
Other liabilities	(4,856)	(3,523)	(4,842)	(3,510)
Total interest expense	**(1,246,840)**	**(768,198)**	**(1,163,094)**	**(691,208)**
Net interest income	**2,289,419**	**1,992,595**	**2,215,176**	**1,925,963**

"Interest income - Derivatives – Hedge accounting, interest rate risk" and "Interest expenses - Derivatives – Hedge accounting, interest rate risk" include the amounts related to those derivatives classified in the category "Hedge accounting" which cover interest rate risk.
The amounts related to those derivatives classified in the category "held for trading" which are hedging instruments from an economic but not accounting point of view are reported as interest income and expenses, to present correct interest income and expenses from the financial instruments that are hedged. These amounts are included as a part of the items "Interest income- Financial assets held for trading" and "Interest expenses- Financial liabilities held for trading".

In the interest income from loans and receivables position is included also interest income from impaired loans in amount of RON 162,946 thousands (2014: RON 391,506 thousands) for the Group and RON 157,466 thousands (2014: RON 345,453 thousands) for the Bank. Due to sales of these assets in 2014 and 2015 and increase in coverage (see note 22) this part of interest income significantly decreased.

4. NET FEES AND COMMISSION INCOME

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Securities	**4,016**	**4,839**	**4,016**	**4,839**
Securities Transfer orders	4,016	4,839	4,016	4,839
Clearing and settlement	**(11,858)**	**(45,027)**	**(10,944)**	**(45,027)**
Asset management	**16,155**	**21,726**	**-**	**-**
Custody	15,442	14,396	16,185	15,204
Payment services	**60,228**	**86,701**	**62,160**	**86,017**
Payment services - Card business	81,430	100,818	81,017	100,194
Payment services - Others	(21,202)	(14,117)	(18,857)	(14,177)
Customer resources distributed but not managed	**379,821**	**397,849**	**399,584**	**421,739**
Insurance products	30,136	49,110	27,953	46,659
Building society brokerage (i)	720	-	22,111	23,736
Forreign exchange transactions	10,732	12,094	10,732	12,094
Other (ii)	338,233	336,645	338,788	339,250
Lending business	**80,361**	**80,437**	**80,939**	**87,970**
Loan commitments given, Loan commitments received	15,754	16,521	15,754	16,521
Guarantees given, Guarantees received	22,157	17,932	22,242	22,637
Other lending business (iii)	42,450	45,984	42,943	48,812
Other	**167,096**	**164,260**	**133,885**	**124,719**
Net Commission income	**711,261**	**725,181**	**685,825**	**695,461**
Fee and commission income	894,985	892,403	849,996	843,094
Fee and commission expense	(183,724)	(167,222)	(164,171)	(147,633)

4. NET FEES AND COMMISSION INCOME (continued)

(i) Building society brokerage includes fees from intermediation of BCR Banca pentru Locuinte products and are eliminated at Group level;

(ii) Other customer resources distributed but not managed includes fees from payment orders from customers, cash transferred and distribution of asset management products;

(iii) Other lending business include commissions earned as the services as provided (e.g. fees for servicing a loan), or earned on a execution of a significant act (e.g. syndicated loans).

5. DIVIDEND INCOME

	Group		Bank	
in RON thousands	**2014**	**2015**	**2014**	**2015**
Financial assets held for trading	249	227	249	227
Financial assets designated at fair value through profit or loss	340	304	340	304
Available-for-sale financial assets	2,015	5,201	2,015	5,201
Dividend income from equity investments (i)	-	-	23,530	25,563
Dividend income	**2,604**	**5,732**	**26,134**	**31,295**

(i) Dividends from equity investments in 2015 were received mainly from BCR Banca pentru Locuinte (and eliminated at group level).

6. NET TRADING AND FAIR VALUE RESULT

	Group		Bank	
in RON thousands	**2014**	**2015**	**2014**	**2015**
Net Trading result	**360,674**	**308,695**	**358,407**	**304,270**
Securities and derivatives trading	98,905	54,899	98,905	54,899
Foreign exchange transactions (i)	261,769	253,796	259,502	249,371
Gains or losses on financial assets and liabilities designated at fair value through profit or loss	**161**	**(282)**	**161**	**(282)**
Gain / (loss) from measurement / sale of financial assets designated at fair value through profit or loss	161	(282)	161	(282)
Total net trading and fair value result	**360,835**	**308,413**	**358,568**	**303,988**

(i) Foregn exchange transactions include gains and losses mainly from money market instruments and also from currency swaps, spot and forward contracts.

7. RENTAL INCOME FROM INVESTMENT PROPERTIES AND OTHER OPERATING LEASES

	Group		Bank	
in RON thousands	**2014**	**2015**	**2014**	**2015**
Investment property	2,029	1,643	-	-
Operating leases	22,204	38,615	4,280	1,406
Total	**24,233**	**40,258**	**4,280**	**1,406**

Operating leases are mainly from car fleets rentals and other buildings which do not meet the criteria for investment property.

8. GENERAL ADMINISTRATIVE EXPENSES

	Group		Bank	
in RON thousands	**2014**	**2015**	**2014**	**2015**
Personnel expenses	(658,442)	(716,721)	(597,183)	(648,327)
Other administrative expenses	(640,775)	(625,077)	(776,880)	(762,830)
Depreciation and amortisation	(175,694)	(171,637)	(119,737)	(119,667)
Total	**(1,474,911)**	**(1,513,435)**	**(1,493,800)**	**(1,530,824)**

Personnel expenses				
	2014	**2015**	**2014**	**2015**
Wages and salaries	(520,050)	(558,961)	(473,734)	(505,834)
Compulsory social security	(130,197)	(130,772)	(117,840)	(118,750)
Long-term employee provisions	14,255	22	14,298	117
Other personnel expenses	(22,450)	(27,010)	(19,907)	(23,860)
Total	**(658,442)**	**(716,721)**	**(597,183)**	**(648,327)**

Other administrative expenses				
	2014	**2015**	**2014**	**2015**
Payments into deposit insurance fund	(120,643)	(94,431)	(114,400)	(86,565)
IT expenses	(160,170)	(161,998)	(155,824)	(155,942)
Expenses for office space	(144,336)	(129,500)	(271,527)	(247,193)
Office operating expenses	(78,329)	(90,269)	(114,718)	(140,618)
Advertising / Marketing	(39,028)	(37,960)	(33,237)	(33,684)
Legal and consulting costs	(55,103)	(63,284)	(52,436)	(58,998)
Sundry administrative expenses	(43,166)	(47,635)	(34,738)	(39,830)
Total	**(640,775)**	**(625,077)**	**(776,880)**	**(762,830)**

Depreciation and amortisation				
	2014	**2015**	**2014**	**2015**
Software and other intangible assets	(70,291)	(79,459)	(66,259)	(74,768)
Real estate used by the Group /Bank	(49,969)	(36,370)	(19,894)	(16,320)
Investment Property	(845)	(246)	-	-
Amortisation of customer relationships	(2,386)	-	-	-
Office furniture and equipment and sundry property and equipment	(52,203)	(55,562)	(33,584)	(28,579)
Total	**(175,694)**	**(171,637)**	**(119,737)**	**(119,667)**

Long term employee provisions are described in Note 31. Compulsory social security includes mainly contributions for State pensions. Contributions for private pensions are included in other personnel expenses. Bank's contributions to state and private pensions are in amount of RON 84,362 thousands (2014: RON 99,384 thousands).

The number of Own employees of the Bank at 31 December 2015 was 6,125 employees (31 December 2014 was 6,215 employees).

The number of the Own employees of the Group at 31 December 2015 was 7,065 employees (31 December 2014 was 7,054 employees).

The key management remuneration paid during 2015 were of RON 12,434 thousands (2014: RON 14,505 thousands).

in RON thousands	**2014**		**2015**	
	(Gross amount)	(Employer taxes)	(Gross amount)	(Employer taxes)
Short-term employee benefits	14,505	1,499	12,434	1,881
- fixed component	11,806	1,297	10,652	1,585
- variable component	2,699	202	1,782	296

Payments into deposit insurance fund is calculated according to Regulation 1/2012 issued by Deposits insurance fund, based on eligible deposits volume as of end of previous year and is booked as general administrative expense in the year when the amount was paid.

8. GENERAL ADMINISTRATIVE EXPENSES (continued)

Below find comparison of the average number of own employees during the financial year (weighted according to the period of employment):

	2014	2015
Domestic	**6,997**	**7,000**
Banca Comerciala Romana	6,227	6,135
BCR Leasing IFN SA	94	92
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	43	44
BCR Banca pentru Locuinte SA	85	80
Suport Colect SRL	-	-
CIT One SRL	433	555
BCR Real Estate Management SRL	24	1
BCR Fleet Management SRL	5	5
BCR Payments SPV	86	88
Abroad	**69**	**72**
BCR Chisinau SA	69	72
Total	**7,066**	**7,072**

9. GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Gain / (loss) from sale of financial assets available for sale	9,201	5,005	9,201	(10)
Gain / (loss) from sale of loans and receivables	5	-	5	-
Gain / (loss) from repurchase of liabilities measured at amortised cost	(1,148)	-	(1,148)	-
Total	**8,058**	**5,005**	**8,058**	**(10)**

The carrying amount of investments in equity instruments measured at cost that were sold during the period was RON 140 thousands. The resulting loss on sale was RON (62) thousands.

10. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Loans and receivables	**(4,440,001)**	**74,336**	**(3,815,146)**	**59,733**
Allocation to risk provisions for loans and receivables	(5,364,474)	(1,354,352)	(4,741,276)	(1,255,853)
Release of risk provisions for loans and receivables	1,043,308	1,288,726	952,636	1,149,272
Direct write-offs of loans and receivables	(504,850)	(367,895)	(378,127)	(264,877)
Recoveries on written-off loans and sale of loans*	386,015	507,857	351,621	431,191
Held to maturity instruments - allocations	**-**	(1,433)	**-**	(1,433)
Total	**(4,440,001)**	**72,903**	**(3,815,146)**	**58,300**

* include sale proceeds from loans in 2015 in amount of RON 305,288 thousands for the Group and RON 305,175 thousands for the Bank (2014: Group and Bank RON 386,288 thousands).

As a result of the portfolio clean-up, provisioning before write-offs and adjustments of collateral values, the risk cost figures for 2015 present an opposite trend, characterized by releases of provisions, which were mainly triggered by:

- Higher recoveries than the provisioning basis established in 2014 for the Corporate segment, showing an improvement in the bank's restructuring and recovery capacities, via the Workout Unit;
- Steady improvement of the quality of the healthy portfolio, as a consequence of the new selection and portfolio monitoring tools implemented in the last years.

In December 2014 net charge of impairments on financial assets not measured at fair value through profit and loss was characterized by an allocation of provision of RON 4,440.0 million, whereas in 2015 net charge of impairments on financial assets not measured at fair value through profit and loss is characterized by a release of RON 72.9 million.

11. OTHER OPERATING RESULT

	Group		Bank	
in RON thousands	**2014**	**2015**	**2014**	**2015**
Result from real estates/movalble/properties/software/other assets (i)	(350,408)	(51,791)	(84,461)	(39,477)
Allocation/release of other provisions (see Note 31)	(41,506)	(445,517)	(41,646)	(433,173)
Allocation/release of provisions for commitments and guarantees given (see Note 31)	(17,766)	(28,862)	(17,764)	(28,855)
Other taxes	(27,546)	(23,213)	(4,219)	(3,267)
Impairment of subsidiaries	-	-	(642,003)	144,834
Result from other operating (expenses)/income(ii)	(83,129)	(77,969)	(67,532)	(69,938)
Total	**(520,355)**	**(627,352)**	**(857,625)**	**(429,876)**

(i) In 2015 include mainly impairment for repossesed assets in amount of RON 31,877 thousands for the Group and RON 26,707 thousands for the Bank. Losses on property plant and equipment are in amount of RON 6,000 thousands for the Group and RON 5,015 thousands for the Bank.
In 2014 result from real estate /movable/properties/software includes:
- Impairment of repossessed assets in amount of RON 41,001 thousands;
- Impairment of customer relationship in BCR Pensii in amount of RON 84,913 thousands;
- Impairment of land concessions in BCR Real Estate Management in amount of RON 83,695 thousands;
- Write-off of software in amount of 9,180 thousands RON;
- Impairment of assets held for sale in amount of RON 104,493 thousands for the Group and RON 22,205 thousands for the Bank. Details are presented in Note 28.

(ii) Impairment of subsidiaries includes reversal of impairment of subsidiaries in amount of RON 144,834 thousands (31 December 2014 expense in amount of RON (642,003) thousands) which is eliminated at Group level. Details are presented in Note 29.

12. TAXES ON INCOME

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes.

	Group		Bank	
in RON thousands	**2014**	**2015**	**2014**	**2015**
Current tax expense / income	(17,418)	(4,698)	-	-
Deferred tax expense / income	261,266	(85,329)	238,962	(92,276)
Total	**243,848**	**(90,027)**	**238,962**	**(92,276)**

The following table reconciles the income taxes reported in the income statement to the pre-tax profit/loss multiplied by the nominal Romanian tax rate.

	Group		Bank	
in RON thousands	**2014**	**2015**	**2014**	**2015**
Pre-tax profit/(loss)	(3,037,865)	1,012,049	(2,868,530)	1,055,703
Income tax expense for the financial year at the domestic statutory tax rate (16%)	486,058	(161,928)	458,965	(168,912)
Impact of tax-exempt earnings of investments and other tax-exempt income	127,070	12,563	3,887	4,249
Tax increases due to non-deductible expenses, additional business tax and similar elements	(260,769)	(53,224)	(88,578)	(47,496)
Net impact of non-valued fiscal losses for the year	(93,050)	119,883	(119,884)	119,883
Tax income not atributable to the reporting period	(15,461)	(7,321)	(15,428)	
Income tax (expense) / release reported in the income statement	**243,848**	**(90,027)**	**238,962**	**(92,276)**
The effective tax rate	**8.03%**	**8.90%**	**8.33%**	**8.74%**

The Bank performed a reassessment of the recoverability of the fiscal loss, taking into consideration the following:
- taxable profits forecasts as per the budget for the period 2016-2020;
- limit the "lookout period to 5 years and not 7 years as provided by the local legislation (foreseeable future for estimating probable outcome is 5 year for the Bank).

In the assessment of probability of sufficient taxable profits, the Bank took into consideration the fact that it is achieving the level of budgeted

12. TAXES ON INCOME (continued)

operating results (between 79% in 2014 and 104% in 2015) and in 2015 the Bank became profitable and thus a significant portion of fiscal loss was utilized.

Tax effects relating to each component of other comprehensive income:

						Group
		2014			2015	
in RON thousands	Before-tax amount	Tax benefit	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
Available for sale-reserve (including currency translation)	400,176	(63,912)	336,264	464,444	(74,177)	390,267
Cash flow hedge-reserve (including currency translation)	2,417	(387)	2,030	-	-	-
Remeasurement of net gain (losses) on benefit plans	78,387	(12,495)	65,892	77,971	(12,475)	65,496
Currency translation	(15,119)	-	(15,119)	(25,046)	-	(25,046)
Other comprehensive income	**465,861**	**(76,794)**	**389,067**	**517,369**	**(86,652)**	**430,717**

						Bank
		2014			2015	
in RON thousands	Before-tax amount	Tax benefit	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
Available for sale-reserve (including currency translation)	346,031	(55,364)	290,667	430,636	(68,902)	361,734
Cash flow hedge-reserve (including currency translation)	2,417	(387)	2,030	-	-	-
Remeasurement of net gain (losses) on benefit plans	78,477	(12,556)	65,921	78,050	(12,487)	65,563
Other comprehensive income	**426,925**	**(68,307)**	**358,618**	**508,686**	**(81,389)**	**427,297**

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.

Deferred tax asset (DTA) is recognized for entire unused tax losses as of 31 December 2015:

in RON thousands	2012	2013	2014	DTA
Fiscal Loss	200,581	117,234	1,186,421	240,678
Fiscal Loss expiry	2019	2020	2021	

During 2015, the Group utilized the following unused tax losses for which deferred tax asset was not previously recognized:

in RON thousands	2011	2012	Total
Fiscal Loss	232,278	516,995	749,273
Fiscal Loss expiry	2018	2019	

13. DIVIDENDS PAID

Dividends paid to non-controlling interest in 2015 were in amount of RON 5,496 thousands (2014: RON 5,882 thousands).

14. CASH AND CASH BALANCES

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Cash on hand	1,562,948	2,269,512	1,554,120	2,257,658
Cash balances at central banks	6,444,485	6,885,041	6,376,587	6,747,119
Other demand deposits	227,734	287,280	227,734	250,710
Total cash and cash balances	**8,235,167**	**9,441,833**	**8,158,441**	**9,255,487**

The current accounts held by the Bank with National Bank of Romania are for compliance with the minimum reserve requirements. Mandatory

14. CASH AND CASH BALANCES (continued)

reserve rates at the end of 2015 were for RON 8% (December 2014: 10%) and for foreign currencies 14% (December 2014: 14%).
The mandatory minimum reserve level calculated for 31 December 2015 is EUR 609,015 thousands and RON 1,968,003 thousands (31 December 2014 is EUR 546,440 thousands and RON 2,602,161 thousands).
Cash on hand includes in 2015 cash in transit in amount of RON 115,249 thousands. In 2014 cash in transit in amount of RON 37,641 thousands was included in loans and receivables.

15. DERIVATIVES – HELD FOR TRADING

						Group / Bank
		2014			2015	
	Notional amount	Fair value		Notional amount	Fair value	
in RON thousands		Positive	Negative		Positive	Negative
Derivatives held in Trading book	**2,745,697**	**61,879**	**63,809**	**3,628,005**	**20,483**	**22,300**
Interest rate instruments and related derivatives	2,093,184	46,298	47,976	3,116,178	18,129	20,024
Equity instruments and related derivatives	284,667	-	568	287,360	-	573
Foreign exchange trading and related derivatives	340,687	14,791	14,475	219,042	1,446	795
Commodities and related derivatives	27,159	790	790	5,425	908	908
Derivatives held in Banking Book	**3,753,660**	**93,097**	**6,318**	**4,221,581**	**58,331**	**12,802**
Interest rate instruments and related derivatives	631,632	57,167	2,386	622,984	49,124	2,243
Equity instruments and related derivatives	284,667	568	-	287,360	573	-
Foreign exchange trading and related derivatives	2,837,361	35,362	3,932	3,311,237	8,634	10,559
Total	**6,499,357**	**154,976**	**70,127**	**7,849,586**	**78,814**	**35,102**

16. OTHER TRADING ASSETS

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Equity instruments (i)	**4,299**	**2,417**	**4,299**	**2,417**
Debt securities	**211,554**	**166,877**	**211,554**	**166,877**
General governments (ii)	211,554	166,877	211,554	166,877
Financial assets held for trading	**215,853**	**169,294**	**215,853**	**169,294**

(i) Equity investments include: shares issued by Erste Bank and also shares quoted to Bucharest Stock Exchange;
(ii) Debt securities include: include treasury bills and bonds denominated in RON.

17. FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Equity instruments (i)	**4,229**	**4,279**	**4,229**	**4,279**
Debt securities	**20,358**	**17,967**	**20,358**	**17,967**
General governments (ii)	20,358	17,967	20,358	17,967
Total financial assets designated at fair value through profit or loss	**24,587**	**22,246**	**24,587**	**22,246**

(i) Equity investments include: shares issued by Financial Investment Companies (SIFs);
(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. FINANCIAL ASSETS – AVAILABLE FOR SALE

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Equity instruments (i)	147,772	266,258	137,284	266,037
Debt securities (ii)	7,507,289	6,937,002	6,498,139	5,990,202
General governments	7,502,578	6,922,320	6,498,139	5,990,201
Credit institutions	4,711	14,682	-	-
Total available-for-sale financial assets	7,655,061	7,203,260	6,635,423	6,256,238

(i) Equity instruments include investments in Financial Investment Companies ("SIF's") shares quoted on Bucharest Stock Exchange and international markets.

(ii) Debt securities include: include treasury bills denominated in RON and foreign currencies, state bonds quoted on Bucharest Stock Exchange and bonds issued by municipalities.

19. FINANCIAL ASSETS – HELD TO MATURITY

		2014	Group
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Debt securities			
General governments	9,565,112	-	9,565,112
Credit institutions	13,064	-	13,064
Total financial assets held to maturity	9,578,176	-	9,578,176

		2015	Group
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Debt securities			
General governments	10,142,974	(1,445)	10,141,529
Credit institutions	12,891	-	12,891
Total financial assets held to maturity	10,155,865	(1,445)	10,154,420

		2014	Bank
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Debt securities			
General governments	8,429,417	-	8,429,417
Credit institutions	-	-	-
Total financial assets held to maturity	8,429,417	-	8,429,417

		2015	Bank
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Debt securities			
General governments	8,820,105	(1,445)	8,818,660
Credit institutions	-	-	-
Total financial assets held to maturity	8,820,105	(1,445)	8,818,660

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. The effective interest rate is 11.55% and the estimated amounts of cash flows the entity expected to recover, as at the date of reclassification of the financial asset were RON 533,779 thousands. At 31 December 2015, the balance of available-for-sale reserve related to this instrument is RON 12,246 thousands (2014: RON 23,511 thousands).

19. FINANCIAL ASSETS – HELD TO MATURITY

in RON thousands	Carrying amount	Fair value
Financial assets previously reclassified as at 31 December 2015	341,039	373,341
Financial assets previously reclassified as at 31 December 2014	332,731	383,472
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

in RON thousands	2014	2015
Gain/(Loss) recorded in other comprehensive income	43,468	33,336
Gain/(Loss) recorded in profit or loss	17,469	17,947

20. SECURITIES

Group

Securities	Financial assets held for trading		Financial assets designated at fair value through profit and loss		Available-for-sale financial assets		Held-to-maturity investments		Total	
in RON thousands	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Bonds and other interest-bearing securities	211,554	166,877	20,359	17,967	7,507,529	6,937,002	9,578,176	10,154,420	17,317,618	17,276,266
Listed	42,408	64,391	20,359	17,967	5,566,196	5,321,389	8,806,761	10,107,172	14,435,724	15,510,919
Unlisted	169,146	102,486	-	-	1,941,333	1,615,613	771,415	47,248	2,881,894	1,765,347
Equity related securities	4,299	2,417	4,228	4,279	120,979	239,641	-	-	129,506	246,337
Listed	4,299	2,417	4,228	4,279	110,098	138,391	-	-	118,625	145,087
Unlisted	-	-	-	-	10,881	101,250	-	-	10,881	101,250
Equity holdings	-	-	-	-	26,553	26,617	-	-	-	26,617
Total	215,853	169,294	24,587	22,246	7,655,061	7,203,260	9,578,176	10,154,420	17,447,124	17,549,220

Bank

Securities	Financial assets held for trading		Financial assets designated at fair value through profit and loss		Available-for-sale financial assets		Held-to-maturity investments		Total	
in RON thousands	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Bonds and other interest-bearing securities	211,554	166,877	20,359	17,967	6,498,139	5,990,202	8,429,417	8,818,660	15,159,469	14,993,706
Listed	42,408	64,391	20,359	17,967	4,575,060	4,397,911	7,744,141	8,818,660	12,381,968	13,298,929
Unlisted	169,146	102,486	-	-	1,923,079	1,592,291	685,276	-	2,777,501	1,694,777
Equity related securities	4,299	2,417	4,228	4,279	110,731	239,641	-	-	119,258	246,337
Listed	4,299	2,417	4,228	4,279	110,098	138,391	-	-	118,625	145,087
Unlisted	-	-	-	-	633	101,250	-	-	633	101,250
Equity holdings	-	-	-	-	26,553	26,395	-	-	26,553	26,395
Total	215,853	169,294	24,587	22,246	6,635,423	6,256,238	8,429,417	8,818,660	15,305,280	15,266,438

21. LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS

		2014	Group
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Loans and receivables	527,788	(2,507)	525,281
Central banks	2,574	-	2,574
Credit institutions	525,214	(2,507)	522,707
Total loans and receivables to credit institutions	527,788	(2,507)	525,281

		2015	Group
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Loans and receivables	205,743	(1,340)	204,403
Central banks	2,424	-	2,424
Credit institutions	203,319	(1,340)	201,979
Total loans and receivables to credit institutions	205,743	(1,340)	204,403

21. LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS (continued)

		2014	Bank
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Loans and receivables	483,173	(2,507)	480,666
Central banks	2,574	-	2,574
Credit institutions	480,599	(2,507)	478,092
Total loans and receivables to credit institutions	483,173	(2,507)	480,666

		2015	Bank
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Loans and receivables	185,971	(1,340)	184,631
Central banks	2,424	-	2,424
Credit institutions	183,547	(1,340)	182,207
Total loans and receivables to credit institutions	185,971	(1,340)	184,631

ALLOWANCES FOR LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS

				2014	Group
in RON thousands	Opening balance	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
Collective allowances					
Loans and receivables	(2,690)	(591)	532	242	(2,507)
Credit institutions	(2,690)	(591)	532	242	(2,507)
Total	(2,690)	(591)	532	242	(2,507)

				2015	Group
in RON thousands	Opening balance	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
Collective allowances					
Loans and receivables	(2,507)	(225)	1,443	(51)	(1,340)
Credit institutions	(2,507)	(225)	1,443	(51)	(1,340)
Total	(2,507)	(225)	1,443	(51)	(1,340)

				2014	Bank
in RON thousands	Opening balance	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
Collective allowances					
Loans and receivables	(2,690)	(591)	532	242	(2,507)
Credit institutions	(2,690)	(591)	532	242	(2,507)
Total	(2,690)	(591)	532	242	(2,507)

				2015	Bank
in RON thousands	Opening balance	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
Collective allowances					
Loans and receivables	(2,507)	(225)	1,443	(51)	(1,340)
Credit institutions	(2,507)	(225)	1,443	(51)	(1,340)
Total	(2,507)	(225)	1,443	(51)	(1,340)

22. LOANS AND RECEIVABLES TO CUSTOMERS

2014 Group				
in RON thousands	Total assets (gross carring amount)	Specific allowances	Collective allowance	Carrying amount
Loans and receivables	**40,433,136**	**(7,179,811)**	**(687,259)**	**32,566,066**
General governments	4,944,062	(20,106)	(27,693)	4,896,263
Other financial corporations	387,497	(14,926)	(8,033)	364,538
Non-financial corporations	15,317,722	(5,071,654)	(301,236)	9,944,832
Households	19,783,855	(2,073,125)	(350,297)	17,360,433
Total loans and receivables to customers	**40,433,136**	**(7,179,811)**	**(687,259)**	**32,566,066**

2015 Group				
in RON thousands	Total assets (gross carring amount)	Specific allowances	Collective allowance	Carrying amount
Loans and receivables	**38,441,948**	**(5,369,124)**	**(622,067)**	**32,450,757**
General governments	4,653,529	(28,574)	(31,506)	4,593,449
Other financial corporations	373,696	(28,193)	(3,187)	342,316
Non-financial corporations	14,028,157	(3,753,358)	(317,354)	9,957,445
Households	19,386,566	(1,558,999)	(270,020)	17,557,547
Total loans and receivables to customers	**38,441,948**	**(5,369,124)**	**(622,067)**	**32,450,757**

2014 Bank				
in RON thousands	Total assets (gross carring amount)	Specific allowances	Collective allowance	Carrying amount
Loans and receivables	**39,767,597**	**(6,169,458)**	**(660,866)**	**32,937,273**
General governments	4,943,758	(20,106)	(27,685)	4,895,967
Other financial corporations	632,848	(14,851)	(7,960)	610,037
Non-financial corporations	15,341,094	(4,714,891)	(276,954)	10,349,249
Households	18,849,897	(1,419,610)	(348,267)	17,082,020
Total loans and receivables to customers	**39,767,597**	**(6,169,458)**	**(660,866)**	**32,937,273**

2015 Bank				
in RON thousands	Total assets (gross carring amount)	Specific allowances	Collective allowance	Carrying amount
Loans and receivables	**38,118,547**	**(4,969,281)**	**(600,542)**	**32,548,724**
General governments	4,653,114	(28,574)	(31,496)	4,593,044
Other financial corporations	624,986	(28,016)	(3,072)	593,898
Non-financial corporations	13,986,776	(3,623,875)	(298,684)	10,064,217
Households	18,853,671	(1,288,816)	(267,290)	17,297,564
Total loans and receivables to customers	**38,118,547**	**(4,969,281)**	**(600,542)**	**32,548,724**

STATEMENT OF CASH FLOWS
Consolidated and Bank
for the year ended 31 December 2015

22. LOANS AND RECEIVABLES TO CUSTOMERS (continued)

ALLOWANCES FOR LOANS AND RECEIVABLES TO CUSTOMERS

								2014	Group
in RON thousands	Opening balance (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans*	Direct write-offs of loans and receivables*
Specific allowances									
Loans and receivables	**(8,455,447)**	**(5,180,914)**	**5,067,477**	**880,670**	**391,506**	**116,897**	**(7,179,811)**	**386,015**	**(504,850)**
General governments	(9,887)	(22,585)	11,263	5,943	2,852	(7,691)	(20,105)	4,026	(1,190)
Other financial corporations	(138,380)	(22,143)	64,215	3,255	1,295	76,832	(14,926)	8,262	(1,025)
Non-financial corporations	(6,439,249)	(3,612,402)	3,480,481	578,467	250,654	670,393	(5,071,656)	360,781	(396,025)
Households	(1,867,931)	(1,523,784)	1,511,518	293,005	136,705	(622,637)	(2,073,124)	12,946	(106,610)
Collective allowances									
Loans and receivables	**(649,991)**	**(182,969)**	**-**	**162,106**	**-**	**(16,405)**	**(687,259)**		
General governments	(23,698)	(6,527)	-	5,875	-	(3,343)	(27,693)		
Other financial corporations	(5,509)	(2,210)	-	1,690	-	(2,004)	(8,033)		
Non-financial corporations	(362,842)	(90,756)	-	80,411	-	(3,029)	(376,216)		
Households	(257,942)	(83,476)	-	74,130	-	(8,029)	(275,317)		
Total	**(9,105,438)**	**(5,363,883)**	**5,067,477**	**1,042,776**	**391,506**	**100,492**	**(7,867,070)**		

								2015	Group
in RON thousands	Opening balance (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans*	Direct write-offs of loans and receivables*
Specific allowances									
Loans and receivables	**(7,179,811)**	**(1,299,204)**	**2,181,203**	**1,160,962**	**162,946**	**(395,220)**	**(5,369,124)**	**507,857**	**(367,895)**
General governments	(20,105)	(12,478)	1,784	4,986	1,376	(4,136)	(28,573)	988	(316)
Other financial corporations	(14,926)	(24,842)	11,657	1,251	1,908	(3,240)	(28,192)	10,610	(9,094)
Non-financial corporations	(5,071,656)	(737,926)	1,306,091	944,344	85,286	(279,499)	(3,753,360)	479,482	(330,078)
Households	(2,073,124)	(523,958)	861,671	210,381	74,376	(108,345)	(1,558,999)	16,777	(28,407)
Collective allowances									
Loans and receivables	**(687,259)**	**(54,923)**	**-**	**126,321**	**-**	**(6,206)**	**(622,067)**		
General governments	(27,693)	(9,716)	-	3,126	-	2,776	(31,507)		
Other financial corporations	(8,033)	(1,210)	-	5,993	-	63	(3,187)		
Non-financial corporations	(376,216)	(41,186)	-	33,298	-	(8,230)	(392,334)		
Households	(275,317)	(2,811)	-	83,904	-	(815)	(195,039)		
Total	**(7,867,070)**	**(1,354,127)**	**2,181,203**	**1,287,283**	**162,946**	**(401,426)**	**(5,991,191)**		

*) Allocations, releases, recoveries of amounts previously written off and direct write-offs of loans and receivables represent the income statement effects (see Note 10). Uses represents the usage of allowances for impairment for written off and sold loans.

22. LOANS AND RECEIVABLES TO CUSTOMERS (continued)

in RON thousands	Opening balance (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans*	Direct write-offs of loans and receivables*
								2014	Bank
Specific allowances									
Loans and receivables	**(7,135,801)**	**(4,585,060)**	**4,288,522**	**811,859**	**345,453**	**105,569**	**(6,169,458)**	**351,621**	**(378,127)**
General governments	(9,887)	(22,585)	11,262	5,943	2,852	(7,691)	(20,106)	4,026	(1,190)
Other financial corporations	(138,062)	(22,124)	63,635	3,255	1,295	77,150	(14,851)	8,262	(1,025)
Non-financial corporations	(5,710,412)	(3,588,097)	3,174,728	510,466	245,933	652,491	(4,714,891)	326,608	(287,721)
Households	(1,277,440)	(952,254)	1,038,897	292,195	95,373	(616,381)	(1,419,610)	12,725	(88,191)
Collective allowances									
Loans and receivables	**(645,712)**	**(155,626)**	**-**	**140,245**	**-**	**227**	**(660,866)**		
General governments	(23,696)	(6,519)	-	5,875	-	(3,345)	(27,685)		
Other financial corporations	(5,509)	(1,874)	-	1,689	-	(2,265)	(7,959)		
Non-financial corporations	(360,381)	(65,219)	-	58,774	-	15,927	(350,899)		
Households	(256,126)	(82,014)	-	73,907	-	(10,090)	(274,323)		
Total	**(7,781,513)**	**(4,740,686)**	**4,288,522**	**952,104**	**345,453**	**105,796**	**(6,830,324)**		

in RON thousands	Opening balance (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans*	Direct write-offs of loans and receivables*
								2015	Bank
Specific allowances									
Loans and receivables	**(6,169,458)**	**(1,215,823)**	**1,515,138**	**1,038,682**	**157,466**	**(295,286)**	**(4,969,281)**	**431,191**	**(264,877)**
General governments	(20,106)	(12,478)	1,784	4,986	1,376	(4,136)	(28,574)	988	(316)
Other financial corporations	(14,851)	(24,666)	11,582	1,251	1,908	(3,241)	(28,017)	10,610	(9,094)
Non-financial corporations	(4,714,891)	(679,127)	1,042,254	823,248	80,395	(175,753)	(3,623,874)	403,531	(227,060)
Households	(1,419,610)	(499,552)	459,518	209,197	73,787	(112,156)	(1,288,816)	16,062	(28,407)
Collective allowances									
Loans and receivables	**(660,866)**	**(39,805)**	**-**	**109,147**	**-**	**(9,018)**	**(600,542)**		
NC (open balance)	-						-		
General governments	(27,685)	(9,712)	-	3,121	-	2,781	(31,495)		
Other financial corporations	(7,959)	(1,146)	-	5,966	-	68	(3,071)		
Non-financial corporations	(350,899)	(27,207)	-	16,527	-	(11,050)	(372,629)		
Households	(274,323)	(1,740)	-	83,533	-	(817)	(193,347)		
Total	**(6,830,324)**	**(1,255,628)**	**1,515,138**	**1,147,829**	**157,466**	**(304,304)**	**(5,569,823)**		

*) Allocations, releases, recoveries of amounts previously written off and direct write-offs of loans and receivables represent the income statement effects (see Note 10). Uses represents the usage of allowances for impairment for written off and sold loans.

In 2015 and 2014 Group sold a part of non-performing loan portfolio. These sales resulted in the following changes that were reflected in the financial statements.

Sales and write off of loans in 2015 and 2014 were as follows:

in RON thousands				**Group**
	2014		**2015**	
Transfer of loans	Gross carrying amount	Related allowance	Gross carrying amount	Related allowance
Sale on balance loans	2,025,594	1,751,114	693,032	561,695
Write off, out of which	4,096,764	4,022,983	1,682,390	1,671,416
Sales from previously writen off loans	867,451	867,451	175,943	175,943
Total exposure reduction from sale and write offs	**6,122,358**	**5,774,097**	**2,375,422**	**2,233,111**

in RON thousands				**Bank**
	2014		**2015**	
Transfer of loans	Gross carrying amount	Related allowance	Gross carrying amount	Related allowance
Sale on balance loans	2,025,594	1,751,114	693,032	561,695
Write off, out of which	3,183,548	3,139,735	1,019,544	1,009,682
Sales from previously writen off loans	867,451	867,451	119,477	119,477
Total exposure reduction from sale and write offs	**5,209,141**	**4,890,849**	**1,712,576**	**1,571,377**

Total reduction in net exposure for sales and write offs was in amount of RON 142,311 thousands for the Group (2014: RON 348,261 thousands) and RON 141,199 thousands for the Bank (2014: RON 318,292 thousands).

23. DERIVATIVES – HEDGE ACCOUNTING

						Group / Bank
			2014			2015
	Notional	Fair value		Notional	Fair value	
in RON thousands	amount	Positive	Negative	amount	Positive	Negative
Fair value hedges						
Foreign exchange trading and related derivatives	2,964,068	-	554,005	-	-	-
Total fair value hedges	**2,964,068**	**-**	**554,005**	**-**	**-**	**-**

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 deposits.

The Group uses currency swaps to hedge against specifically identified currency risks.

During 2014, the Group discontinued the fair value hedge accounting for the issued bonds.The fair value adjustments of hedged item amounting RON 46,217 thousands will be amortized using Effective Interest Rate until the maturity of bonds.

The result from hedge accounting in 2015 was as follows:
- net gain on hedge item (issued bonds and interbank deposits) in amount of RON 9,412 thousands;
- net loss on hedging instruments (interest rate swaps and cross currency swaps) in amount of RON (7,006) thousands.

24. EQUITY METHOD INVESTMENTS

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:

The table below shows the aggregated financial information of company accounted for using the equity method:

in RON thousands	2014	2015
Total assets	1,263,310	1,240,420
Total liabilities	1,217,439	1,191,837
Total equity	**45,871**	**48,583**
Proportional of the Group's ownership	33.33%	33.33%
Cary𝑖ng amount of the investment	**15,289**	**16,193**

in RON thousands	2014	2015
Income	21,226	21,825
Expenses	(16,412)	(13,391)
Profit before tax	**4,814**	**8,434**
Income tax expenses	(1,837)	(187)
Profit/loss	**2,977**	**8,247**
Proportional of the Group's ownership	33.33%	33.33%
Group's share of profit for the year	**992**	**2,749**

As of 31 December 2015 and 31 December 2014, there is no published price quotations for BCR Group investment accounted for using the equity method.

25. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTIES

						Group
	Property and equipment - Acquisition and production costs					
in RON thousands	Land and buildings	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2014	1,671,356	348,592	482,965	159,849	2,662,762	47,314
Additions in current year (+)	11,401	19,584	20,984	42,143	94,112	-
Disposals and write off (-)	(48,853)	(23,459)	(22,478)	(2,737)	(97,527)	(19,578)
Reclassification (+/-)	(4,469)	(557)	276	4,106	(644)	3,780
Assets held for sale (-)	(534,687)	-	-	-	(534,687)	(31,516)
Currency translation (+/-)	(32)	(373)	(224)	-	(629)	-
Balance as of 31.12.2014	1,094,716	343,787	481,523	203,361	2,123,387	-
Balance as of 01.01.2015	1,094,716	343,787	481,523	203,361	2,123,387	-
Additions in current year (+)	14,914	28,112	31,179	72,230	146,435	-
Disposals and write off (-)	(25,119)	(24,071)	(37,769)	(2,098)	(89,057)	(9,023)
Reclassification (+/-)	70,806	(1,449)	(6,354)	(9,472)	53,531	9,636
Currency translation (+/-)	(60)	(737)	(497)	-	(1,294)	-
Balance as of 31.12.2015	1,155,257	345,642	468,082	264,021	2,233,002	613

						Group
	Property and equipment - Accumulated depreciation					
in RON thousands	Land and buildings	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2014	(432,335)	(263,247)	(444,271)	(21,357)	(1,161,210)	(3,180)
Amortisation and depreciation (-)	(49,969)	(25,292)	(16,611)	(10,301)	(102,173)	(844)
Disposals (+)	37,043	19,304	16,210	1,071	73,628	1,774
Impairment (-)	(2,324)	-	-	(4,299)	(6,623)	-
Reclassification (+/-)	2,738	520	199	(2,813)	644	(3,780)
Assets held for sale (+)	128,498	-	-	-	128,498	6,030
Currency translation (+/-)	4	262	193	-	459	-
Balance as of 31.12.2014	(316,345)	(268,453)	(444,280)	(37,699)	(1,066,777)	-
Balance as of 01.01.2015	(316,345)	(268,453)	(444,280)	(37,699)	(1,066,777)	-
Amortisation and depreciation (-)	(36,370)	(24,620)	(11,904)	(19,037)	(91,931)	(247)
Disposals (+)	24,374	20,270	35,579	1,123	81,346	7,465
Impairment (-)	(1,172)	(80)	-	(550)	(1,802)	-
Reversal of impairment (+)	208	-	-	798	1,006	-
Reclassification (+/-)	(71,856)	1,445	6,357	7,012	(57,042)	(7,345)
Currency translation (+/-)	8	572	375	-	955	-
Balance as of 31.12.2015	(401,153)	(270,866)	(413,873)	(48,353)	(1,134,245)	(127)

						Group
	Property and equipment					
in RON thousands	Land and buildings	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2014	778,371	75,334	37,243	165,662	1,056,610	-
Balance as of 31.12.2015	754,104	74,776	54,209	215,668	1,098,757	486

25. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTIES (continued)

Bank

in RON thousands	Property and equipment - Acquisition and production costs			
	Land and buildings	Office and plant equipment / other fixed assets	IT assets (hardware)	Total property and equipment
Balance as of 01.01.2014	**419,280**	**297,564**	**475,207**	**1,192,051**
Additions in current year (+)	2,673	14,259	19,704	**36,636**
Disposals and write off (-)	(47,155)	(19,442)	(22,351)	**(88,948)**
Assets held for sale (-)	(59,820)	-	-	(59,820)
Balance as of 31.12.2014	**314,978**	**292,381**	**472,560**	**1,079,919**
Balance as of 01.01.2015	**314,978**	**292,381**	**472,560**	**1,079,919**
Additions in current year (+)	10,704	25,431	29,286	**65,421**
Disposals and write off (-)	(3,210)	(23,675)	(37,461)	**(64,346)**
Reclassification (+/-)	23,996	(1407)	(6,354)	**16,235**
Balance as of 31.12.2015	**346,468**	**292,730**	**458,031**	**1,097,229**

Bank

in RON thousands	Property and equipment - Accumulated depreciation			
	Land and buildings	Office and plant equipment / other fixed assets	IT assets (hardware)	Total property and equipment
Balance as of 01.01.2014	**(200,325)**	**(238,913)**	**(438,479)**	**(877,717)**
Amortisation and depreciation (-)	(19,894)	(17,991)	(15,593)	**(53,478)**
Disposals (+)	36,967	15,812	16,142	**68,921**
Impairment (-)	(2,302)	-	-	**(2,302)**
Assets held for sale (+)	7,196	-	-	**7,196**
Balance as of 31.12.2014	**(178,358)**	**(241,092)**	**(437,930)**	**(857,380)**
Balance as of 01.01.2015	**(178,358)**	**(241,092)**	**(437,930)**	**(857,380)**
Amortisation and depreciation (-)	(16,320)	(17,824)	(10,755)	**(44,899)**
Disposals (+)	3,310	19,971	35,288	**58,569**
Impairment (-)	(11)	(84)	-	**(95)**
Reclassification (+/-)	(25,264)	1407	6,354	**(17,503)**
Balance as of 31.12.2015	**(216,643)**	**(237,622)**	**(407,043)**	**(861,308)**

Bank

in RON thousands	Property and equipment			
	Land and buildings	Office and plant equipment / other fixed assets	IT assets (hardware)	Total property and equipment
Balance as of 31.12.2014	**136,620**	**51,289**	**34,630**	**222,539**
Balance as of 31.12.2015	**129,825**	**55,108**	**50,988**	**235,921**

There are no fixed assets pledged as collateral as at 31 December 2015 and 31 December 2014.

The total cost of the Group's tangible fixed assets that are in use and fully amortized at the end of 2015 was RON 623,282 thousands (2014: RON 589,516 thousands).

The total cost of the Bank's tangible fixed assets that are in use and fully amortized at the end of 2015 was RON 618,540 thousands (2014: RON 584,848 thousands).

The fair value of land and buildings is RON 672,177 thousand for the Group and RON 114,964 thousand for the Bank. The fair value of land and buildings has been assessed as at 31 December 2015 by an independent valuer.
Details related to assets reclassified in assets held for sale are in Note 28.
The investment properties are presented at cost and as at 31 December 2015 the fair value is RON 623 thousands and the carrying amount is RON 486 thousands. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer.
During 2015 the Group have disposed some investment property and the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in Other operating result and is in amount of RON 16 thousand.

26. INTANGIBLE ASSETS

Group

	Intangible assets - Acquisition and production costs				
in RON thousands	Customer relationships	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 01.01.2014	**106,944**	**628,432**	**15,540**	**84,413**	**835,329**
Additions in current year (+)	-	144,177	-	-	144,177
Disposals and write off (-)	-	(85,875)	(1,525)	-	(87,402)
Currency translation (+/-)	-	(290)	-	-	(290)
Balance as of 31.12.2014	**106,944**	**686,444**	**14,015**	**84,413**	**891,814**
Balance as of 01.01.2015	**106,944**	**686,444**	**14,015**	**84,413**	**891,814**
Additions in current year (+)	-	94,243	-	-	94,243
Disposals and write off (-)	-	(3,807)	-	(83,921)	(87,728)
Reclassification (+/-)	-	(13,836)	(2,399)	-	(16,235)
Currency translation (+/-)	-	(171)	-	-	(171)
Balance as of 31.12.2015	**106,944**	**762,873**	**11,616**	**492**	**881,923**

Group

	Intangible assets - Accumulated depreciation				
in RON thousands	Customer relationships	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31.12.2014	**(19,645)**	**(420,151)**	**(7,613)**	**(568)**	**(447,977)**
Amortisation and depreciation (-)	(2,386)	(68,270)	(2,012)	(9)	(72,677)
Impairment (-)	(84,913)	-	-	(83,695)	(168,608)
Reclassification (+/-)	-	192	-	-	192
Currency translation (+/-)	-	91	-	-	91
Balance as of 31.12.2014	**(106,944)**	**(472,512)**	**(9,625)**	**(84,272)**	**(673,353)**
Balance as of 01.01.2015	**(106,944)**	**(472,512)**	**(9,625)**	**(84,272)**	**(673,353)**
Amortisation and depreciation (-)	-	(77,950)	(1,500)	(9)	(79,459)
Disposals and write off (-)	-	3,763	-	83,870	87,633
Reclassification (+/-)	-	15,104	2,400	-	17,504
Currency translation (+/-)	-	17	-	-	17
Balance as of 31.12.2015	**(106,944)**	**(531,578)**	**(8,725)**	**(411)**	**(647,658)**

Group

	Intangible assets				
in RON thousands	Customer relationships	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31.12.2014	-	**213,932**	**4,390**	**141**	**218,461**
Balance as of 31.12.2015	-	**231,295**	**2,891**	**81**	**234,265**

26. INTANGIBLE ASSETS (continued)

Bank

in RON thousands	Intangible assets - Acquisition and production costs Software acquired	Self-constructed software within the Group	Total
Balance as of 01.01.2014	**609,499**	**15,540**	**625,038**
Additions in current year (+)	137,681	-	137,681
Disposals and write off (-)	(84,779)	(1,525)	(86,304)
Balance as of 31.12.2014	**662,401**	**14,015**	**676,415**
Balance as of 01.01.2015	**662,401**	**14,015**	**676,415**
Additions in current year (+)	90,865	-	90,865
Disposals and write off (-)	(3,731)	-	(3,731)
Reclassification (+/-)	(13,836)	(2,399)	(16,235)
Balance as of 31.12.2015	**735,699**	**11,616**	**747,314**

Bank

in RON thousands	Intangible assets - Accumulated depreciation Software acquired	Self-constructed software within the Group	Total
Balance as of 01.01.2014	**(411,280)**	**(7,612)**	**(418,892)**
Amortisation and depreciation (-)	(64,247)	(2,012)	(66,259)
Disposals and write off (-)	15,610	-	15,610
Balance as of 31.12.2014	**(459,917)**	**(9,624)**	**(469,541)**
Balance as of 01.01.2015	**(459,917)**	**(9,624)**	**(469,541)**
Amortisation and depreciation (-)	(73,268)	(1,500)	(74,768)
Disposals and write off (-)	3,730	-	3,730
Reclassification (+/-)	15,104	2,400	17,504
Balance as of 31.12.2015	**(514,351)**	**(8,724)**	**(523,075)**

Bank

in RON thousands	Intangible assets Software acquired	Self-constructed software within the Group	Total
Balance as of 31.12.2014	**202,484**	**4,391**	**206,874**
Balance as of 31.12.2015	**221,348**	**2,892**	**224,239**

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. In 2014, given the volatility in the current economic environment, the Group has performed an impairment test on the customer relationship (for both Pillar 2 and Pillar 3).

The method used was the discounted cash flow, which took into consideration all future cash-flows generated by these portfolios of participants, which are influenced by account attrition, expected lives, discount rates, interest rates, servicing costs and other factors.

The Group considered significant changes in these estimates and assumptions, which adversely impacted the valuation of these intangible assets and consequently the carrying amount of RON 84,695 thousands was reduced to zero.

Land concessions in BCR Real Estate Management in amount of RON 83,695 thousands were fully impaired in 2014 and written off in 2015.

The total cost of the Group's intangible fixed assets that are in use and fully amortized at the end of 2015 was RON 294,259 thousands (2014: RON 256,452 thousands).

The total cost of the Bank's intangible fixed assets that are in use and fully amortized at the end of 2015 was RON 290,496 thousands (2014: RON 253,907 thousands).

27. TAX ASSETS AND LIABILITIES

Group

in RON thousands	Tax assets 2014	Tax assets 2015	Tax liabilities 2014	Tax liabilities 2015	Net variance 2015		
					Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Loans and advances to credit institutions and customers	-	4,133	-		4,133	4,133	
Financial assets - available for sale	(55,365)	(68,902)	(8,547)	(6,594)	(11,694)	(110)	(11,584)
Property and equipment	6,657	12,157	(289)		5,790	5,790	
Investments in subsidiaries	166,647	166,647	-		62	62	
Long-term employee provisions	6,571	6,777	(62)		206	187	19
Sundry provisions	23,407	41,707	-		18,300	18,300	
Carry forward of tax losses	363,966	240,678	-		(123,288)	(123,288)	
Other	14,674	23,166	(818)	312	9,622	9,622	
Cash flow hedge	(387)	-	-		362	(25)	387
Total deferred taxes	**526,170**	**426,363**	**(9,716)**	**(6,282)**	**(96,507)**	**(85,329)**	**(11,178)**
Current taxes	**89,086**	**133,192**	**(695)**	**(1,350)**	**-**	**-**	**-**
Total taxes	**615,256**	**559,555**	**(10,411)**	**(7,632)**	**(96,507)**	**(85,329)**	**(11,178)**

Bank

in RON thousands	Tax assets 2014	Tax assets 2015	Net variance 2015		
			Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:					
Loans and advances to credit institutions and customers	-		-		
Financial assets - available for sale	(55,365)	(68,902)	(13,537)		(13,537)
Property and equipment	(828)	11,850	12,679	12,679	
Investments in subsidiaries	166,647	166,647	-		
Long-term employee provisions	6,444	6,697	252	184	68
Sundry provisions	23,411	41,560	18,149	18,149	
Carry forward of tax losses	363,966	240,678	(123,288)	(123,288)	
Other	-		-		
Cash flow hedge	(387)		387		387
Total deferred taxes	**503,888**	**398,530**	**(105,358)**	**(92,276)**	**(13,082)**
Current taxes	**89,042**	**131,826**	**-**	**-**	**-**
Total taxes	**592,930**	**530,356**	**(105,358)**	**(92,276)**	**(13,082)**

28. ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

In 2014 the Group has decided to pursue a strategy of optimizing the real estate network, by selling the following categories of properties: non-core properties (e.g. hotels and training centers), vacant properties, properties targeted for branch relocations and other locations subject to implementation of new safe storage solutions.

The real estate items included in the sale plan can be sold in normal real estate market conditions without need to bring unusual changes to these items in order to achieve the sale. Estimated period for transactions initiation/closing is within 12 months.

The business plan under the current strategy presents the intention of the Group to recover the carrying value of the above real estate items through sale transactions rather than through own use, therefore it triggered the reclassification under IFRS 5.

In 2014, properties in amount of RON 431,675 thousands were reclassified as follows:

- from Property, Plant and Equipment in assets held for sale: BCR Bank RON 59,820 thousands, BCR Real Estate Management RON 134,918 thousands, Bucharest Financial Plazza RON 218,647 thousands;
- from investment properties: BCR Real Estate Management RON 25,486 thousands.

Following reclassification, an impairment test was performed for the respective assets, taken into consideration the market value at 31 December 2014. As the market value was the recoverable amount of these assets and lower than their carrying amount, impairment was booked as follows: BCR Bank RON 22,205 thousands, BCR Real Estate Management RON 50,362 thousands, Bucharest Financial Plazza 31,946 RON thousands.

28. ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE (continued)

In 2015, further impairment in amount of RON 4,485 thousands on Bucharest Financial Plazza assets was booked based on market values at 31.12.2015.

During 2015, BCR Real Estate Management sold assets with a net carrying amount of RON 33,521 thousands, obtaining a net gain of RON 6,834 thousands.

The sale process has taken longer than one year, as the initial estimation considered the unlikelihood of the clients conservativeness in respect of the real estate market, who proved to be still very selective on investments, considering the economic context and the very competitive offers (where many other big portfolio owners are selling properties including also collaterals attached to non performing portfolios of the banks)

For the remaining unsold properties at the end of the 2015, a revaluation process with an independent evaluation company was initiated, finalized and recorded in December.

The management of the Bank remains committed to the strategy for disposal of the assets and it's continuous efforts for marketing all the assets held for sale. The bank will also continuously review and update the pricing strategy, if needed for each individual assets considering the market conditions and its disposal strategy.

29. OTHER ASSETS

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Accrued income	61660	55,932	5,355	6,313
Inventories (i)	242,434	282,965	145,076	181,908
Subsidiaries	-	-	721,724	867,223
Sundry assets	124,057	84,936	60,813	35,313
Total	428,151	423,833	932,968	1,090,757

(i) BCR Group presents "Repossessed Assets" under this position. The contribution of BCR Bank is in amount of RON 181,908 thousands (2014: RON 145,076 thousands), and the subsidiaries contribution was in amount of RON 101,057 thousands (2014: RON 97,358 thousands). Impairment of repossessed assets in amount of RON 121,269 thousands (2014: RON 70,437 thousands) for the Group and RON 67,708 thousands (2014: RON 41,001 thousands) for the Bank was booked as a result of comparing carrying amount with net realizable value.

Bank's investments in subsidiaries and other companies are in amount of RON 867,223 thousands (2014: RON 721,724 thousands). There is no active market for these investments and the Bank intends to hold them for the long term.

At 31 December 2015 the net release of impairment of investment in subsidiaries was in amount RON 144,834 thousands and consists of allocation of impairment for BCR Chisinau and releases of impairment for BCR Leasing, CIT One and BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA.

in RON thousands	2014	2015
Suport Colect SRL	(670,001)	-
BCR Leasing IFN SA	0	111,497
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	14,862	35,562
BCR Chisinau SA	17,637	(8,589)
CIT One SRL	(4,501)	6,364
Total	(642,003)	144,835

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
Discount rate	10.40%	23.70%
Inflation rate*	-	6.00%

*long term inflation in Moldavia

29. OTHER ASSETS (continued)

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

Sensitivity analysis	
Sensivity -discount rate +/- %	100%
Impact on impairment of subsidiaries: discount rate decrease -	37,286
Impact on impairment of subsidiaries: discount rate increase +	(32,757)

30. FINANCIAL LIABILITIES MEASURED AT AMORTISED COSTS

Credit institutions	Group		Bank	
in RON thousands	2014	2015	2014	2015
Current accounts / overnight deposits	185,723	255,392	182,703	253,915
Term deposits from other banks	9,308,050	6,430,572	9,335,429	6,479,946
Borrowings and financing lines	2,381,507	2,216,067	1,707,678	1,281,572
Subordinated loans	2,315,834	2,341,975	2,315,834	2,341,975
Repurchase agreements*	-	3,217	322,478	480,048
Total deposits by banks	**14,191,114**	**11,247,223**	**13,864,122**	**10,837,456**

*include asociated liabilities for collateral repledged in amount of RON 3,217 thousands.

In 2012, the Bank contracted one subordinated loan in EUR as follows:

- EUR 100,000 thousands with the maturity date of 27 June 2022.

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

- EUR 120,000 thousands 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 thousands with the maturity date on 17 April 2018;
- RON 780,000 thousands with the maturity date on 18 December 2018.

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

30. FINANCIAL LIABILITIES MEASURED AT AMORTISED COSTS (continued)

Customer	Group		Bank	
in RON thousands	2014	2015	2014	2015
Current accounts / overnight deposits				
Savings deposits				
General governments	-	-	-	-
Other financial corporations	-	-	-	-
Non-financial corporations	-	-	-	-
Households	1,312	1,413	-	-
Non-savings deposits				
General governments	994,113	906,820	994,113	906,820
Other financial corporations	442,619	517,750	442,619	517,750
Non-financial corporations	5,897,204	7,186,062	5,845,830	7,118,669
Households	4,501,577	5,677,712	4,494,492	5,668,854
Deposits with agreed maturity				
Savings deposits				
General governments	-	-	-	-
Other financial corporations	-	-	-	-
Non-financial corporations	-	-	-	-
Households	2,500,042	2,866,280	-	-
Non-savings deposits				
General governments	583,955	344,905	583,955	344,905
Other financial corporations	787,368	745,153	973,263	931,931
Non-financial corporations	5,203,231	5,386,157	5,261,274	5,504,781
Households	19,011,208	18,993,771	18,996,915	18,980,206
Total deposits from customers	**39,922,629**	**42,626,023**	**37,592,461**	**39,973,916**
General governments	1,578,068	1,251,725	1,578,068	1,251,725
Other financial corporations	1,229,987	1,262,903	1,415,882	1,449,681
Non-financial corporations	11,100,435	12,572,219	11,107,104	12,623,450
Households	26,014,139	27,539,176	23,491,407	24,649,060

Debt securities issued	Group		Bank	
in RON thousands	2014	2015	2014	2015
Subordinated liabilities	**243,561**	**247,956**	**243,561**	**247,956**
Subordinated issues and deposits	243,561	247,956	243,561	247,956
Other debt securities in issue	**800,647**	**664,280**	**800,647**	**664,280**
Bonds (not subordinated)	800,647	664,280	800,647	664,280
Total debt securities issued	**1,044,208**	**912,236**	**1,044,208**	**912,236**

As of 31 December 2015, the outstanding nominal amount of subordinated bonds issued by the Bank was: EUR 33.5 million and RON 20 million (2014: EUR 33.5 million and RON 20 million).

31. PROVISIONS

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Restructuring provisions	13,926	-	13,926	-
Long-term employee provisions	40,775	42,452	40,276	41,856
Pending legal issues and tax litigation	74,436	526,491	70,234	510,250
Commitments and guarantees given	210,871	242,720	210,867	242,709
Provisions for commitments and guarantees - off balance (defaulted customers)	131,338	178,728	131,334	178,728
Provisions for commitments and guarantees - off balance (non defaulted customers)	79,533	63,992	79,533	63,981
Other provisions	7,391	1,054	7,391	1,054
Provisions for onerous contracts	5,606	1,054	5,606	1,054
Other provisions	1,785	-	1,785	-
Total provisions	**347,399**	**812,717**	**342,694**	**795,869**

Details on legal claims are described in Note 45.

MOVEMENT IN PROVISIONS

2014 Group

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes	Closing balance
Provisions: Restructuring (see Note 8)	775	13,452	(25)	(276)	-	-	13,926
Provisions: Pending legal issues and tax litigation (see Note 11)	38,520	44,615	-	(8,707)	-	8	74,436
Commitments and guarantees given (see Note 11)	317,956	107,864	(126,766)	(90,098)	3,266	(1,351)	210,871
Provisions for guarantees - off balance (defaulted customers)	230,860	66,227	(126,766)	(40,287)	3,266	(1,962)	131,338
Provisions for guarantees - off balance (non defaulted customers)	87,096	41,637	-	(49,811)	-	611	79,533
Other provisions (see Note 11)	1,796	5,606	-	(11)	-	-	7,391
Provisions for onerous contracts	-	5,606	-	-	-	-	5,606
Other provisions	1,796	-	-	(11)	-	-	1,785
Total provisions	**359,047**	**171,537**	**(126,791)**	**(99,092)**	**3,266**	**(1,343)**	**306,624**

2015 Group

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes	Closing balance
Provisions: Restructuring (see Note 8)	13,926	-	(3,404)	(10,522)	-	-	-
Provisions: Pending legal issues and tax litigation (see Note 11)	74,436	489,772	(116)	(37,443)	-	(158)	526,491
Commitments and guarantees given (see Note 11)	210,871	129,516	-	(100,654)	2,061	926	242,720
Provisions for guarantees - off balance (defaulted customers)	131,338	75,636	-	(30,349)	2,061	42	178,728
Provisions for guarantees - off balance (non defaulted customers)	79,533	53,881	-	(70,306)	-	884	63,992
Other provisions (see Note 11)	7,391	25,048	(25,048)	(6,812)	-	475	1,054
Provisions for onerous contracts	5,606	-	-	(5,027)	-	475	1,054
Other provisions	1,785	25,048	(25,047)	(1,786)	-	-	-
Total provisions	**306,624**	**644,336**	**(28,568)**	**(155,431)**	**2,061**	**1,243**	**770,265**

31. PROVISIONS (continued)

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes	Closing balance
						2014	Bank
Provisions: Restructuring (see Note 8)	600	13,452	-	(126)	-	-	13,926
Provisions: Pending legal issues and tax litigation (see Note 11)	34,177	42,917	-	(6,866)	-	6	70,234
Commitments and guarantees given (see Note 11)	317,954	107,862	(126,766)	(90,098)	3,266	(1,351)	210,867
Provisions for guarantees - off balance (defaulted customers)	230,858	66,225	(126,766)	(40,287)	3,266	(1,962)	131,334
Provisions for guarantees - off balance (non defaulted customers)	87,096	41,637	-	(49,811)	-	611	79,533
Other provisions (see Note 11)	1,796	5,606	-	(11)	-	-	7,391
Provisions for onerous contracts	-	5,606	-	-	-	-	5,606
Other provisions	1,796	-	-	(11)	-	-	1,785
Total provisions	**354,527**	**169,837**	**(126,766)**	**(97,101)**	**3,266**	**(1,345)**	**302,418**

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes	Closing balance
						2015	Bank
Provisions: Restructuring (see Note 8)	13,926	-	(3,404)	(10,522)	-	-	-
Provisions: Pending legal issues and tax litigation (see Note 11)	70,234	476,322	-	(36,336)	-	30	510,250
Commitments and guarantees given (see Note 11)	210,867	129,494	-	(100,639)	2,061	926	242,709
Provisions for guarantees - off balance (defaulted customers)	131,334	75,636	-	(30,349)	2,061	46	178,728
Provisions for guarantees - off balance (non defaulted customers)	79,533	53,858	-	(70,290)	-	880	63,981
Other provisions (see Note 11)	7,391	24,773	(24,772)	(6,813)	-	475	1,054
Provisions for onerous contracts	5,606	-	-	(5,027)	-	475	1,054
Other provisions	1,785	24,773	(24,772)	(1,786)	-	-	-
Total provisions	**302,418**	**630,589**	**(28,176)**	**(154,310)**	**2,061**	**1,431**	**754,013**

Long-term employee provisions	Group		Bank	
in RON thousands	**2014**	**2015**	**2014**	**2015**
Opening defined benefit obligation	41,811	40,775	41,425	40,276
Interest cost	1,590	1,462	1,576	1,449
Current service cost	2,750	4,118	2,675	4,023
Past service cost	(13,679)	-	(13,679)	-
Benefits paid	(219)	(161)	(208)	(161)
Actuarial (gains)/loss on obligations	11,833	416	11,748	427
effect of changes in financial assumptions	11,438	1,880	11,357	1,868
effect of experience adjustments	395	(1,464)	391	(1,441)
Settlements gain	(3,311)	(4,158)	(3,261)	(4,158)
Total	**40,775**	**42,452**	**40,276**	**41,856**

Settlement gain arised from personnel living the Bank settlements.
In 2014 the collective labor agreement of the Bank has been changed and the entitled benefits have been reduced to 4 gross monthly salaries. Consequently, a release of RON 13,679 thousands has been recognized in past service cost.

According to the collective labor agreement, employees are entitled to one lump sum payment on the date of normal age retirement, of up to 4 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 government 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.

31. PROVISIONS (continued)

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

	2014 %	2015 %
Discount rate	3.63%	3.39%
Future salary increases	2.80%	2.80%
Mortality rates	ETTL-PAGLER	ETTL-PAGLER
Disability rates	ETTL-PAGLER	ETTL-PAGLER

	Group		Bank	
Sensitivity analysis	2014	2015	2014	2015
Sensivity - Discount rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Discount rate decrease -	2,965	2,922	3,058	3,112
Impact on DBO: Discount rate increase +	(2,910)	(3,058)	(2,776)	(2,827)
Sensivity - Salary increase rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Salary increase rate -	(2,944)	(3,087)	(2,810)	(2,856)
Impact on DBO: Salary increase rate +	2,975	2,925	3,068	3,114

The average duration of the defined benefit obligation at the end of the reporting period is 15.9 years.

The expected service cost for 2016 is RON 4,210 thousands for Group and RON 4,106 thousands for the Bank.

32. OTHER LIABILITIES

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Deferred income and accured expenses	2,083	106,818	674	106,642
Sundry liabilities	166,404	200,774	86,296	138,327
Total	**168,487**	**307,592**	**86,970**	**244,969**

Deferred income and accrued expenses include accruals for general administrative expenses and are in amount of RON 105,762 thousands. In 2014 these accruals were included in other financial liabilities and were in amount of RON 56,140 thousands.

Sundry liabilities consist mainly of debts regarding wages and salaries and local taxes, which are not overdue.

33. ISSUED CAPITAL

The statutory share capital of the Bank as at 31 December 2015 is represented by 16,253,416,145 ordinary shares of RON 0.10 each (31 December 2014: 16,253,416,145 ordinary shares of RON 0.10 each). The shareholders of the Bank are as follows:

	2014		2015	
in RON thousands	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank Ceps Holding GmbH	15,209,630,496	93.5781%	15,209,668,849	93.5783%
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	6.2973%
SC Actinvest SA	226,802	0.0014%	226,802	0.0014%
FDI Certinvest Dinamic	13,699	0.0001%	13,699	0.0001%
Individuals	20,010,843	0.1231%	19,972,490	0.1229%
Total	**16,253,416,145**	**100.0000%**	**16,253,416,145**	**100.0000%**

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

in RON thousands	2014	2015
Share capital before the effect of hyperinflation	1,625,342	1,625,342
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31December 2003)	1,327,224	1,327,224
Share capital	**2,952,566**	**2,952,566**

34. SEGMENT REPORTING

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:

A. 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.

Corporate banking

- Within corporate banking, the Group provides corporations, real estate and large corporate 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. Principal activity is of handling loans, other credit facilities, deposits, and current accounts for corporate and institutional customers, 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.

Main Corporate segments consist of:

B. Small and Medium Enterprises which represent clients with the following main characteristics:

- companies having annual turnover between 1 to 25 million EUR
- clients requesting financing of real estate projects less than 3 million EUR
- international clients with more than 50% foreign capital and annual turnover between 10 to 25 million EUR
- municipalities representing local authorities and companies managed by local authorities
- public sector representing central authorities and companies owned by state, public funds

C. Large Corporates

- companies part of a group with at least a single member having more than 25 million EUR turnover
- part of a group with a cumulated turnover of more than 275 million EUR
- entities or group of entities listed on the stock exchange; Erste Group subsidiaries, Non-Financial Institutions

D. Commercial RE

- companies which request financing for real estate projects more than 3 million EUR

E. Other corporate includes activities related to investment banking services and financial products and services

Other banking segments:

F. ALM & Local Corporate Center:

- Balance sheet management - principally providing assets and liabilities management, funding and derivative transactions, investments and issuance of bonds operations;
- Local Corporate Center - unallocated items, items which do not belong to business lines and Free Capital.

G. Group Capital Markets (GCM):

- principally providing money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments- trading and sales activities.

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

34. SEGMENT REPORTING (continued)

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: 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.

In geographical segmentation Erste Group shows BCR Group entirely under geographical area ROMANIA. Furthermore, the only business done outside ROMANIA is performed by BCR Chisinau, but the contribution to Balance Sheet and P&L is insignificant. There is no other geographical steering information used by BCR management, therefore this segmentation is not shown here.

in RON thousands							2014	Group
	Group	RETAIL	SME	Large Corporate	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center*	GCM
Net interest income	2,289,419	1,415,410	405,474	182,282	48,212	30	227,373	10,638
Net fee and commission income	711,261	562,838	82,254	103,713	2,290	1,017	(44,766)	3,915
Dividend income	2,604	-	-	-	-	-	2,604	-
Net trading and fair value result	360,835	94,233	37,500	19,736	3,100	-	50,551	155,715
Net result from equity method investments	992	-	-	-	-	-	992	-
Rental income from investment properties and other operating lease	24,233	-	19,746	-	-	-	4,487	-
General Administrative expenses	**(1,474,911)**	**(1,162,336)**	**(212,163)**	**(88,707)**	**(8,074)**	**(2,354)**	**23,877**	**(25,152)**
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	8,058	-	-	-	-	-	8,058	-
Net impairment loss on financial assets not measured at fair value through profit or loss	(4,440,001)	(1696,053)	(1088,697)	(1306,624)	(327,675)	-	(21,612)	660
Other operating result	(520,355)	(138,075)	(27,759)	(8,372)	(60,438)	-	(285,479)	(232)
Pre-tax profit from continuing operations	**(3,037,865)**	**(923,983)**	**(783,645)**	**(1,097,972)**	**(342,585)**	**(1,307)**	**(33,915)**	**145,544**
Taxes on income	243,848	147,837	125,383	175,676	54,814	209	(236,784)	(23,287)
Post-tax profit from continuing operations	**(2,794,017)**	**(776,146)**	**(658,262)**	**(922,296)**	**(287,771)**	**(1,098)**	**(270,699)**	**122,257**
NET PROFIT OF THE YEAR	**(2,794,017)**	**(776,146)**	**(658,262)**	**(922,296)**	**(287,771)**	**(1,098)**	**(270,699)**	**122,257**
Attributable to non-controlling interests	5,849	5,842		-	-	-	7	-
Attributable to owners of the parent	**(2,799,866)**	**(781,989)**	**(658,262)**	**(922,296)**	**(287,771)**	**(1,098)**	**(270,706)**	**122,257**
Operating Income	3,389,344	2,072,481	544,974	305,731	53,602	1,047	241,241	170,268
Operating Expenses	(1474,911)	(1,162,336)	(212,163)	(88,707)	(8,074)	(2,354)	23,877	(25,152)
Operating Result	**1,914,433**	**910,145**	**332,811**	**217,024**	**45,528**	**(1,307)**	**265,118**	**145,116**
Cost Income Ratio	43.5%	56.1%	38.9%	29.0%	15.1%	224.8%	-9.9%	14.8%

* All intercompany eliminations are included in the Local Corporate Center

34. SEGMENT REPORTING (continued)

in RON thousands	Group	RETAIL	SME	Large Corporate	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center*	GCM
							2014	Group
ASSETS								
Cash and cash balances	8,235,167	1,596,726	34,143	-	-	-	6,474,298	130,000
Financial assets - held for trading	370,829	-	-	-	-	-	154,976	215,853
Derivatives	154,976	-	-	-	-	-	154,976	-
Other trading assets	215,853	-	-	-	-	-	-	215,853
Financial assets designated at fair value through profit or loss	24,587	-	20,358	-	-	-	4,229	-
Financial assets - available for sale	7,655,061	1,001,319	230,919	-	-	-	6,422,824	-
Financial assets - held to maturity	9,578,176	1,075,684	73,075	-	-	-	8,429,417	-
Loans and receivables to credit institutions	525,281	568,337	87,621	-	-	-	(172,171)	41,494
Loans and receivables to customers	32,566,066	17,715,523	8,873,954	4,018,722	1,665,412	-	292,454	-
Property and equipment	1,056,610	1,158	176,982	-	-	-	878,470	-
Intangible assets	218,461	6,336	3,555	-	-	-	208,570	-
Investments in associates	15,289	-	900	-	-	-	14,389	-
Current tax assets	89,086	-	-	-	-	-	89,086	-
Deferred tax assets	526,170	-	9,867	-	-	-	516,303	-
Non-current assets and disposal groups classified as held for sale	335,680	-	-	-	-	-	335,680	-
Other assets	428,151	71,276	157,395	-	-	-	199,480	-
TOTAL ASSETS	**61,624,614**	**22,036,360**	**9,668,770**	**4,018,722**	**1,665,412**	**0**	**23,848,004**	**387,347**
LIABILITIES								
Financial liabilities held for trading	70,127	-	-	-	-	-	70,127	-
Derivatives	70,127	-	-	-	-	-	70,127	-
Financial liabilities measured at amortised costs	55,564,030	29,447,417	5,376,683	3,909,434	241,289	-	14,244,732	2,344,475
Deposits from banks	14,191,114	189,261	1,023,178	-	-	-	12,906,675	72,000
Deposits from customers	39,922,629	29,197,225	4,346,821	3,896,021	241,289	-	(27,696)	2,268,971
Debt securities issued	1,044,208	-	-	-	-	-	1,044,208	-
Other financial liabilities	406,079	60,932	6,684	13,413	-	-	321,546	3,504
Derivatives - hedge accounting	554,005	-	-	-	-	-	554,005	-
Provisions	347,399	12,568	29,897	160,046	6,615	-	138,273	-
Current tax liabilities	695	-	-	-	-	-	695	-
Deferred tax liabilities	9,716	6,966	2,234	-	-	-	516	-
Other Liabilities	168,487	40,686	28,985	-	-	-	98,816	-
Total equity	4,910,155	1,652,724	831,736	558,871	163,271	489	1,668,067	34,997
TOTAL LIABILITIES AND EQUITY	**61,624,614**	**31,160,362**	**6,269,536**	**4,628,350**	**411,174**	**489**	**16,775,231**	**2,379,472**

* All intercompany eliminations are included in the Local Corporate Center

in RON thousands	Group	RETAIL	SME	Large Corporate	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center*	GCM
							2015	Group
Net interest income	1,992,595	1,296,786	387,002	147,932	59,304	23	95,027	6,521
Net fee and commission income	725,181	562,611	78,456	103,480	7,687	3,053	(34,402)	4,296
Dividend income	5,732	-	-	-	-	-	5,732	-
Net trading and fair value result	308,413	104,530	40,656	15,004	3,369	-	2,453	142,401
Net result from equity method investments	2,749	-	-	-	-	-	2,749	-
Rental income from investment properties and other operating lease	40,258	-	35,679	-	-	-	4,579	-
General Administrative expenses	(1,513,435)	(1,234,337)	(222,486)	(108,917)	(7,884)	(2,060)	89,427	(27,178)
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	5,005	-	-	-	-	5,005	-	-
Net impairment loss on financial assets not measured at fair value through profit or loss	72,903	(158,338)	8,154	181,993	46,524	-	(5,377)	(53)
Other operating result	(627,352)	(474,993)	(44,452)	(31,616)	(25,686)	-	(50,403)	(202)
Pre-tax profit from continuing operations	**1,012,049**	**96,259**	**283,009**	**307,876**	**83,314**	**6,021**	**109,785**	**125,785**
Taxes on income	(90,027)	(15,401)	(45,281)	(49,260)	(13,330)	(245)	53,536	(20,046)
Post-tax profit from continuing operations	**922,022**	**80,858**	**237,728**	**258,616**	**69,984**	**5,776**	**163,321**	**105,739**
NET PROFIT OF THE YEAR	**922,022**	**80,858**	**237,728**	**258,616**	**69,984**	**5,776**	**163,321**	**105,739**
Attributable to non-controlling interests	3,072	2,984	5	-	-	-	83	-
Attributable to owners of the parent	**918,950**	**77,874**	**237,723**	**258,616**	**69,984**	**5,776**	**163,238**	**105,739**
Operating Income	3,074,928	1,963,927	541,793	266,417	70,360	3,076	76,139	153,217
Operating Expenses	(1,513,435)	(1,234,337)	(222,486)	(108,917)	(7,884)	(2,060)	89,427	(27,178)
Operating Result	**1,561,493**	**729,590**	**319,307**	**157,500**	**62,476**	**1,016**	**165,566**	**126,039**
Cost Income Ratio	49.22%	62.85%	41.06%	40.88%	11.21%	66.97%	-117.45%	17.74%

* All intercompany eliminations are included in the Local Corporate Center

34. SEGMENT REPORTING (continued)

in RON thousands							2015	Group
	Group	RETAIL	SME	Large Corporate	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center*	GCM
ASSETS								
Cash and cash balances	9,441,833	2,235,863	93,174	-	-	-	6,962,551	150,245
Financial assets - held for trading	248,108	-	-	-	-	-	78,814	169,294
Derivatives	78,814	-	-	-	-	-	78,814	-
Other trading assets	169,294	-	-	-	-	-	-	169,294
Financial assets designated at fair value through profit or loss	22,246	-	17,967	-	-	-	4,279	-
Financial assets - available for sale	7,203,260	923,479	258,459	-	-	-	6,021,322	-
Financial assets - held to maturity	10,154,420	1,301,404	32,911	-	-	-	8,820,105	-
Loans and receivables to credit institutions	204,403	678,468	50,672	-	-	-	(632,011)	107,274
Loans and receivables to customers	32,450,757	17,884,611	8,844,891	4,124,406	1,402,812	-	191,300	2,737
Derivatives - hedge accounting	-	-	-	-	-	-	-	-
Changes in fair value of portfolio hedged items	-	-	-	-	-	-	-	-
Property and equipment	1,098,757	1,836	225,753	-	-	-	871,168	-
Investment properties	486	-	486	-	-	-	-	-
Intangible assets	234,265	3,994	3,603	-	-	-	226,668	-
Investments in associates	16,193	-	900	-	-	-	15,293	-
Current tax assets	133,192	-	-	-	-	-	133,192	-
Deferred tax assets	426,363	1,334	12,958	-	-	-	412,071	-
Non-current assets and disposal groups classified as held for sale	301,900	-	-	-	-	-	301,900	-
Other assets	423,833	116,901	79,210	-	-	-	227,722	-
TOTAL ASSETS	**62,360,016**	**23,147,890**	**9,620,984**	**4,124,406**	**1,402,812**	**0**	**23,634,374**	**429,550**
LIABILITIES								
Financial liabilities held for trading	35,102	-	-	-	-	-	35,102	-
Derivatives	35,102	-	-	-	-	-	35,102	-
Financial liabilities measured at amortised costs	55,321,688	31,390,694	6,629,612	3,867,953	276,784	-	11,020,716	2,135,929
Deposits from banks	11,247,223	145,565	1,233,971	-	-	-	9,804,467	63,220
Deposits from customers	42,626,022	31,199,989	5,391,161	3,851,723	276,784	-	(161,512)	2,067,877
Debt securities issued	912,236	-	-	-	-	-	912,236	-
Other financial liabilities	536,207	45,140	4,480	16,230	-	-	465,525	4,832
Derivatives - hedge accounting	-	-	-	-	-	-	-	-
Provisions	812,717	20,559	46,101	189,206	726	-	556,125	-
Current tax liabilities	1,350	-	-	-	-	-	1,350	-
Deferred tax liabilities	6,282	5,570	226	-	-	-	486	-
Other Liabilities	307,592	35,244	22,948	-	-	-	249,400	-
Total equity	5,875,285	1,540,311	859,956	539,518	149,384	566	2,741,426	44,124
TOTAL LIABILITIES AND EQUITY	**62,360,016**	**32,992,378**	**7,558,843**	**4,596,677**	**426,894**	**566**	**14,604,605**	**2,180,053**

* All intercompany eliminations are included in the Local Corporate Center

in RON thousands							2014	Bank
	Group	RETAIL	SME	Large Corporate	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center	GCM
Net interest income	2,215,176	1,326,352	367,090	182,282	48,212	30	280,572	10,638
Net fee and commission income	685,825	537,478	82,113	103,713	2,290	1,017	(44,702)	3,915
Dividend income	26,134						26,134	
Net trading and fair value result	358,568	94,438	34,948	19,736	3,100	-	50,631	155,715
Rental income from investment properties and other operating lease	4,280	-	-	-	-	-	4,280	-
General Administrative expenses	**(1,493,800)**	**(1,113,965)**	**(174,848)**	**(88,707)**	**(8,074)**	**(2,354)**	**(80,699)**	**(25,152)**
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	8,058						8,058	
Net impairment loss on financial assets not measured at fair value through profit or loss	(3,815,146)	(1,091,626)	(1,068,269)	(1,306,624)	(327,675)	-	(21,612)	660
Other operating result	(857,625)	(702,799)	(13,578)	(8,372)	(60,438)	-	(72,206)	(232)
Pre-tax profit from continuing operations	**(2,868,530)**	**(950,122)**	**(772,544)**	**(1,097,973)**	**(342,585)**	**(1,307)**	**150,457**	**145,544**
Taxes on income	238,962	152,019	123,607	175,676	54,814	209	(244,076)	(23,287)
Post-tax profit from continuing operations	**(2,629,568)**	**(798,102)**	**(648,937)**	**(922,297)**	**(287,772)**	**(1,098)**	**(93,619)**	**122,257**
NET PROFIT OF THE YEAR	**(2,629,568)**	**(798,102)**	**(648,937)**	**(922,297)**	**(287,772)**	**(1,098)**	**(93,619)**	**122,257**
Attributable to non-controlling interests	-	-		-	-		-	-
ATTRIBUTABLE TO OWNERS OF THE PARENT	**(2,629,568)**	**235,866**		**(442,316)**	**(64,214)**		**396,035**	**210,156**
Operating Income	3,289,983	1,958,268	484,150	305,731	53,602	1,048	316,915	170,268
Operating Expenses	(1493,800)	(1,113,965)	(174,848)	(88,707)	(8,074)	(2,354)	(80,699)	(25,152)
Operating Result	**1,796,183**	**844,303**	**309,303**	**217,024**	**45,528**	**(1,307)**	**236,216**	**145,116**
Cost Income Ratio	45.4%	56.9%	36.1%	29.0%	15.1%	224.7%	25.5%	14.8%

34. SEGMENT REPORTING (continued)

in RON thousands	Bank	RETAIL	SME	Large Corporate	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center 2014	GCM Bank
ASSETS								
Cash and cash balances	8,158,441	1,554,120	-	-	-	-	6,474,321	130,000
Financial assets - held for trading	370,829	-	-	-	-	-	154,976	215,853
Derivatives	154,976	-	-	-	-	-	154,976	-
Other trading assets	215,853	-	-	-	-	-	-	215,853
Financial assets designated at fair value through profit or loss	24,587	-	20,358	-	-	-	4,229	-
Financial assets - available for sale	6,635,423	-	222,847	-	-	-	6,412,576	-
Financial assets - held to maturity	8,429,417	-	-	-	-	-	8,429,417	-
Loans and receivables to credit institutions	480,666	-	-	-	-	-	439,172	41,494
Loans and receivables to customers	32,937,273	17,435,703	8,088,698	4,018,722	1,665,412	-	1,728,738	-
Property and equipment	222,539	-	-	-	-	-	222,539	-
Intangible assets	206,874	-	-	-	-	-	206,874	-
Investments in associates	7,509	-	-	-	-	-	7,509	-
Current tax assets	89,042	-	-	-	-	-	89,042	-
Deferred tax assets	503,888	-	-	-	-	-	503,888	-
Non-current assets and disposal groups classified as held for sale	37,678	-	-	-	-	-	37,678	-
Other assets	932,968	-	-	-	-	-	932,968	-
TOTAL ASSETS	**59,037,134**	**18,989,823**	**8,331,904**	**4,018,722**	**1,665,412**	**0**	**25,643,926**	**387,347**
LIABILITIES								
Financial liabilities held for trading	70,127	-	-	-	-	-	70,127	-
Derivatives	70,127	-	-	-	-	-	70,127	-
Financial liabilities measured at amortised costs	52,872,441	26,722,374	4,239,572	3,909,434	241,289	-	15,415,298	2,344,475
Deposits from banks	13,864,122	-	-	-	-	-	13,792,122	72,000
Deposits from customers	37,592,461	26,695,871	4,232,888	3,896,021	241,289	-	257,422	2,268,971
Debt securities issued	1,044,208	-	-	-	-	-	1,044,208	-
Other financial liabilities	371,650	26,503	6,684	13,413	-	-	321,546	3,504
Derivatives - hedge accounting	554,005	-	-	-	-	-	554,005	-
Provisions	342,694	11,817	29,321	160,046	6,615	-	134,896	-
Other Liabilities	86,970	-	-	-	-	-	86,970	-
Total equity	5,110,897	1,614,609	739,287	558,871	163,271	489	1,991,676	42,694
TOTAL LIABILITIES AND EQUITY	**59,037,134**	**28,348,800**	**5,008,179**	**4,628,350**	**411,174**	**489**	**18,252,972**	**2,387,169**

in RON thousands	Group	RETAIL	SME	Large Corporate	Commercial Real Estate	Other Corporate 2015	ALM & Local Corporate Center	GCM Bank
Net interest income	1,925,963	1,249,558	330,781	147,932	59,304	23	131,844	6,521
Net fee and commission income	695,461	531,770	79,525	103,480	7,687	3,053	(34,350)	4,296
Dividend income	31,295	-	-	-	-	-	31,295	-
Net trading and fair value result	303,988	104,690	35,718	15,004	3,369	-	2,806	142,401
Net result from equity method investments	-	-	-	-	-	-	-	-
Rental income from investment properties and other operating lease	1,406	-	-	-	-	-	1,406	-
General Administrative expenses	(1,530,824)	(1,187,774)	(173,103)	(108,917)	(7,884)	(2,060)	(23,908)	(27,178)
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	(10)	-	-	-	-	-	(10)	-
Net impairment loss on financial assets not measured at fair value through profit or loss	58,300	(175,851)	11,064	181,993	46,524	-	(5,377)	(53)
Other operating result	(429,876)	(468,467)	(17,764)	(31,616)	(25,686)	-	113,859	(202)
Pre-tax profit from continuing operations	**1,055,703**	**53,926**	**266,221**	**307,876**	**83,314**	**1,016**	**217,565**	**125,785**
Taxes on income	(92,276)	(8,628)	(42,596)	(49,260)	(13,330)	(245)	41,826	(20,043)
Post-tax profit from continuing operations	**963,427**	**45,298**	**223,625**	**258,616**	**69,984**	**771**	**259,391**	**105,742**
NET PROFIT OF THE YEAR	**963,427**	**45,298**	**223,625**	**258,616**	**69,984**	**771**	**259,391**	**105,742**
Operating Income	2,958,113	1,886,018	446,024	266,416	70,360	3,076	133,001	153,218
Operating Expenses	(1,530,824)	(1,187,774)	(173,103)	(108,917)	(7,884)	(2,060)	(23,908)	(27,178)
Operating Result	**1,427,289**	**698,244**	**272,921**	**157,499**	**62,476**	**1,016**	**109,093**	**126,040**
Cost Income Ratio	51.75%	62.98%	38.81%	40.88%	11.21%	66.97%	17.98%	17.74%

34. SEGMENT REPORTING (continued)

in RON thousands							2015	Bank
	Bank	RETAIL	SME	Large Corporate	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center	GCM
ASSETS								
Cash and cash balances	9,255,487	2,142,409	-	-	-	-	6,962,833	150,245
Financial assets - held for trading	248,108	-	-	-	-	-	78,814	169,294
Derivatives	78,814	-	-	-	-	-	78,814	-
Other trading assets	169,294	-	-	-	-	-	-	169,294
Financial assets designated at fair value through profit or loss	22,246	-	17,967	-	-	-	4,279	-
Financial assets - available for sale	6,256,238	-	234,924	-	-	-	6,021,314	-
Financial assets - held to maturity	8,818,660	-	(1,445)	-	-	-	8,820,105	-
Loans and receivables to credit institutions	184,631	-	-	-	-	-	77,357	107,274
Loans and receivables to customers	32,548,724	17,642,368	7,813,529	4,124,406	1,402,812	-	1,562,872	2,737
Property and equipment	235,921	-	-	-	-	-	235,921	-
Intangible assets	224,239	-	-	-	-	-	224,239	-
Investments in associates	7,509	-	-	-	-	-	7,509	-
Current tax assets	131,826	-	-	-	-	-	131,826	-
Deferred tax assets	398,530	-	-	-	-	-	398,530	-
Non-current assets and disposal groups classified as held for sale	38,037	-	-	-	-	-	38,037	-
Other assets	1,090,757	-	-	-	-	-	1,090,757	-
TOTAL ASSETS	**59,460,913**	**19,784,777**	**8,064,975**	**4,124,406**	**1,402,812**	**0**	**25,654,393**	**429,550**
LIABILITIES								
Financial liabilities held for trading	35,102	-	-	-	-	-	35,102	-
Derivatives	35,102	-	-	-	-	-	35,102	-
Financial liabilities measured at amortised costs	52,241,984	28,359,612	5,277,313	3,867,953	276,784	-	12,324,393	2,135,929
Deposits from banks	10,837,456	7	-	-	-	-	10,774,229	63,220
Deposits from customers	39,973,916	28,332,296	5,272,833	3,851,723	276,784	-	172,403	2,067,877
Debt securities issued	912,236	-	-	-	-	-	912,236	-
Other financial liabilities	518,376	27,308	4,480	16,230	-	-	465,526	4,832
Derivatives - hedge accounting	-	-	-	-	-	-	-	-
Provisions	795,869	8,116	44,661	189,206	726	-	553,160	-
Other Liabilities	244,969	-	-	-	-	-	244,969	-
Total equity	6,142,989	1,506,010	749,033	552,622	149,384	566	3,141,031	44,343
TOTAL LIABILITIES AND EQUITY	**59,460,913**	**29,873,738**	**6,071,007**	**4,609,781**	**426,894**	**566**	**16,298,655**	**2,180,272**

35. RETURN ON ASSETS

Return on assets (net profit for the year divided by average total assets) was 1.47% (2014: -4.35%) for the Group and 1.61% (2014: -4.29%) for the Bank.

36. LEASES

a) Finance leases

Finance leases receivables are included under the balance sheet item ‘Loans and advances to customers’.

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:

	2014	2015
Outstanding minimum lease payments	791,280	1,041,596
Gross investment	**791,280**	**1,041,596**
Unrealised financial income	(85,399)	(90,285)
Net investment	**705,881**	**951,310**
Present value of minimum lease payments	**705,881**	**951,310**

36. LEASES (continued)

The maturity analysis of gross investment in leases and present values of minimum lease payments under non-cancellable leases is as follows (residual maturities):

	Gross investment	
	2014	2015
< 1year	267,004	332,813
1-5 years	459,389	680,233
> 5 years	64,888	28,549
Total	**791,280**	**1,041,595**

b) Operating leases

Under operating leases, BCR Group and Bank leases both real estate and movable property to other parties.

Minimum lease payments from non-cancellable operating leases, from the view of BCR Group and Bank as lessor, were as follows:

	Group		Bank	
	2014	2015	2014	2015
< 1year	46,478	41,014	1,839	287
1-5 years	122,733	125,327	-	287
> 5 years	31,462	280	-	
Total	**200,673**	**166,621**	**1,839**	**574**

Minimum lease payments from non-cancellable operating leases, from the view of BCR Group and Bank as lessee, were as follows:

	Group		Bank	
	2014	2015	2014	2015
< 1year	10,176	6,365	58,059	96,678
1-5 years	12,684	7,525	160,796	286,532
> 5 years	8,812	12,985	198,216	4,186
Total	**31,672**	**26,875**	**417,071**	**387,396**

Lease payments from operating leases recognised as expense in the period amounted to RON 56,462 thousands (2014: RON 62,717 thousands) for Group and RON 166,839 thousands (2014: RON 175,927 thousands) for Bank.

37. RELATED-PARTY TRANSACTIONS AND PRINCIPAL SHAREHOLDERS

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 2015 and 2014 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with parent

All transactions were carried out at market conditions.

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 executive management.

37. RELATED-PARTY TRANSACTIONS AND PRINCIPAL SHAREHOLDERS (continued)

These transactions were carried out on commercial terms and conditions and at market rates.

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 related parties:

Balances and off-balace exposures with related parties — **Group**

	2014				2015			
in RON thousands	Parent	Associates	Key management personnel	Other related parties	Parent	Associates	Key management personnel	Other related parties
Financial assets	**348,435**	**-**	**6,773**	**91,169**	**180,920**	**-**	**7,940**	**96,226**
Cash and cash equivalents	60,847	-	-	-	82,113	-	-	-
Derivative financial instruments	102,751	-	-	-	59,655	-	-	-
Equity instruments	1,285	-	-	9,012	-	-	-	-
Loans and advances	**183,552**	**-**	**6,773**	**82,157**	**39,152**	**-**	**7,940**	**96,226**
Loans and advances with credit institutions	183,552	-	-	-	39,152	-	-	-
Loans and advances with customers	-	-	6,773	82,157	-	-	7,940	96,226
Financial liabilities	**13,071,477**	**6,077**	**6,980**	**327,521**	**9,856,109**	**37,120**	**7,012**	**112,746**
Deposits	**12,475,467**	**6,077**	**6,980**	**327,521**	9,806,765	37,120	7,012	78,024
Deposits by banks	12,475,467	-	-	-	9,806,765	-	-	5,795
Deposits by customers	-	6,077	6,980	327,521	-	37,120	7,012	72,229
Derivative financial instruments	596,010	-	-	-	33,339	-	-	-
Other liabilities	-	-	-	-	16,004	-	-	34,723
Loans commitments, financial guarantees and other commitments given -Irrevocable [notional amount]	**2,518**	**-**	**458**	**5**	**4,906**	**-**	**569**	**24,285**
Loans commitments, financial guarantees and other commitments given -Revocabile [notional amount]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,738**
Loan commitments, financial guarantees and other commitments received	**448,219**	**-**	**-**	**-**	**226,956**	**-**	**-**	**-**
Derivatives [notional amount]	**8,133,439**	**-**	**-**	**-**	**5,901,556**	**-**	**-**	**-**

Related parties: expenses and income generated by transactions with related parties — **Group**

	2014				2015			
in RON thousands	Parent	Associates	Key management personnel	Other related parties	Parent	Associates	Key management personnel	Other related parties
Interest income	176,091	-	331	3,884	82,653	-	311	1,594
Interest expenses	461,872	271	106	11,160	350,101	268	34	663
Dividend income	-	-	-	372	-	1,845	-	4,158
Fee and commission income	10,464	4	15	88,573	8,975	3	12	63,036
Fee and commission expenses	22,815	-	-	1	18,517	-	-	-
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	8,526	-	-	-	-
Gains or (-) losses on derecognition of non-financial assets	-	-	-	-	-	-	-	-
Increase or (-) decrease during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	-	-	-	-	-	-	-	-
Net trading results (income)/expense	(34,810)	-	-	-	(36,629)	-	-	-
Operating income	1,940	-	-	-	1,818	-	-	239
Operating expense	15,554	-	-	46,109	14,900	-	-	68,500

37. RELATED-PARTY TRANSACTIONS AND PRINCIPAL SHAREHOLDERS (continued)

Balances and off-balace exposures with related parties — Bank

in RON thousands	2014 Parent	2014 Subsidiaries	2014 Associates	2014 Key management personnel	2014 Other related parties	2015 Parent	2015 Subsidiaries	2015 Associates	2015 Key management personnel	2015 Other related parties
Financial assets	324,227	1,460,699	-	6,773	91,169	145,144	1,399,741	-	7,940	96,226
Cash and cash equivalents	60,847	-	-	-	-	46,338	190	-	-	-
Derivative financial instruments	102,751	-	-	-	-	59,655	-	-	-	-
Equity instruments	1,285	-	-	-	9,012	-	-	-	-	-
Loans and advances	159,344	1,460,699	-	6,773	82,157	39,151	1,399,550	-	7,940	96,226
Loans and advances with credit institutions	159,344	39,257	-	-	-	39,151	28,210	-	-	-
Loans and advances with customers	-	1,421,442	-	6,773	82,157	-	1,371,340	-	7,940	96,226
Financial liabilities	12,462,425	693,103	6,077	6,980	327,521	9,113,677	870,278	37,120	7,012	112,503
Deposits	11,866,415	693,103	6,077	6,980	327,521	9,064,333	861,872	37,120	7,012	78,024
Deposits by banks	11,866,415	548,913	-	-	-	9,064,333	536,966	-	-	5,795
Deposits by customers	-	144,190	6,077	6,980	327,521	-	324,906	37,120	7,012	72,229
Derivative financial instruments	596,010	-	-	-	-	33,339	-	-	-	-
Other liabilities	-	-	-	-	-	16,004	8,406	-	-	34,479
Loans commitments, financial guarantees and other commitments given -Irrevocable [notional amount]	2,518	13,781	-	458	5	4,906	37,681	-	569	24,285
Loans commitments, financial guarantees and other commitments given -Revocabile [notional amount]	-	398,332	-	-	-	-	240,904	-	-	40,738
Loan commitments, financial guarantees and other commitments received	448,219	-	-	-	-	226,956	-	-	-	-
Derivatives [notional amount]	8,133,439	-	-	-	-	5,901,556	-	-	-	-

Related parties: expenses and income generated by transactions with related parties — Bank

in RON thousands	2014 Parent	2014 Subsidiaries	2014 Associates	2014 Key management personnel	2014 Other related parties	2015 Parent	2015 Subsidiaries	2015 Associates	2015 Key management personnel	2015 Other related parties
Interest income	176,089	75,736	-	331	3,884	82,635	43,902	-	311	1,594
Interest expenses	435,483	4,774	271	106	11,160	338,734	7,112	268	34	663
Dividend income	-	23,530	-	-	372	-	23,719	1,845	-	4,158
Fee and commission income	10,446	21,264	4	15	88,573	8,970	30,967	3	12	63,036
Fee and commission expenses	18,537	63	-	-	1	13,405	1	-	-	-
Gains or (-) losses on derecognition of non-financial assets	-	-	-	-	-	-	-	-	-	-
Increase or (-) decrease during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	-	642,003	-	-	-	-	(144,834)	-	-	-
Net trading results (income)/expense	(34,810)	-	-	-	-	(36,629)	-	-	-	-
Operating income	1,940	9,201	-	-	-	1,818	-	-	-	-
Operating expense	15,235	198,665	-	-	46,109	14,611	206,197	-	-	68,163

38. PLEDGED COLLATERAL

in RON thousands	Group 2014	Group 2015	Bank 2014	Bank 2015
Financial assets - available for sale	-	-	125,000	224,026
Financial assets - held to maturity	450,439	853,233	641,296	1,118,199
Total - repurchase agreements	450,439	853,233	766,296	1,342,225

On 31 December 2015, government bonds with a total nominal value of RON 823,170 thousands (31 December 2014: RON 433,000 thousands) 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.

Pledged collateral include securities used for repo transactions.

39. TRANSFERS OF FINANCIAL ASSETS – REPURCHASE TRANSACTIONS AND SECURITIES LENDING

Bank

in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
	2014		2015	
Repurchase agreements				
Financial assets - available for sale	125,000	118,852	224,026	212,553
Financial assets - held to maturity	190,856	203,626	264,966	264,277
Total - repurchase agreements	**315,856**	**322,478**	**488,992**	**476,830**

Transfer of financial assets – repurchase transactions were done within BCR Group, therefore eliminated at consolidated level.

The transferred financial instruments consist of government bonds issued by Romania.

The total amount RON 488,992 thousands (RON 315,856 thousands at 31 December 2014) represents the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledge.

Liabilities from repo transaction in the amount of RON 476,830 thousands (RON 322,478 thousands at 31 December 2014), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

The following table shows fair values of the transferred assets and associated liabilities which have recourse only to the transferred assets. These assets and liabilities relate to repo transactions.

Bank

	Fair value of transferred assets	Fair value of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
	2014		2015	
Financial assets - available for sale	125,000	117,971	224,026	212,476
Financial assets - held to maturity	208,096	202,116	279,314	264,182
Total	**333,096**	**320,087**	**503,340**	**476,658**

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities stay in hands of lender as collateral in case that borrower defaults in fulfilling any of its obligations.

Cash and non-cash financial collateral involved in these transactions is restricted from using it by the transferor during the time of the pledge. The carrying amount of assets pledged is included in note 38.

As at 31 December 2015, The Bank concluded reverse repurchase transactions in amount of 2,737 RON thousands, with maturities between 15.03.2016 and 15.08.2016. The Bank received as collateral financial assets consisting in government bonds issued by Romania having a fair value of RON 3,188 thousands. The Bank has the right to sell or repledge the asset in the absence of default by the owner of the collateral. As at 31 December 2015, the collateral was repledged by the Bank. Asociated liabilities for collateral repledged are in amount of RON 3,217 thousands.

40. RISK MANAGEMENT

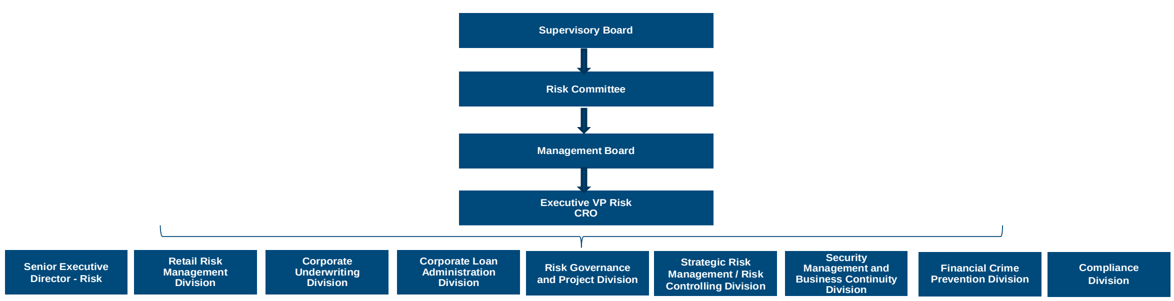
Risk Management is embedded within the daily operation of the Bank, from strategy formulation and capital projects, through to operational planning and processes. In adopting this approach, the Bank provides a visible assurance of transparency and effective self-governance to stakeholders. At the same time the risk process assists the Bank in the planning of its resources, setting priorities, identifying opportunities, agreeing a relevant programme of internal control and audit, and ensures that clear responsibility exists for the management of each area of risk.

40.1. RISK POLICY AND STRATEGY

The core function of the Bank is to take risks in a conscious and selective manner and to manage such risks professionally. BCR Group's proactive risk policy and strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity.
BCR Group uses a risk management and control system that is forward-looking and tailored to its business and risk profile. It is based on a clear risk strategy that is consistent with BCR Group's business strategy and focused on early identification and management of risks and trends. In addition to meeting the internal goal of effective and efficient risk management, BCR Group's risk management and control system has been developed to fulfill external and, in particular, regulatory requirements.
Given BCR Group's business strategy, the key risks for BCR Group are credit risk, market risk, liquidity and operational risk. In addition, a risk materiality assessment is undertaken on an annual basis and a review of the process is done on a quarterly basis. Material risks are ensured to be covered by BCR Group's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of BCR Group.
BCR Group always seeks to enhance and complement existing methods and processes, in all areas of risk management.
In 2015 the management focus prevailed on critical portfolios and further strengthening of the risk profile. Undertaken management actions resulted in the improved profitability, asset quality, lending and capital levels. In addition, like last year, emphasis was put on strengthening risk governance and ensuring compliance with regulatory requirements.
BCR Group Bank uses the Internet as the medium for publishing disclosures of BCR Group under Article 434 Capital Requirements Regulation (CRR). Details are available on the website of BCR Group at www.bcr.ro/en/investors/transparency-and-public-disclosure.

40.2. RISK MANAGEMENT ORGANIZATION

Risk monitoring and control is achieved through a clear organizational structure with defined roles and responsibilities, delegated authorities and risk limits.
The management of retail and corporate credit risk, market risk, operational risk, liquidity as well as reputational risk and strategic risk, the assessment of collaterals and other risk related activities are consolidated under the Risk functional line.
In these terms, risk management specialists are clearly delimited from an organizational point of view from the employees of the operational and support functions.
The following chart presents an overview of BCR Group's risk management, risk governance and responsibilities.



BCR develops and maintains a sound and comprehensive internal control framework, including specific independent control functions with appropriate authority to accomplish their mission.

Overview of risk management structure

Supervisory Board

The Supervisory Board supervises the Management Board in its operational management of the Bank and monitors the compliance of the activities performed by the Management Board pursuant to the Applicable Legislation the Bank's Charter, the resolutions of the Bank's general shareholders meetings and the Bank's strategies and policies.

The Risk Management Committee of the Supervisory Board

The Risk Management Committee has an advisory role, being established for the purpose of assisting the Supervisory Board of the Bank in

40.2 RISK MANAGEMENT ORGANIZATION (continued)

carrying out its roles and responsibilities in respect of risk management.
In performing its responsibilities, the Risk Management Committee of the Supervisory Board prepares and issues recommendations related to the subjects that require discussions as well as for all decisions that will be taken by the Supervisory Board in its area of activity.

The Audit and Compliance Committee
The Audit and Compliance Committee has an advisory role, being established in order to assist the Supervisory Board in its roles related to the internal control, compliance, audit, financial crime an litigations.

Management Board
The Management Board ensure the current steering of the Bank, it perform its activities under the supervision of the Supervisory Board, it have the responsibilities established by the Applicable Legislation, the Bank's Charter and the resolutions of the Supervisory Board and shall act in accordance with these MB Internal Rules.
The Management Board is responsible for the overall risk strategy of the Bank, including the risk tolerance/risk appetite, as well as for the risk management framework.

Operational Risk Management Committee of the Management Board
The Operational Risk Management Committee is responsible for the operational risk management throughout the bank. Its main objective is to decide on the implementation of corrective measures and risk mitigation actions to proactively manage operational risk.

Risk Committee of the Management Board
The Risk Committee of the Management Board is an operative committee that supports the Management Board as related to the main issues in respect of risk management (i.e. risk strategy, risk policies). On the other hand, it represents a forum for discussions of issues related to risk together with the representatives of the business lines.

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

40.3. REGULATORY TOPICS

Starting with the beginning of 2014, the Romanian banking system implemented the BASEL III requirements, as well as CRD IV provisions regarding capital buffers, which were transposed locally through NBR Regulation No. 5/2013 on prudential requirements for credit institutions. No capital buffers were imposed on credit institutions by the National Committee for Financial Stability in 2014 and 2015.

Pursuant to recommendation no.1/2015 of the National Committee for Financial Stability, the following requirements on capital buffers shall apply starting 1 January 2016:
(i) a capital conservation buffer of 0.625 percent of the total risk exposure amount for all credit institutions, Romanian legal entities,
(ii) a countercyclical capital buffer of 0 percent, and
(iii) an O-SII buffer of 1 percent of the total risk exposure amount for all credit institutions identified as systemically important in 2015.

40.4. GROUP-WIDE RISK AND CAPITAL MANAGEMENT

Overview
Effective ERM (Enterprise Risk Management) Principles play an increasing role in broader strategic decisions regarding choosing segments / geographic of operations, investment exposures and thresholds, meeting requirements of regulators and rating agencies and finally driving greater shareholder value.
ERM provides a framework for risk management which involves identifying particular events or circumstances relevant to the Bank's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress.
As in prior years, BCR Group's risk management framework has been continuously strengthened. In particular, ERM has continued to strengthen its comprehensive framework. This includes as its fundamental pillar the Internal Capital Adequacy Assessment Process (ICAAP), as required under Pillar 2 of the Basel framework.

40.4. GROUP-WIDE RISK AND CAPITAL MANAGEMENT (continued)

The ERM framework is designed to support the Bank's management in managing the risk portfolios as well as the coverage potential to assure at all times adequate capital reflecting the nature and magnitude of the Bank's risk profile. ERM is tailored to BCR Group's business and risk profile, and it reflects the strategic goal of protecting shareholders and senior debt holders while ensuring the sustainability of the organization.
ERM is a modular and comprehensive management and steering system within BCR Group and is an essential part of the overall steering and management instruments. The ERM components necessary to ensure all aspects, in particular also to fulfill regulatory requirements, and moreover to provide an internal value added, can be clustered as follows:

- Risk appetite statement
- Portfolio & risk analytics including
  - Risk materiality assessment
- Concentration risk management
- Stress testing
- Risk-bearing capacity calculation
- Risk planning & forecasting including
  - Risk-weighted asset management
  - Capital allocation
- Recovery plan.

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the ERM components serve to support the Bank's management in pursuing its strategy.

Risk Management Principles

The Bank main risk management principles are as follows:

- Core risk management responsibilities embedded in Management Board and appropriately delegated to designated committees to ensure execution and oversight. Also, the Supervisory Board regularly monitors risk profile;
- Risk management governance ensures full oversight of risk and sound execution of risk strategy including appropriate monitoring and escalation of issues materially impacting BCR Group's risk profile;
- Independent expert Risk functions with clear accountability for proactive management of material risks;
- Risk strategy based on Risk Appetite and Strategic Guidelines to ensure full alignment of risk, capital and performance targets;
- A proper risk management framework which is including policies, procedures, limits and controls providing adequate, timely and continuous identification, measurement or assessment, mitigation, monitoring and reporting of the risks posed by the banking activities, both at the business line and institution-wide levels;
- All material risks managed and reported in coordinated manner via risk management processes;
- Policy framework clearly defines key requirements related to creating, classifying, approving, implementing and maintaining policies across BCR Group;
- The Bank has a risk management function independent from the operational functions and which shall have sufficient authority, stature, resources and access to the management body;
- Risk management function ensures that all material risks are identified, measured and properly reported. It is playing a key role within the bank, ensuring that it has effective risk management processes in place;
- The risk management function ensures that all material risks are identified measured and properly reported and plays a key role within the Bank, being involved in the elaboration and review of strategies and decision-making process, as well as in all material risk management decisions regarding material risks which the Bank faces in its commercial operations and activities.

The Bank has also remuneration and pricing principles that are embedded in the bank Risk Strategy.

Risk Strategy

BCR Group defines its risk strategy via the annual strategic planning process (business strategy and strategic guidelines) to ensure appropriate alignment of risk, capital, liquidity and earnings targets. The Management Board provides overall risk and capital management for BCR Group. It is responsible for defining and implementing comprehensive business and risk strategies in alignment with Erste Group strategic objectives and Erste Group Risk Strategy.

40.4. GROUP-WIDE RISK AND CAPITAL MANAGEMENT (continued)

The Risk Strategy forms an essential part of BCR Group's Enterprise-wide Risk Management (ERM) framework. It sets out the general principles according to which risk taking is performed across the group and the main elements of its management framework to ensure an adequate and consistent implementation of the risk strategy.

Risk appetite

The Management Board reviews and approves the risk appetite on an annual basis to ensure that it is consistent with the risk strategy, business environment and stakeholder requirements. Setting the risk appetite aims to ensure that risk is proactively managed to the level desired and approved by the Management Board. Risk appetite tolerance levels are set at different trigger levels, with clearly defined escalation requirements which enable appropriate actions to be defined and implemented as required. In cases where the tolerance levels are breached, it is the responsibility of the Strategic Risk and Enterprise-wide Risk Management function to bring it to the attention of the respective risk committees, and ultimately to the Chief Risk Officer (CRO) and the Management Board (MB).
BCR Group's Risk Appetite is derived from Erste Group RAS (Risk Appetite Statement) in accordance with the approved proportionality principles. It is based on relevant risk drivers and metrics and ensures that BCR Group operates within the strategic guidelines and does not exceed the aggregate risk tolerance.
An important stage of the Risk Management process is the identification of the Bank's Risk Appetite which means what level of risk is prepared to tolerate before it takes proactive actions. The risk governance framework is defined to ensure that BCR Group adheres to its Risk Appetite Framework and that this framework remains updated and reflects the Bank's risk strategy.
the RAS addresses the Bank's material risks under both normal and stressed market and macroeconomic conditions, and set clear expectations through quantitative limits and qualitative statements.

Portfolio and risk analytics

BCR Group uses dedicated infrastructure, systems and processes to actively identify, control and manage risks within the scope of the portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.
Recognition of the strategic importance of risk presents a significant opportunity to improve the strategic alignment of risk with business. Risk based strategy alignment provides a structured approach to ensure that risks and risk mitigation are key elements in strategy discussions. The focus on alignment is intended to reduce redundant strategic and risk management activities and eliminate gaps between objectives, strategic initiatives, risks and risk management plans.

Risk materiality assessment

The risk materiality assessment is an annual comprehensive process with the purpose of systematically identifying new and assessing existing material risks for BCR Group. The process uses a combination of quantitative and qualitative factors in the assessment of each risk type.
The Bank has implemented and continuously develops its risk materiality framework. This process is not limited to the risk function and therefore the various bank entities are involved in order to ensure the comprehensiveness. Such broad involvement of the Bank has improved understanding of the sources of risk, clarify how risks relate to specific business activities, and provide the best chances of identifying newly emerging risks.
This assessment represents the starting point of the ICAAP process, as identified material risk types need to be considered either directly by dedicating economic capital or indirectly through adequate consideration within other ICAAP framework elements. Insights generated by the assessment are used to improve risk management practices and further mitigate risks within BCR Group. The assessment also serves as an input for the design and definition of the BCR Group's Risk Strategy and Risk Appetite Statement. Key outputs and recommendations of the risk materiality assessment are used in the scenario design and selection of the comprehensive and reverse stress tests.

Risk concentration analysis

BCR Group has implemented a comprehensive system for the identification, measurement, control, reporting and management of risk concentrations, especially in case of stressed economic conditions. This is of key importance for securing the long-term viability especially in phases of an adverse macroeconomic environment.

Stress testing

Stress testing is a key risk management tool within financial institutions, in particular to support these in taking a forward-looking view in their risk management as well as strategic, business, risk, capital and liquidity planning. In this sense, stress testing is a vital tool in the Enterprise-wide Risk Management (ERM) framework.

Stress testing is the BCR Group's key tool to spot emerging risks, uncover potential vulnerabilities and take remediation actions.
Modeling sensitivities of BCR Group's assets, liabilities and profit or loss provide management and steering impulses and help in optimizing the Group's risk-return profile. The additional dimension of stress tests should help to factor in severe but plausible scenarios and provide further

40.4. GROUP-WIDE RISK AND CAPITAL MANAGEMENT (continued)

robustness to the measuring, steering and management system. Risk modeling and stress testing are vital forward-looking elements of the ICAAP. Finally, sensitivities and stress scenarios are considered within BCR Group's planning and budgeting process.

Under the regular stress testing exercises, the Bank assessed the sensitivity of its loss experience to changes in its key risk parameters. Two adverse scenarios, stress and worst, characterized by a progressive deterioration of the macroeconomic context both at a national and international level were used to assess the impact, amongst other elements, on the default rate and recovery rate pertaining to credit portfolio.

Under the stress scenario at an increase in the default rate by 39 basis points for both BCR Group and BCR Bank, coupled with a decrease in the recovery rate of 1250 basis points for both BCR Group and BCR Bank, the loss experience increased compared to the business as usual forecast by 206,508 ths Ron and 217,743 ths Ron respectively.

Similarly under the worst scenario, the loss experience increased compared to the forecasted values by 316,679 ths Ron for the Group and 319,557 ths Ron for the Bank, driven by an increase of 43 basis points in default rate of the Group and 42 basis points for the Bank, and a similar deterioration in the recovery rate lower by 2500 basis points for both BCR Group and BCR Bank.

	Group	Bank
In RON thousands	31.12. 2015	31.12. 2015
Change in loss experience (abs)		
Increase forecast vs stress scenario by	206,508	217,743
Increase forecast vs worst scenario by	316,679	319,557

Risk-bearing capacity calculation

The risk-bearing capacity calculation (RCC) defines the capital adequacy required by the ICAAP. Within the risk-bearing capacity calculation (RCC), the quantified risks are aggregated and compared to the coverage potential. The integral forecast, risk appetite as well as a traffic light system support management in its discussions and decision processes.

Risk planning and forecasting

Planning of risk relevant key numbers is also part of BCR Enterprise Risk Management framework and it assures the adequate reflection of risks within the steering and management process of the Bank. Risk management and forecasting is used by the Bank in strategic decision making. Implementing risk-based financial forecasts that link capital/liquidity adequacy to changes in macroeconomic conditions represents a powerful way to develop an understanding of funding risk.

The Bank ensures that there is a strong link between the capital planning, budgeting and strategic planning processes.

The Bank responsibility for risk management includes ensuring sound risk planning and forecasting processes. The risk planning and forecasting process includes both a forward- and backward-looking component, focusing on both portfolio and economic environment changes.

Capital planning and capital allocation

Based on material risks identified, the Bank assesses its overall capital adequacy, and develops a strategy for maintaining adequate capital levels consistent with its risk profile and business plans. This is reflected in the Bank's capital planning process and the setting of internal capital targets.

The Bank ensures that a well-defined process is put in place to translate estimates of risk into an assessment of capital adequacy.

Adequate systems and processes for managing risks are in place and implemented effectively, with consideration for providing appropriate capital for any residual risks that cannot be reduced to satisfactory levels.

The capital planning process is dynamic and forward-looking in relation to the Bank's risk profile.

Sound capital planning is critical for determining the prudent amount, type and composition of capital that is consistent with the Bank longer-term strategy of being able to pursue business objectives, while also withstanding a stressful event.

An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done with close co-operation between Risk Management and Controlling. All insight from the ICAAP and controlling processes is used to allocate capital with a view to risk-return considerations.

Risk-weighted asset management

As risk-weighted assets (RWA) determine the actual regulatory capital requirement of a bank and influence the capital ratio as a key

40.4. GROUP-WIDE RISK AND CAPITAL MANAGEMENT (continued)

performance indicator, particular emphasis is devoted to meeting targets and to the planning and forecasting capacity for this parameter.

Insights from monthly RWA analyses are used to improve the calculation infrastructure, the quality of input parameters and data as well as the most efficient application of the Basel framework.

There is a process in place for tracking compliance with RWA targets, forecasting their future developments and thereby defining further targets. Deviations are brought to the attention of the Management Board within a short time frame. Furthermore, RWA targets are included in the Risk Appetite Statement.

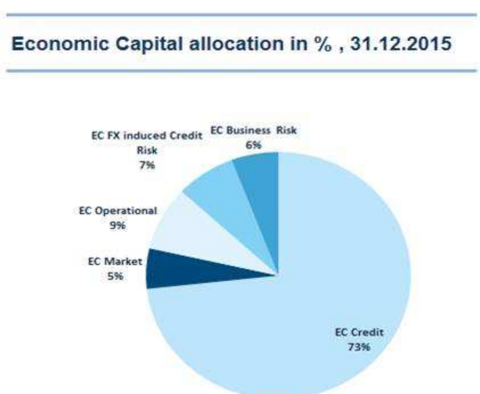
Recovery and resolution plans

BCR has available a comprehensive Recovery Plan, issued based on the provisions of the Romanian Banking Law (i.e. the Emergency Ordinance no. 99/2006), of Bank Recovery and Resolution Directive 2014/59/EU (BRRD), of EBA guidelines and regulatory technical standards and of the EGB Group Recovery Plan.

The BCR Recovery Plan Governance serves as a framework for the drawing up and the implementation of the plan as a main pillar of strengthening the financial resilience of BCR and restoring its financial position following a significant deterioration.
It identifies a set of recovery measures which could be taken in order to restore BCR financial strength and viability when it comes under severe stress.

BCR Group's aggregate capital requirement by risk type

The following diagrams present the composition of the economic capital requirement according to type of risk as of 31 December 2015 respectively:



40.5. CREDIT RISK

Definition and overview

Credit risk is the risk of a partial or complete default on contractually agreed payment obligations. Credit risk refers to the negative consequences associated with defaults or the non-fulfillment of concluded contracts in Banking operations due to deterioration in the counterparty's credit quality.

The Bank also defines credit risk as the current or prospective risk to earnings and capital arising from a borrower's failure to meet the terms of any contract with the credit institution or its failure to perform as agreed

Credit risk is inherent in the following forms:

Lending facilities represents the full amount of the repayment obligations to the Bank by debtors / borrowers.

Contingent liabilities represent the potential amount that the Bank has recourse to its client in respect to transactions undertaken but not yet settled, i.e. underwriting, pending settlement date etc.

Commitment liabilities represent the potential amount that the Bank has recourse to its client in respect to committed transactions that are subject to future actions of such client.

Financial markets transactions represent the deemed risk amount arising from the non-settlement of transactions and/or the replacement cost of various financial markets contracts based on methodologies and calculation formulae approved by the Bank. Such transactions with individual counterparties may also be accounted for on a "netted"/"cross-collateralized" basis where such arrangements have clear legal precedent or are well established in market practice.

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).

Credit risk includes subcategories among which:

Country risk means the risk of exposure to loss caused by events in a foreign country. This risk category encompasses country and political risks, sovereign risks and transfer risks.

Concentration risk which refers to the potential adverse consequences, which may arise from concentrations or interactions between similar risk factors or risk types, such as the risk arising from loans to the same client, to a group of connected clients, to clients from the same geographic region or industry, or to clients who offer the same goods and services, as well as the risk arising from the use of credit risk mitigation techniques and in particular from large indirect credit exposures.

The results of the concentration risk assessments are actively used to proactively steer and manage the Bank through the use of results regarding, for example, the definition of the risk appetite statement, definition of stress factors for stress tests or the setting of limits. 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.

Internal rating system

Overview

BCR Group has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed and adjusted regularly, at minimum on a yearly basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk within BCR Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, BCR Group assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of

40.5. CREDIT RISK (continued)

each customer is updated at least on an annual basis (annual rating review). Ratings of customers in weaker rating classes are reviewed with higher frequency.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of decision-making authority within BCR Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, risk allowances and risk-weighted assets under Basel 3 Pillar 1 or 2.

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behavior versus the Bank and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows an internal Group-wide methodological standard and utilizes relevant data covering the respective market. In this way, BCR Group ensures the availability of rating models with the best possible productiveness across its core regions.

All rating models and their components (scorecards), whether retail or non-retail, are regularly validated by the central validation unit based on a Group-wide standard methodology. Validation uses statistical techniques to evaluate the accuracy of default prediction, rating stability, data quality, completeness and relevancy, and reviews the quality of documentation and degree of user acceptance. The results of this validation process are reported to the management and regulatory bodies. In addition to the validation process, the Group applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

Risk grades and categories

The classification of credit assets into risk grades is based on BCR's internal ratings. BCR uses two internal risk scales for risk classification: for customers that have not defaulted, a risk scale of 8 risk grades (for private individuals) and 13 risk grades (for all other segments) is used. Defaulted customers are classified into a separate risk grade.

For the purpose of external reporting, internal rating grades of BCR are grouped into the following four risk categories:

Low risk: Typically regional customers with well-established and rather long-standing relationships with BCR or large internationally recognized customers. A strong and good financial position and no foreseeable financial difficulties. Retail clients having long relationships with the Bank, or clients with a wide product pool use. No late payments currently or in the most recent 12 months.

Management attention: Vulnerable non-retail clients that may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with limited savings or payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Substandard: The borrower is vulnerable to negative financial and economic developments. Such loans are managed in specialized risk management departments.

Non-performing: In line with EBA's Technical Standards on forbearance and non-performing exposure, this category includes:
- The non-performing exposure to defaulted customers in the sense of art. 178 of EU Regulation no. 575/2013 including unlikeliness to pay, overdue material amounts with more than 90 days past due, restructuring resulting into a loss to the lender, realization of a loan loss and initiation of Bankruptcy proceedings;
- The non-performing non-defaulted forborne exposures.

An exposure is considered as non-performing forborne, if at the moment of forbearance measures implementation client meets at least one of the conditions mentioned below:
- The account/product is already classified as non-performing exposure;
- The account/product becomes non-performing after the concession implementation.

40.5. CREDIT RISK (continued)

Non performing forbearance can be allocated as a result of a downgrade from a performing/ performing under probation forbearance status.
If for a performing forborne contract or a performing under probation contract at least one of the below triggers will take place, the account will be classified as non-performing:
- an additional forbearance measure is extended at account level, this being at least the 2nd restructuring measure at client level, in more than 2 years from receiving the last forbearance measure or
- the client has more than 30 day past due during the monitoring period, or
- the customer meets any of the default event criteria defined in BCR Group internal default definition.

Credit risk review and monitoring

In order to manage the credit risk for large corporates, Banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure that BCR is willing to have towards a particular customer or group of connected clients. All credit limits and the transactions booked within the limits are reviewed at least once a year.

For Corporate clients there is a procedure in place related to Early Warning Signals identification and monitoring, through which it is ensured the detection at early stage of the sensitive exposure through a pro-active approach of the clients and maintaining an adequate payment behavior of the Corporate clients. Once adverse developments are identified, an action plan containing corrective measures should be initiated at WSC (Watchlist Subcommittee) level.

For smaller enterprises (micro) and retail customers, the monitoring and credit review are based on an automated early warning system. In retail risk management the following early warning signals indicate potential adverse portfolio developments if left unaddressed:

- deterioration of new business quality,
- decreasing collections efficiency,
- increase of clients with poor monthly behavioral rating at portfolio level

Credit portfolio reports for asset classes and business lines are prepared on a regular basis. Watch-list meetings and remedial committee meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures to help a particular debtor avoid default.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- Cash and cash balances – other demand deposits, including cash at central Banks,
- Financial assets - held for trading (without equity instruments),
- Financial assets - at fair value through profit or loss (without equity instruments),
- Financial assets - available for sale (without equity instruments),
- Financial assets - held to maturity,
- Loans and Receivables,
- Derivatives - hedge accounting, and
- Contingent credit risk liabilities (irrevocable financial guarantees and undrawn irrevocable credit commitments).

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet positions) without taking into account loan loss allowances, provisions for guarantees, any collateral held (including risk transfer to guarantors), netting effects, other credit enhancements or credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure of BCR Group decreased by 1% or RON 707,589 thousand from almost RON 70,896,656 thousand as of 31 December 2014 to approximately RON 70,189,066 thousand as of 31 December 2015.

40.5. CREDIT RISK (continued)

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

The following table shows the reconciliation between the gross carrying amount and the carrying amount of the separate components of the credit risk exposure.

Group

in RON thousand			2014			2015
	Gross carrying amount	Allowances	Carrying amount	Gross carrying amount	Allowances	Carrying amount
Cash balances at central banks and other demand deposits	6,672,220	-	6,672,220	7,172,321	-	7,172,321
Loans and receivables to credit institutions	527,788	2,507	525,281	205,743	1,340	204,403
Loans and receivables to customers	40,433,136	7,867,070	32,566,066	38,441,948	5,991,191	32,450,757
- Retail	18,761,971	1,749,610	17,012,361	20,138,372	2,131,694	18,006,679
- Corporate	21,671,165	6,117,460	15,553,705	18,303,576	3,859,498	14,444,078
Financial assets - held to maturity - Debt Securities	9,578,176	0	9,578,176	10,155,865	1,445	10,154,420
Financial assets - held for trading - Derivatives	154,976	0	154,976	78,814	-	78,814
Financial assets - held for trading - Debt Securities	211,554	0	211,554	166,878	-	166,878
Financial assets - at fair value through profit or loss - Debt Securities	20,358	0	20,358	17,967	-	17,967
Financial assets - available for sale - Debt Securities	7,507,289	0	7,507,289	6,937,001	-	6,937,001
Total on balance	**65,105,496**	**7,869,577**	**57,235,919**	**63,176,537**	**5,993,977**	**57,182,561**
Commitments, financial and performance guarantees*	5,791,159	210,871	5,580,289	7,012,529	242,720	6,769,809
- Commitments	2,710,605	29,525	2,681,080	4,331,977	40,357	4,291,620
- Financial and performance guarantees	3,080,555	181,345	2,899,209	2,680,552	202,363	2,478,189
Total off balance	**5,791,159**	**210,871**	**5,580,289**	**7,012,529**	**242,720**	**6,769,809**
Total on balance and off-balance	**70,896,656**	**8,080,448**	**62,816,208**	**70,189,066**	**6,236,697**	**63,952,370**

* The gross carrying amount refers to the nominal value, and allowances refer to provisions. Contains only irrevocable financial guarantees and undrawn irrevocable credit commitments.

Bank

in RON thousand			2014			2015
	Gross carrying amount	Allowances	Carrying amount	Gross carrying amount	Allowances	Carrying amount
Cash balances at central banks and other demand deposits	6,604,321	-	6,604,321	6,997,828	-	6,997,828
Loans and receivables to credit institutions	483,173	2,507	480,666	185,972	1,340	184,631
Loans and receivables to customers	39,767,597	6,830,324	32,937,273	38,118,547	5,569,824	32,548,724
- Retail	18,608,687	1,747,823	16,860,864	19,548,558	1,784,122	17,764,436
- Corporate	21,158,910	5,082,501	16,076,410	18,569,989	3,785,701	14,784,288
Financial assets - held to maturity - Debt Securities	8,429,417	-	8,429,417	8,820,105	1,445	8,818,660
Financial assets - held for trading - Derivatives	154,976	-	154,976	78,814	-	78,814
Financial assets - held for trading - Debt Securities	211,554	-	211,554	166,878	-	166,878
Financial assets - at fair value through profit or loss - Debt Securities	20,358	-	20,358	17,967	-	17,967
Financial assets - available for sale - Debt Securities	6,498,139	-	6,498,139	5,990,202	-	5,990,202
Total on balance	**62,169,535**	**6,832,831**	**55,336,704**	**60,376,313**	**5,572,609**	**54,803,703**
Commitments, financial and performance guarantees*	5,785,795	210,867	5,574,928	7,040,669	242,709	6,797,961
- Commitments	2,704,315	29,521	2,674,794	4,332,142	40,346	4,291,796
- Financial and performance guarantees	3,081,480	181,345	2,900,135	2,708,527	202,363	2,506,165
Total off balance	**5,785,795**	**210,867**	**5,574,928**	**7,040,669**	**242,709**	**6,797,961**
Total on balance and off-balance	**67,955,330**	**7,043,698**	**60,911,633**	**67,416,982**	**5,815,318**	**61,601,664**

* The gross carrying amount refers to the nominal value, and allowances refer to provisions. Contains only irrevocable financial guarantees and undrawn irrevocable credit commitments.

40.5. CREDIT RISK (continued)

40.5.2 Credit risk exposure by industry and financial instrument

The following tables present Group's and BCR credit risk exposure by industry, broken down by financial instruments, as of each reporting date indicated.

				Group
		2014		2015
in RON thousand	Loans and receivables to customers	Commitments, financial and performance guarantees*	Loans and receivables to customers	Commitments, financial and performance guarantees*
Agriculture, forestry and fishing	807,377	54,936	746,839	50,653
Mining and quarrying	127,809	478,601	167,654	1,273,646
Manufacturing	5,030,253	733,159	4,572,695	552,012
Electricity, gas, steam and air conditioning supply	783,268	221,443	766,902	53,780
Water supply	170,432	112,823	259,482	34,828
Construction	3,297,789	1,509,911	2,694,900	1,755,331
out of which: Development of building projects	1,700,601	91,775	1,501,726	345,245
Wholesale and retail trade	2,341,339	720,687	2,209,770	1,400,209
Transport and storage	603,407	111,945	775,009	84,755
Accommodation and food service activities	211,364	2,121	184,934	2,126
Information and communication	655,352	62,639	343,553	53,929
Financial and insurance services	400,908	8,324	434,889	62,397
out of which: Holding companies	185,119	24	210,736	25,577
Real estate activities	738,494	20,281	719,299	1,204
Professional, scientific and technical activities	203,553	108,858	281,429	89,395
Administrative and support service activities	133,716	51,650	101,812	46,780
Public administration and defence, compulsory social security	4,901,313	80,824	4,548,818	173,501
Education	6,732	25,554	9,352	20,215
Human health services and social work activities	181,155	5,788	195,727	9,908
Arts, entertainment and recreation	7,726	2,123	8,493	2,711
Other services	308,289	497,636	51,285	7,238
Private households	19,522,852	981,856	19,369,095	1,337,911
Others	10	-	11	-
Total	**40,433,136**	**5,791,159**	**38,441,948**	**7,012,529**

* Irrevocable financial guarantees and undrawn irrevocable credit commitments

40.5. CREDIT RISK (continued)

				Bank
		2014		2015
in RON thousand	Loans and receivables to customers	Commitments, financial and performance guarantees*	Loans and receivables to customers	Commitments, financial and performance guarantees*
Agriculture, forestry and fishing	733,582	51,871	612,914	55,686
Mining and quarrying	109,523	478,464	164,656	1,273,544
Manufacturing	4,888,461	726,188	4,441,630	543,868
Electricity, gas, steam and air conditioning supply	782,529	221,443	765,292	53,780
Water supply	142,197	112,164	231,318	33,293
Construction	3,142,200	1,507,367	2,577,079	1,753,213
out of which: Development of building projects	1,630,479	91,775	1,488,435	345,245
Wholesale and retail trade	2,143,560	717,002	2,001,871	1,385,813
Transport and storage	388,615	105,054	434,072	85,792
Accommodation and food service activities	169,384	1,920	145,292	1,856
Information and communication	624,515	62,418	314,120	66,661
Financial and insurance services	819,154	31,105	817,247	98,223
out of which: Holding companies	185,119	24	210,736	25,577
Real estate activities	1,657,593	19,921	1,659,575	907
Professional, scientific and technical activities	128,851	107,324	249,931	89,481
Administrative and support service activities	63,898	51,442	63,192	48,437
Public administration and defence, compulsory social security	4,901,100	80,824	4,548,516	173,501
Education	6,333	25,005	8,587	20,215
Human health services and social work activities	168,398	5,699	182,131	9,780
Arts, entertainment and recreation	7,251	1,726	6,928	2,711
Other services	294,415	497,636	47,818	7,199
Private households	18,596,028	981,221	18,846,367	1,336,711
Others	10	-	11	-
Total	39,767,597	5,785,795	38,118,547	7,040,669

* Irrevocable financial guarantees and undrawn irrevocable credit commitments.

40.5.3 Loan Portfolio on time bands

The overdue amount not impaired split on overdue days buckets (Gross carrying amount for Loans and Advances to Customers):

			2014	Group
in RON thousands	TOTAL	Exposure past due, but not impaired		
	LOANS	1 - 30 days	31- 90 days	More than 90 days
I. Corporate Clients	953,413	861,992	90,202	1,220
II. Retail Clients	2,601,736	2,132,204	402,158	58,954
Total Loans (I+II)	3,555,149	2,994,196	492,360	60,173

			2015	Group
in RON thousands	TOTAL	Exposure past due, but not impaired		
	LOANS	1 - 30 days	31- 90 days	More than 90 days
I. Corporate Clients	572,489	451,057	88,089	33,344
II. Retail Clients	2,179,087	1,855,697	237,172	86,217
Total Loans (I+II)	2,751,576	2,306,754	325,261	119,561

40.5. CREDIT RISK (continued)

in RON thousands	TOTAL	Exposure past due, but not impaired		2014 Bank
	LOANS	1 - 30 days	31- 90 days	More than 90 days
I. Corporate Clients	803,196	749,545	52,692	959
II. Retail Clients	2,588,355	2,129,538	401,552	57,265
Total Loans (I+II)	3,391,551	2,879,082	454,245	58,224

in RON thousands	TOTAL	Exposure past due, but not impaired		2015 Bank
	LOANS	1 - 30 days	31- 90 days	More than 90 days
I. Corporate Clients	431,635	375,675	23,869	32,091
II. Retail Clients	2,170,778	1,851,325	233,815	85,638
Total Loans (I+II)	2,602,414	2,227,000	257,684	117,730

40.5.4 Impairment assessment

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated, such as:

- Significant financial difficulty of issuer or obligor;
- A breach of contract, such as default or delinquency in interest or principal payments
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group;

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 loan of the individually significant clients -means clients with On and Off balance exposure higher than 400.000 EUR equivalent 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 ensure, 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 of the clients that are not individually significant - means clients with On and Off balance exposure lower than 400.000 EUR equivalent (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 identified evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: observed historical losses on the portfolio, number of months since default, current economic conditions, the approximate delay between the

40.5. CREDIT RISK (continued)

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.

						2014	Group
	Neither past due nor impaired						
in RON thousands	Low Risk	Management Attention	Substandard	Non-performing	Past due but not impaired	Individually Impaired **	Total
Cash balances at central banks and other demand deposits	**6,672,219**	**-**	**-**	**-**	**-**	**-**	**6,672,219**
Loans and receivables to credit institutions	**367,853**	**159,934**	**-**	**-**	**-**	**-**	**527,788**
Financial assets designated at fair value through profit or loss	**20,358**	**-**	**-**	**-**	**-**	**-**	**20,358**
Derivative financial instruments	**129,109**	**18,380**	**7,487**	**-**	**-**	**-**	**154,976**
Financial assets held for trading	**211,554**	**-**	**-**	**-**	**-**	**-**	**211,554**
Listed debt instruments	42,408	-	-	-	-	-	42,408
Unlisted debt instruments	169,146	-	-	-	-	-	169,146
Loans and receivables to customers	**21,048,498**	**5,437,827**	**212,655**	**268,145**	**3,555,149**	**9,910,862**	**40,433,136**
Financial investments - available for sale	**7,502,846**	**2,116**	**2,327**	**-**	**-**	**-**	**7,507,289**
Listed debt instruments	5,561,753	2,116	2,327	-	-	-	5,566,196
Unlisted debt instruments	1,941,093	-	-	-	-	-	1,941,093
Financial investments - held to maturity	**9,578,176**	**-**	**-**	**-**	**-**	**-**	**9,578,176**
Listed debt instruments	8,806,761	-	-	-	-	-	8,806,761
Unlisted debt instruments	771,415	-	-	-	-	-	771,415
Commitments, financial and performance guarantees	**3,613,799**	**1,694,298**	**163,225**	**260,724**	**-**	**59,114**	**5,791,159**
TOTAL	**49,144,413**	**7,312,555**	**385,693**	**528,869**	**3,555,149**	**9,969,976**	**70,896,656**

* Irrevocable financial guarantees and undrawn irrevocable credit commitments.

** clients' exposure with provisions specific individual & specific rule based.

						2015	Group
	Neither past due nor impaired						
in RON thousands	Low Risk	Management Attention	Substandard	Non-performing	Past due but not impaired	Individually Impaired **	Total
Cash balances at central banks and other demand deposits	**7,047,075**	**125,246**	**-**	**-**	**-**	**-**	**7,172,321**
Loans and receivables to credit institutions	**96,651**	**109,092**	**1**	**-**	**-**	**-**	**205,743**
Financial assets designated at fair value through profit or loss	**17,967**	**-**	**-**	**-**	**-**	**-**	**17,967**
Derivative financial instruments	**71,276**	**3,515**	**4,022**	**-**	**-**	**-**	**78,814**
	71,276	3,515	4,022	-	-	-	78,814
Financial assets held for trading	**166,878**	**-**	**-**	**-**	**-**	**-**	**166,878**
Listed debt securities	64,391	-	-	-	-	-	64,391
Unlisted debt securities	102,487	-	-	-	-	-	102,487
Loans and receivables to customers	**21,948,156**	**5,647,208**	**476,813**	**356,230**	**2,751,576**	**7,261,965**	**38,441,948**
Financial investments - available for sale	**6,931,472**	**385**	**1,698**	**1,980**	**1,466**	**-**	**6,937,001**
Listed debt securities	5,315,860	385	1,698	1,980	1,148	-	5,321,071
Unlisted debt securities	1,615,612	-	-	-	318	-	1,615,930
Financial investments - held to maturity	**10,155,865**	**-**	**-**	**-**	**-**	**-**	**10,155,865**
Listed debt instruments	10,108,617,612	-	-	-	-	-	10,108,617,612
Unlisted debt instruments	47,247,864	-	-	-	-	-	47,247,864
Commitments, financial and performance guarantees	**5,168,398**	**1,285,323**	**50,720**	**506,835**	**1,253**	**-**	**7,012,529**
TOTAL	**51,603,738**	**7,170,769**	**533,254**	**865,045**	**2,754,295**	**7,261,965**	**70,189,066**

* Irrevocable financial guarantees and undrawn irrevocable credit commitments

** Clients' exposure with provisions specific individual & specific rule based.

40.5. CREDIT RISK (continued)

	2014						Bank
	Neither past due nor impaired						
in RON thousands	Low Risk	Management Attention	Substandard	Non-performing	Past due but not impaired	Individually Impaired **	Total
Cash balances at central banks and other demand deposits	**6,604,321**	**-**	**-**	**-**	**-**	**-**	**6,604,321**
Loans and receivables to credit institutions	**261,198**	**221,971**	**5**	**-**	**-**	**-**	**483,173**
Financial assets designated at fair value through profit or loss	**20,358**	**-**	**-**	**-**	**-**	**-**	**20,358**
Derivative financial instruments	**129,109**	**18,380**	**7,487**	**-**	**-**	**-**	**154,976**
Financial assets held for trading	**211,554**	**-**	**-**	**-**	**-**	**-**	**211,554**
Listed debt securities	42,408	-	-	-	-	-	42,408
Unlisted debt securities	169,146	-	-	-	-	-	169,146
Loans and receivables to customers	**21,831,208**	**5,344,973**	**211,782**	**265,570**	**3,391,551**	**8,722,514**	**39,767,597**
Financial investments - available for sale	**6,493,696**	**2,116**	**2,327**	**-**	**-**	**-**	**6,498,139**
Listed debt securities	4,570,618	2,116	2,327	-	-	-	4,575,060
Unlisted debt securities	1,923,079	-	-	-	-	-	1,923,079
Financial investments - held to maturity	**8,429,417**	**-**	**-**	**-**	**-**	**-**	**8,429,417**
Listed debt instruments	7,744,141	-	-	-	-	-	7,744,141
Unlisted debt instruments	685,276	-	-	-	-	-	685,276
Commitments, financial and performance guarantees	**3,590,482**	**1,700,637**	**163,005**	**272,557**	**-**	**59,114**	**5,785,795**
TOTAL	**47,583,251**	**7,288,076**	**384,606**	**526,219**	**3,391,551**	**8,781,628**	**67,955,330**

* Irrevocable financial guarantees and undrawn irrevocable credit commitments.

** Clients' exposure with provisions specific individual & specific rule based.

	2015						Bank
	Neither past due nor impaired						
in RON thousands	Low Risk	Management Attention	Substandard	Non-performing	Past due but not impaired	Individually Impaired **	Total
Cash balances at central banks and other demand deposits	**6,872,392**	**125,437**	**-**	**-**	**-**	**-**	**6,997,828**
Loans and receivables to credit institutions	**48,680**	**137,291**	**1**	**-**	**-**	**-**	**185,972**
Financial assets designated at fair value through profit or loss	**17,967**	**-**	**-**	**-**	**-**	**-**	**17,967**
Derivative financial instruments	**71,276**	**3,515**	**4,022**	**-**	**-**	**-**	**78,814**
Financial assets held for trading	**166,878**	**-**	**-**	**-**	**-**	**-**	**166,878**
Listed debt securities	64,391	-	-	-	-	-	64,391
Unlisted debt securities	102,487	-	-	-	-	-	102,487
Loans and receivables to customers	**22,774,606**	**5,207,538**	**459,754**	**344,005**	**2,602,414**	**6,730,230**	**38,118,547**
Financial investments - available for sale	**5,984,672**	**385**	**1,698**	**1,980**	**1,466**	**-**	**5,990,202**
Listed debt securities	4,392,382	385	1,698	1,980	1,148	-	4,397,593
Unlisted debt securities	1,592,291	-	-	-	318	-	1,592,609
Financial investments - held to maturity	**8,820,105**	**-**	**-**	**-**	**-**	**-**	**8,820,105**
Listed debt instruments	8,820,105	-	-	-	-	-	8,820,105
Unlisted debt instruments	-	-	-	-	-	-	-
Commitments, financial and performance guarantees	**5,168,500**	**1,302,654**	**62,681**	**506,835**	**-**	**-**	**7,040,669**
TOTAL	**49,925,076**	**6,776,821**	**528,155**	**852,820**	**2,603,879**	**6,730,230**	**67,416,982**

* Irrevocable financial guarantees and undrawn irrevocable credit commitments.

** Clients' exposure with provisions specific individual & specific rule based.

40.5. CREDIT RISK (continued)

The following table presents the split of impaired loans and receivables to customers broken down by industry:

		Group		Bank
in RON thousand	2014	2015	2014	2015
Agriculture, forestry and fishing	401,896	227,017	386,590	206,730
Mining and quarrying	37,502	103,154	22,217	102,859
Manufacturing	2,612,281	1,746,553	2,535,378	1,704,301
Electricity, gas, steam and air conditioning supply	53,693	108,233	53,664	107,138
Water supply	48,849	60,318	47,950	39,837
Construction	1,766,615	1,285,040	1,656,461	1,235,369
out of which: Development of building projects	652,986	545,804	583,499	532,751
Wholesale and retail trade	1,064,349	810,228	995,415	766,623
Transport and storage	112,057	97,298	91,297	86,835
Accommodation and food service activities	125,987	116,621	115,504	112,664
Information and communication	119,041	67,885	111,035	57,131
Financial and insurance services	32,613	54,633	26,431	50,793
out of which: Holding companies	63	63	63	63
Real estate activities	363,955	296,498	291,116	286,670
Professional, scientific and technical activities	47,377	36,430	25,432	35,840
Administrative and support service activities	39,055	23,959	28,120	23,314
Public administration and defence, compulsory social security	50,187	40,769	50,187	40,769
Education	122	147	122	147
Human health services and social work activities	46,013	43,897	44,955	42,280
Arts, entertainment and recreation	6,486	6,648	6,486	6,420
Other services	18,382	5,021	6,544	4,982
Private households	2,964,403	2,131,616	2,227,609	1,819,531
Others	-	-	-	-
Total	**9,910,862**	**7,261,965**	**8,722,514**	**6,730,230**

40.5.5 Collateral coverage for credit exposure

The following tables present the split of over - and under – collateralized on-balance credit exposures, for Group and for BCR, taking into account the current value of collateral (accepted value) of the types:

- Real estate: This includes both residential and commercial real estate,
- Financial collateral: Cash deposits,
- Personal Guarantees provided by governments and Banks.

				Group
		2014		2015
in RON thousands	Over-collateralized	Under-collateralized	Over-collateralized	Under-collateralized
Neither past due nor impaired				
Gross exposure	4,413,624	22,553,500	4,394,523	24,033,884
Collaterals	6,922,918	8,163,531	6,670,561	8,792,092
Past due but not impaired				
Gross exposure	728,901	2,826,248	490,118	2,261,459
Collaterals	1,063,045	1,093,805	1,008,746	1,138,032
Individually impaired				
Gross exposure	902,314	9,008,549	499,901	6,762,065
Collaterals	1,558,773	2,744,052	943,146	1,879,066

40.5. CREDIT RISK (continued)

				Bank
		2014		2015
in RON thousands	Over-collateralized	Under-collateralized	Over-collateralized	Under-collateralized
Neither past due nor impaired				
Gross exposure	5,273,168	22,380,365	4,974,830	23,811,073
Collaterals	8,979,075	8,112,698	8,472,816	8,758,479
Past due but not impaired				
Gross exposure	613,153	2,778,397	453,701	2,148,713
Collaterals	1,018,177	1,092,677	992,299	1,113,963
Individually impaired				
Gross exposure	811,195	7,911,318	470,913	6,259,318
Collaterals	1,420,553	2,310,413	899,533	1,732,751

40.6. MARKET RISK

Definition and overview

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived therefrom. These market value changes might appear in the profit and loss account or in the statement of comprehensive income. Market risk is divided into interest rate risk, currency risk, equity risk and commodity risk. This concerns both trading and bank book positions.

Methods and instruments employed

Potential losses from the trading book that may arise from market movements are assessed using the value at risk (VaR). The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions.

On the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years, and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted. These events include mainly market movements of low probability.

The VaR model was approved by the Financial Market Authority (FMA) as an internal market risk model to determine the own funds requirements of the trading book of Erste Group pursuant to the Austrian Banking Act.

Methods and instruments of risk mitigation

Market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of VaR for the trading book is allocated by the management board within the the Risk Appetitet Framework while taking into account the risk-bearing capacity and projected earnings.

All market risk activities of the trading book are assigned risk limits that are statistically consistent in their entirety with the VaR overall limit. The VaR limit is assigned in a top-down procedure to the individual trading units. This is done down to the level of the individual trading groups or departments. Limit compliance is verified on a daily basis by the Market and Liquidity Risk unit. On demand limit reports can also be triggered by individual traders or chief traders on an ad hoc basis.

Analysis of market risk

Value at Risk of trading book

The following tables show the VaR amounts as of 31 December 2015 and 31 December 2014 respectively at the 99% confidence level using equally weighted market data and with a holding period of one day:

in thousands RON	FX position	Equity	Fixed Income	Money Market	Total Trading Book
As of 31 December 2015	5.1	65.8	65.4	508.8	505.1
As of 31 December 2014	48.9	74.7	189.7	472.0	514.8

40.6 MARKET RISK (continued)

In the above table, the VaR measure is also reported for the major portfolios of the trading book: equity portfolio, bonds portfolio, money market transactions and FX transactions.

Interest rate risk of banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognized on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment (re-pricing). Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modeled deposit rates that are determined by means of statistical methods.

The following tables list the open positions held by BCR by currency and re-pricing as of 31 December 2015 and 31 December 2014. Positive values indicate a surplus of asset items and therefore the unfavorable evolution would be a decrease in the interest rates; negative values represent a surplus on the liability side.

December 2014

ths. RON		RON		EUR		Other currencies	
Maturity band	**Weighting factors**	**Net position**	**Weighted position**	**Net position**	**Weighted position**	**Net position**	**Weighted position**
≤ 1 m	0.08%	(494,400)	(396)	4,336,175	3,469	(80,049)	(64)
> 1 m, ≤ 3 m	0.32%	(3,515,535)	(11,250)	560,387	1,793	(161,450)	(517)
> 3 m, ≤ 6 m	0.72%	1,044,405	7,520	(374,395)	(2,696)	(275,071)	(1,981)
> 6 m, ≤ 12 m	1.43%	(169,773)	(2,428)	(70,141)	(1,003)	(274,946)	(3,932)
> 1 y, ≤ 2 y	2.77%	2,568,612	71,151	2,118,467	58,682	(17,148)	(475)
> 2 y, ≤ 3 y	4.49%	2,144,048	96,268	(706,247)	(31,711)	(27,062)	(1,215)
> 3 y, ≤ 4 y	6.14%	1,187,746	72,928	(419,222)	(25,740)	(27,409)	(1,683)
> 4 y, ≤ 5 y	7.71%	522,101	40,254	414,219	31,936	(29,964)	(2,310)
> 5 y, ≤ 7 y	10.15%	769,253	78,079	306,786	31,139	(59,913)	(6,081)
> 7 y, ≤ 10 y	13.26%	(284,821)	(37,767)	306,375	40,625	(64,125)	(8,503)
> 10 y, ≤ 15 y	17.84%	328,842	58,665	29,004	5,174	4	1
> 15 y, ≤ 20 y	22.43%	115,266	25,854	(296,944)	(66,605)	4	1
> 20 y	26.03%	(1,288)	(335)	(55,963)	(14,567)	(23)	(6)
Total			**398,543**		**30,497**		**(26,765)**

December 2015

ths. RON		RON		EUR		Other currencies	
Maturity band	**Weighting factors**	**Net position**	**Weighted position**	**Net position**	**Weighted position**	**Net position**	**Weighted position**
≤ 1 m	0.08%	796,452	637	4,224,805	3,380	(186,124)	(149)
> 1 m, ≤ 3 m	0.32%	(2,441,564)	(7,813)	812,122	2,599	(59,664)	(191)
> 3 m, ≤ 6 m	0.72%	471,537	3,395	66,524	479	(265,649)	(1,913)
> 6 m, ≤ 12 m	1.43%	978,570	13,994	(1,296,550)	(18,541)	(249,181)	(3,563)
> 1 y, ≤ 2 y	2.77%	2,022,978	56,036	(434,137)	(12,026)	(90,336)	(2,502)
> 2 y, ≤ 3 y	4.49%	1,228,890	55,177	(252,460)	(11,335)	(68,645)	(3,082)
> 3 y, ≤ 4 y	6.14%	641,560	39,392	539,564	33,129	(68,172)	(4,186)
> 4 y, ≤ 5 y	7.71%	952,012	73,400	2,426,656	187,095	(63,727)	(4,913)
> 5 y, ≤ 7 y	10.15%	718,092	72,886	(737,628)	(74,869)	(137,725)	(13,979)
> 7 y, ≤ 10 y	13.26%	(76,060)	(10,086)	705,495	93,549	(128,066)	(16,982)
> 10 y, ≤ 15 y	17.84%	3,893	695	(267,773)	(47,771)	(133)	(24)
> 15 y, ≤ 20 y	22.43%	1,553	348	1,618	363	0	0
> 20 y	26.03%	(767)	(200)	(55,649)	(14,485)	(26)	(7)
Total			**297,862**		**141,566**		**(51,491)**

The weighting factors are the regulatory factors from the standardized approach for interest rate risk for banking book of Regulation 5/2013, where the assumed shocks are of 200 basis points. The potential impact of the parallel shift of the interest rates in the market value of equity (MVoE) under this approach is illustrated in the tables below. The regulatory limit for this impact as a percentage from own funds is 20%, while the internal limit is 15%.

40.6. MARKET RISK (continued)

December 2014 (RON thoudands)			
Own Funds			5,720,522
The Potential Decrease in the Market Value of Equity	in absolute value	RON	398,543
		EUR	30,497
		USD	26,765
		Total	**455,805**
	% of Own Funds		**7,97%**

December 2015 (RON thoudands)			
Own Funds			5,879,523
The Potential Decrease in the Market Value of Equity	in absolute value	RON	297,862
		EUR	141,566
		USD	51,491
		Total	**490,919**
	% of Own Funds		**8,35%**

The following table shows the changes in NII (Net Interest Income) for a 1 year period and the impact on AFS reserve (equity) due to an instantaneous parallel shift of the yield curves with ±1%, ±2%. In case of downward scenarios the calculation does not shift interest rates below zero.

2014		RON thousands
Shift	**Sensitivity of Net Interest Income**	**Sensitivity of AFS reserve (equity)**
+ 2%	(180,082)	(304,857)
+ 1%	(89,989)	(156,593)
- 1%	25,408	125,936
- 2%	44,891	212,324

2015		RON thousands
Shift	**Sensitivity of Net Interest Income**	**Sensitivity of AFS reserve (equity)**
+ 2%	(24,281)	(218,733)
+ 1%	(10,114)	(112,366)
- 1%	(13,397)	91,769
- 2%	(38,311)	146,550

Exchange rate risk

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis. Foreign currency exposure is subject to internal limits.

The table below presents a sensitivity analysis in P/L and AFS reserves of a (+/-) 5% shock in EUR/RON and USD/RON rates on FX positions as of December 2015 compared to December 2014.

Bank

thds RON		**P/L Sensitivity**				**Sensitivity of AFS reserves**			
		EUR		USD		EUR		USD	
	Change in foreign exchange currencies	Position	Impact for FX position	Position	Impact for FX position	Exposure	Impact for FX position	Exposure	Impact for FX position
2014	5%	(19,057)	(4,271)	(4,752)	(876)	-	-	27,556	5,080
	-5%		4,271		876		-		(5,080)
2015	5%	2,919	660	(31,975)	(6,631)	22,248	5,033	31,494	6,531
	-5%		(660)		6,631		(5,033)		(6,531)

40.6. MARKET RISK (continued)

Group

thds RON		P/L Sensitivity				Sensitivity of AFS reserves			
	Change in foreign exchange currencies	EUR		USD		EUR		USD	
		Position	Impact for FX position	Position	Impact for FX position	Exposure	Impact for FX position	Exposure	Impact for FX position
2014	5%	(68,179)	(15,280)	78,623	14,493	-	-	27,556	5,080
	-5%		15,280		(14,493)		-		(5,080)
2015	5%	(35,069)	(7,934)	(33,334)	(6,913)	22,248	5,033	31,494	6,531
	-5%		7,934		6,913		(5,033)		(6,531)

40.7. LIQUIDITY RISK

Definition and overview

The liquidity risk is defined in BCR Group in line with the principles set out by the Basel Committee on Banking Supervision and the local regulator (National Bank of Romania). Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

Liquidity strategy

The Liquidity Strategy was defined in accordance with BCR Group's risk appetite and it was compliant with internal and regulatory limits.The Liquidity Strategy contains developments, rules and targets including (but not limited to) regulatory requirements (e.g. LCR, NSFR), liquidity buffer, funding plan and maturity profile of issued debt and secured and unsecured interbank funding.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each significant currency and total potfolio in the case of BCR bank.

This analysis determines the maximum period during which the entity can survive a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The chosen worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of the customer.

Additional to QIS monitoring according to BCBS guidelines and reporting of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) according to CRR, BCR Group is reporting LCR internally according to Delegated Act since October 2015. The ratios are monitored at both entity and group level, and since 2014 LCR is part of the internal Risk Appetite Statement.

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the group as a whole are reported and monitored regularly. Funding concentration risk is continuously analysed in respect to counterparties. BCR Group's fund transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period model, internal stress testing and by internal LCR targets at both entity and group level. Limit breaches are reported to the Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within BCR Group and in relation to its subsidiaries is the FTP system. As the process of planning funding needs provides important information for liquidity management, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across BCR Group.

40.7. LIQUIDITY RISK (CONTINUED)

The Contingency Plan of the Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are co-ordinated as part of the plan for BCR Group.

Analysis of liquidity risk

Liquidity Coverage Ratio

The ratio of BCR Group's liquidity buffer to its net liquidity outflows over a 30 calendar day stress period as defined in CRR Part VI with regard to liquidity coverage requirement for credit institutions.The evolution of BCR LCR on both solo and group level are presented in the following table:

LCR Group in RON thousand	Dec-14	Dec-15
High Quality Liquid Assets	19,907,212	20,456,064
Total Net Cash Outflows	6,993,149	6,866,839
LIQUIDITY COVERAGE RATIO	285%	298%

LCR Bank in RON thousand	Dec-14	Dec-15
High Quality Liquid Assets	17,413,948	17,699,175
Total Net Cash Outflows	7,156,646	7,042,938
LIQUIDITY COVERAGE RATIO	243%	251%

Compared to December 2014, Liquidity Coverage Ratio as of December 2015 on both group and bank level has registered a slight increase due to higher liquid assets. As main risk drivers for the LCR volatility BCR had the volumes of loans to and deposits placed with financial customers with residual maturity up to 1 month. The volume of high liquid assets has remained close to RON 17 bn on solo level and close to RON 20 bn on group level.

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2015 and 31 December 2014 respectively, were as follows:

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2015								
Non-derivative liabilities	54,785,481	52,663,023	26,111,974	9,497,336	4,081,094	4,664,504	7,667,871	640,244
Deposits by banks	8,905,248	8,916,268	478,405	396,920	727,361	1,341,779	5,506,196	465,607
Customer deposits	42,626,022	42,697,448	25,531,968	9,100,186	3,353,595	3,225,739	1,344,166	141,794
Debt securities in issue	912,236	1,049,307	101,601	230	138	96,986	817,509	32,843
Subordinated liabilities	2,341,975	2,461,584	3,924	11,771	11,771	23,543	1,415,251	995,324
Contingent liabilities	6,062,665	6,062,665	6,062,665	0	0	0	0	0
Financial guarantees	1,730,688	1,730,688	1,730,688	0	0	0	0	0
Irrevocable commitments	4,331,977	4,331,977	4,331,977	0	0	0	0	0

40.7. LIQUIDITY RISK (continued)

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2014								
Non-derivative liabilities	**55,157,951**	**53,036,025**	**24,734,821**	**9,951,670**	**3,611,173**	**4,833,717**	**7,807,137**	**2,097,507**
Deposits by banks	11,875,280	11,950,374	409,037	501,189	862,065	1,964,928	6,535,129	1,678,026
Customer deposits	39,922,629	40,041,443	24,325,784	9,423,061	2,617,212	2,868,789	670,838	135,760
Debt securities in issue	1,044,208	1,044,208	0	27,420	131,896	0	601,170	283,722
Subordinated liabilities	2,315,834	2,512,593	3,924	11,771	11,771	23,543	1,466,260	995,324
Contingent liabilities	**4,854,091**	**4,854,091**	**4,854,091**	**0**	**0**	**0**	**0**	**0**
Financial guarantees	2,143,486	2,143,486	2,143,486	0	0	0	0	0
Irrevocable commitments	2,710,605	2,710,605	2,710,605	0	0	0	0	0

As of 31 December 2015, for BCR Bank, the volume of deposits (customers and banks) amounted to RON 48.5 billion with a slight decreased compared to 2014 year end (2014: EUR 49.1 billion).

As of year-end 2015, the counterparty breakdown of composition of deposits consisted of approximately 56% household (52% as of year-end 2014), 21% non-financial corporations (19% as of year-end 2014), 21% credit institutions (27% as of year-end 2014) and the rest 2 % in other financial corporations (2% as of year-end 2014).

As of year-end 2015, the currency composition of the deposits consisted of approximately 53% RON (50% as of year-end 2014), 42% EUR (47% as of year-end 2014), 4% USD (3% as of year-end 2014) and the rest 1% in other currencies.

40.8. OPERATIONAL RISK

Definition and overview

In line with Article 4 Section 52 regulation (EU) 575/2013 (CRR), BCR Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes legal risk, model risk and information technology related risk (IT risk), but exclude strategic and reputational risk..

According with National Bank of Romania regulation no. 5/2013, the legal (judicial) risk is defined as the loss risk following fines, penalties and sanctions for which the credit institution is liable in case of not applying or deficiently applying the legal or contractual dispositions, as well as the fact that the contractual rights and liabilities of the credit institutions and/or of its counterparty are not established adequately.
IT risk means a subcategory of operational risk, that concerns the current or prospective risk of adverse impact on earnings and capital, arising from inadequate IT strategy and policies, information technology or processing, in terms of manageability, integrity, controllability and continuity thereof, or from inadequate use of the institution's information technology.
Model risk means the potential loss a credit institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.

Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which is collected across BCR Group using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used at Erste Group level (sources external data from a leading non-profit risk-loss data consortium).

Starting with October 2010, the Bank uses the AMA (Advanced Measurement Approach for operational risk) as per National Bank of Romania and Austrian Financial Markets Authority approval. AMA is a sophisticated approach to measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal Value at Risk (VaR) model, taking into account internal data, external data, scenario analysis,

40.8. OPERATIONAL RISK (continued)

business environment and internal risk control factors.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys. The results of and suggestions for risk control in these surveys (conducted by experts) are reported to the line management and thus help to reduce operational risk. BCR Group also review certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses. The Key Risk Indicators (early warnings on the risk level or quality of controls within the organization) are periodically monitored and reported to management.

BCR Group uses an Erste Group-wide insurance program, which covers traditional property insurance needs and bank-specific risks. This program uses a captive reinsurance entity as a vehicle to share losses within the Group and access the external market.

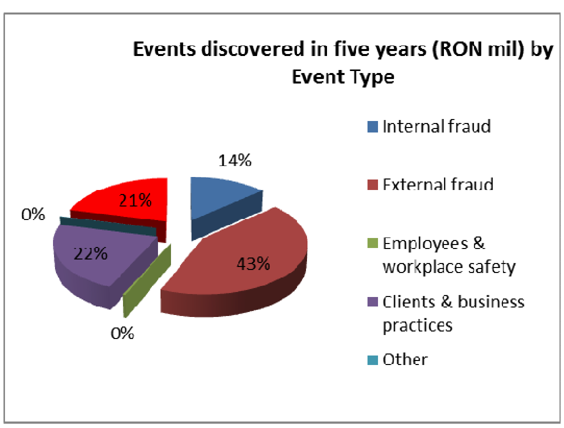
The quantitative and qualitative methods used, together with the insurance strategy and the modeling approaches described above, form the operational risk framework of the BCR Group. Information on operational risk is periodically communicated to the management board via various reports, which include capital requirements value, describe the recent loss history, loss developments, top losses, mitigation measures, key risk indicators with limit breaches (also related to outsourced activities), main operational risk achievements, insurance management, the results of risk and control self-assessments, as well as the operational risk VaR.

Distribution of operational risk events

Detailed below is the percentage composition by type of event of operational risk events at Bank's level during the last five years by discovery date. The observation period is from 1 January 2011 to 31 December 2015.

The event type categories are as follows:

- *Internal fraud:* Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity or discrimination events that involve at least one internal party.
- *External fraud:* Losses due to acts by a third party of a type intended to defraud, misappropriate property or circumvent the law.
- *Employment practices and workplace safety:* Losses arising from acts inconsistent with employment, health or safety laws or agree-ments, from payment of personal injury claims, or from diversity or discrimination events.
- *Clients, products and business practices:* Losses arising from unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product.
- *Damage to physical assets:* Losses arising from loss of or damage to physical assets caused by natural disaster or other events.
- *Business disruption and system failures:* Losses arising from disruption of business or system failures.
- *Execution, delivery and process management:* Losses from failed transaction processing or process management. Losses pertaining to relationships with trading counterparties and vendors or suppliers.



Operational risk losses, by discovery date ET 5 years rolling	Number of evens in 2015	Losses driven by pure operational risk events and credit risk events related during 2015
Internal fraud	208	303
External fraud	2,572	959
Employees & w orkplace safety	107	8
Clients & business practices	708	501
Other	238	2
Execution & process management	2,102	471
Total	**5,935**	**2,244**

41. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is best evidenced by a quoted market price, if such exists. Credit Value Adjustment/Debt Value Adjustment is included in the fair value of derivatives and it is immaterial both at 31 December 2015 and 2014.

Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as a level 1 input if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as level 2 of the fair value hierarchy. For level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.These include OTC derivatives, less liquid shares, bonds and funds as well as and own issues.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as level 3 of the fair value hierarchy. For level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters.

41. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

41.1. Financial instruments whose fair value is disclosed in the notes

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for the year-end:

2014

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
ASSETS										
Loans and advances	**33,091,347**	**32,285,715**	**-**	**26,530**	**32,259,185**	**33,417,939**	**32,575,901**	**-**	**-**	**32,575,901**
with credit institutions	525,281	525,445	-	26,530	498,915	480,666	480,846	-	-	480,846
Romania	498,751	498,915	-		498,915	480,666	480,846			480,846
Moldova	26,530	26,530	-	26,530	-	-	-	-	-	-
with customers	32,566,066	31,760,270	-	-	31,760,270	32,937,273	32,095,055	-	-	32,095,055
Held-to-maturity investments	**9,578,176**	**10,245,955**	**10,153,556**	**92,399**	**-**	**8,429,417**	**9,050,070**	**9,050,070**	**-**	**-**
Debt securities	9,578,176	10,245,955	10,153,556	92,399	-	8,429,417	9,050,070	9,050,070	-	-
Securities listed, quoted on active markets	9,485,777	10,139,439	10,139,439	-	-	8,429,417	9,050,070	9,050,070	-	-
Securities listed, quoted on inactive markets	13,064	14,117	14,117	-	-	-	-	-	-	-
Securities unlisted	92,399	92,399	-	92,399	-	-	-	-	-	-
LIABILITIES										
Financial liabilities measured at amortised cost	**55,564,030**	**55,587,986**	**-**	**1,178,041**	**54,409,945**	**52,872,441**	**52,893,352**	**-**	**1,160,533**	**51,732,819**
Deposits	**54,113,743**	**54,021,506**	**-**	**17,508**	**54,003,998**	**51,456,583**	**51,361,301**	**-**	**-**	**51,361,301**
from banks	14,191,114	14,091,414	-	17,508	14,073,906	13,864,122	13,761,322	-	-	13,761,322
from customers	39,922,629	39,930,092	-	-	39,930,092	37,592,461	37,599,979	-	-	37,599,979
Debt securities issued	1,044,208	1,160,533	-	1,160,533	-	1,044,208	1,160,533	-	1,160,533	-
Other financial liabilities	406,079	405,947	-	-	405,947	371,650	371,518	-	-	371,518

2015

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
ASSETS										
Loans and advances	**32,655,160**	**34,805,224**	**-**	**-**	**34,805,224**	**32,733,355**	**34,878,322**	**-**	**-**	**34,878,322**
with credit institutions	204,403	204,649	-	-	204,649	184,631	184,875	-	-	184,875
Romania	204,403	204,649	-	-	204,649	184,631	184,875	-	-	184,875
Moldova	-		-	-	-	-	-	-	-	-
with customers	32,450,757	34,600,575	-	-	34,600,575	32,548,724	34,693,447	-	-	34,693,447
Held-to-maturity investments	**10,120,063**	**10,651,485**	**10,617,128**	**-**	**34,357**	**8,818,660**	**9,284,792**	**9,284,792**	**-**	**-**
Debt securities	10,120,063	10,651,485	10,617,128	-	34,357	8,818,660	9,284,792	9,284,792	-	-
Securities listed, quoted on active markets	10,072,816	10,604,015	10,604,015	-	-	8,818,660	9,284,792	9,284,792	-	-
Securities listed, quoted on inactive markets	12,891	13,113	13,113	-	-	-	-	-	-	-
Securities unlisted	34,357	34,357	-	-	34,357	-	-	-	-	-
LIABILITIES										
at amortised cost	**55,321,688**	**55,334,220**	**-**	**999,377**	**54,334,843**	**52,241,984**	**52,250,664**	**-**	**999,377**	**51,251,287**
Deposits	**53,873,245**	**53,798,636**	**-**	**-**	**53,798,636**	**50,811,372**	**50,732,911**	**-**	**-**	**50,732,911**
from banks	11,247,223	11,246,437	-	-	11,246,437	10,837,456	10,833,546	-	-	10,833,546
from customers	42,626,022	42,552,199	-	-	42,552,199	39,973,916	39,899,365	-	-	39,899,365
Debt securities issued	912,236	999,377	-	999,377	-	912,236	999,377	-	999,377	-
Other financial liabilities	536,207	536,207	-	-	536,207	518,376	518,376	-	-	518,376

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PD's used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available, otherwise it is estimated by taking into consideration the actual interest rate environment and in this case they are allocated to Level 2.The fair value of other liabilities measured at amortized cost is estimated by taking into consideration the actual interest rate environment and own credit spreads, and these are allocated to Level 3.

41. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

41.2. Financial instruments measured at fair value in the statement of financial position

Group

	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
in RON thousands	2014	2015	2014	2015	2014	2015	2014	2015
ASSETS								
Financial assets held for trading	215,403	167,851	150,594	75,827	4,832	4,430	370,829	248,108
Derivatives held for trading	-	-	150,144	74,883	4,832	3,931	154,976	78,814
Other trading assets	215,403	167,851	450	944	-	499	215,853	169,294
Financial assets designated at FV through profit or loss	4,228	4,279	-	-	20,359	17,967	24,587	22,246
Financial assets available for sale	7,377,498	6,808,185	27,283	32,284	250,280	362,791	7,655,061	7,203,260
Total Assets	7,597,129	6,980,315	177,877	108,111	275,471	385,188	8,050,477	7,473,614
LIABILITIES								
Financial liabilities held for trading	-	-	70,127	35,102	-	-	70,127	35,102
Derivatives held for trading	-	-	70,127	35,102	-	-	70,127	35,102
Derivatives - Hedge accounting	-	-	554,005	-	-	-	554,005	-
Total Liabilities	-	-	624,132	35,102	-	-	624,132	35,102

Bank

	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
in RON thousands	2014	2015	2014	2015	2014	2015	2014	2015
ASSETS								
Financial assets held for trading	215,403	167,851	150,594	75,827	4,832	4,430	370,829	248,108
Derivatives held for trading	-	-	150,144	74,883	4,832	3,931	154,976	78,814
Other trading assets	215,403	167,851	450	944	-	499	215,853	169,294
Financial assets designated at FV through profit or loss	4,228	4,279	-	-	20,359	17,967	24,587	22,246
Financial assets available for sale	6,376,179	5,884,706	9,211	8,963	250,033	362,569	6,635,423	6,256,238
Total Assets	6,595,810	6,056,836	159,805	84,790	275,224	384,966	7,030,839	6,526,592
LIABILITIES								
Financial liabilities held for trading	-	-	70,127	35,102	-	-	70,127	35,102
Derivatives held for trading	-	-	70,127	35,102	-	-	70,127	35,102
Derivatives - Hedge accounting	-	-	554,005	-	-	-	554,005	-
Total Liabilities	-	-	624,132	35,102	-	-	624,132	35,102

During 2015, for BCR bank there were no reclassifications from level 1 to 2 or from level 2 to level 1. However at BCR Group level there was a reclassification from level 2 to level 1 for a bond issued by EIB (XS0415604288) due to an improvement of the market liquidity of this security assessed with the BVAL score. According to BCR policy a security is classified as level 1 if the BVAL score is higher than or equal to 8. The BVAL score for above mentioned bond has improved from 7 to 8 during 2015.

41.3. Valuation of level 3 financial instruments

The volume of level 3 financial assets can be allocated to the following two categories:

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

The unobservable inputs from CVA calculation are the probability of default (PD) and loss given default (LGD). The probabilities of default are the result of the rating models development internaly (at ERSTE Group level) and are used to evaluate the credit risk including CVA. According to the allocated rating, each counterparty has assigned a probability of default. The value of LGD parameter for the calculation of CVA is 60%.
Another unobserved input refers to the credit spread. This parameter is used in the valuation of the municipal bonds and its values ranges between 0.1% and 1.65%.

41. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

In 2015, most of the financial assets classified according to fair value hierarchy as Level 3 were municipal bonds. The oustanding volume of municipal bonds held by BCR as of 31-December-2015 was RON 253,757 thousands while at year-end 2014 was RON 238,903 thousands.

In order to mark to market the municipal bonds classified as Level 3 in Fair value Hierarchy, the bank proceeds as follows:

- Municipal bonds are mark to market by the Kondor+ tool, using standard methods implemented for the bank sector, by Thomson Reuters.
- The yield curve used by Kondor+ tool is developed using linear interpolation method and is based on observable data from the market.
- Add to the yield curve, a margin which incorporates the credit risk of each debt issuer.

The following table shows the impact of different shocks applied to the credit spread on the fair value of the municipal bonds classified as level 3

Credit spread variation (in b.p.)	Impact in fair value (in ths. RON)
+100	(5,797)
-100	6,042
+50	(2,928)
-50	2,989

BCR has also in portfolio investments in equities at cost classified according to Fair Value Hierarchy as Level 3. These minority participations held by BCR in available for sale portfolio as of 31 December 2015 have total book value of RON 26,395 thousands (31 December 2014: RON 26,553 thousands).

41.4. Movements in Level 3 of financial instruments measured at fair value

Group

in RON thousands	2013	Gains /(Losses) in profit or loss	Gains /(Losses) in other comprehensive income	Purchase	Sales/Settlements	Transfer into Level 3	2014
ASSETS							
Financial assets held for trading	-	4,832	-	-	-	-	4,832
Derivatives held for trading	-	4,832	-		-	-	4,832
Other trading assets	-	-	-	-	-	-	-
Financial assets designated at fair value through Profit & Loss	22,086	628	-	-	(2,355)	-	20,359
Financial assets available for sale	262,836	7,924	(105)	-	(20,375)	-	250,280
Total Assets	**284,922**	**13,384**	**(105)**	**-**	**(22,730)**	**-**	**275,471**

Group

in RON thousands	2014	Gains /(Losses) in profit or loss	Gains /(Losses) in other comprehensive income	Purchase	Sales/Settlements	Transfer into Level 3	2015
ASSETS							
Financial assets held for trading	4,832	(901)	-	-	-	499	4,430
Derivatives held for trading	4,832	(901)	-	-	-	-	3,931
Other trading assets	-	-	-	-	-	499	499
Financial assets designated at fair value through Profit & Loss	20,359	(333)	-	-	(2,059)	-	17,967
Financial assets available for sale	250,280	53	93,787	34,723	(16,052)	-	362,791
Total Assets	**275,471**	**(1,181)**	**93,787**	**34,723**	**(18,111)**	**499**	**385,188**

41. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Bank

in RON thousands	2013	Gains /(Losses) in profit or loss	Gains /(Losses) in other comprehensive income	Purchase	Sales/Settlements	Transfer into Level 3	2014
ASSETS							
Financial assets held for trading	-	4,832	-	-	-	-	4,832
Derivatives held for trading	-	4,832	-		-	-	4,832
Other trading assets	-	-	-	-	-	-	-
Financial assets designated at fair value through Profit & Loss	22,086	628	-	-	(2,355)	-	20,359
Financial assets available for sale	262,589	7,924	(105)	-	(20,375)	-	250,033
Total Assets	**284,675**	**13,384**	**(105)**	**-**	**(22,730)**	**-**	**275,224**

Bank

in RON thousands	2014	Gains /(Losses) in profit or loss	Gains /(Losses) in other comprehensive income	Purchase	Sales/Settlements	Transfer into Level 3	2015
ASSETS							
Financial assets held for trading	4,832	(901)	-	-	-	499	4,430
Derivatives held for trading	4,832	(901)	-	-	-	-	3,931
Other trading assets	-	-	-	-	-	499	499
Financial assets designated at fair value through Profit & Loss	20,359	(333)	-	-	(2,059)	-	17,967
Financial assets available for sale	250,033	53	93,787	34,723	(16,027)	-	362,569
Total Assets	**275,224**	**(1,181)**	**93,787**	**34,723**	**(18,086)**	**499**	**384,966**

The substantial surge of Level 3 Market Values in the Category "Financial Assets – Available for Sale" is based on the fair value valuation of the VISA Europe participation as of 31 December 2015. The revaluation of the participation was necessary due to a purchase offer posted by VISA Inc. The proposed offer comprises a combination of an initial cash payment combined with preferred shares of VISA Inc. and a potential earn out payment in 2020. All these elements have been considered in the determination of the fair value. As significant input parameters for the fair value determination could not be derived from external observable parameters, it was necessary to include assumptions and estimations in the determination of the fair value. In total this revaluation led to an increase within the category "Financial Assets – Available for Sale" amounting to RON 100,660 thousands.

The cash payment was accounted for with its present value as of 31 December 2015. The preferred shares, which are issued as part of the initial purchase price can only be sold after a minimum holding period of 12 years. In addition, the preferred shares are subject to restrictions for which a non-fulfilment would affect the conversion into market tradable VISA Inc. shares. Based on these restrictive conditions, the preferred shares were subject to a discount compared to tradable VISA Inc. shares. Moreover, the amount of the potential earn out payment depends on various external factors for which the probability of fulfilment cannot be derived from external observable parameters. As a consequence, the potential earn out payment was derived from estimated assumptions.

42. FAIR VALUES OF NON-FINANCIAL ASSETS

The following table shows fair values and fair value hierarchy of non-financial instruments at the year-end 2015:

				2014	Group
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	-	-	-	-	-
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	335,680	335,680	-	-	335,680

				2015	Group
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	486	623	-	-	623
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	301900	343,701	-	-	343,701

				2014	Bank
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	-	-	-	-	-
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	37,678	37,678	-	-	37,678

				2015	Bank
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	-	-	-	-	-
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	38,037	46,156	-	-	46,156

Investment property is measured at fair value on recurring basis. Assets held for sale are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification.

For non-financial assets owned by BCR Group the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

43. FINANCIAL INSTRUMENTS PER CATEGORY ACCORDING TO IAS 39

									2014	Group
in RON thousands	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Cash on hand	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
ASSETS										
Cash and cash balances	6,672,219						1,562,948			8,235,167
Loans and advances to credit institutions	525,281									525,281
Loans and advances to customers	31,894,842								671,224	32,566,066
Financial assets- held for trading			370,829							370,829
Financial assets - at fair value through profit or loss				24,587						24,587
Financial assets - available for sale					7,655,061					7,655,061
Financial assets - held to maturity		9,578,176								9,578,176
Total financial assets	**39,092,342**	**9,578,176**	**370,829**	**24,587**	**7,655,061**		**1,562,948**		**671,224**	**58,955,167**
Net gains / losses recognized through profit or loss	4,440,001		(18,566)	(161)	9,201					4,430,475
Net gains / losses recognized through OCI					(367,391)					(367,391)
LIABILITIES										
Financial liabilities - held for trading			(70,127)							(70,127)
Financial liabilities -measured at amortized cost						(55,564,030)				(55,564,030)
Derivative - hedge accounting								(554,005)		(554,005)
Total financial liabilities			**(70,127)**			**(55,564,030)**		**(554,005)**		**(56,188,162)**
Net gains / losses recognized through profit or loss			(257,749)			1,147				(256,602)

43. FINANCIAL INSTRUMENTS PER CATEGORY ACCORDING TO IAS 39 (continued)

in RON thousands	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Cash on hand	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
									2015	Group
ASSETS										
Cash and cash balances	7,172,321						2,269,512			9,441,833
Loans and advances to credit institutions	204,403									204,403
Loans and advances to customers	31,551,694								899,063	32,450,757
Financial assets- held for trading			248,108							248,108
Financial assets - at fair value through profit or loss				22,246						22,246
Financial assets - available for sale					7,203,260					7,203,260
Financial assets - held to maturity		10,154,420								10,154,420
Total financial assets	**38,928,418**	**10,154,420**	**248,108**	**22,246**	**7,203,260**		**2,269,512**		**899,063**	**59,725,027**
Net gains / losses recognized through profit or loss	(74,335)	1,433	(564)	282	5,067					(68,117)
Net gains / losses recognized through OCI					(72,510)					(72,510)
LIABILITIES										
Financial liabilities - held for trading			(35,102)							(35,102)
Financial liabilities -measured at amortized cost						(55,321,688)				(55,321,688)
Total financial liabilities			**(35,102)**			**(55,321,688)**				**(55,356,790)**
Net gains / losses recognized through profit or loss	-	-	(258,964)	-	-	-	-	-	-	(258,964)

43. FINANCIAL INSTRUMENTS PER CATEGORY ACCORDING TO IAS 39 (continued)

Bank

in RON thousands	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Cash on hand	Derivatives designated as hedging instruments	Total
ASSETS									
Cash and cash balances	6,604,321						1,554,120		8,158,441
Loans and advances to credit institutions	480,666								480,666
Loans and advances to customers	32,937,273								32,937,273
Derivative - hedge accounting									-
Financial assets- held for trading			370,829						370,829
Financial assets - at fair value through profit or loss				24,587					24,587
Financial assets - available for sale					6,635,423				6,635,423
Financial assets - held to maturity		8,429,417							8,429,417
Total financial assets	**40,022,260**	**8,429,417**	**370,829**	**24,587**	**6,635,423**		**1,554,120**	**-**	**57,036,636**
Net gains / losses recognized through profit or loss	4,440,001		(18,566)	(161)	9,201				4,430,475
Net gains / losses recognized through OCI					(367,391)				(367,391)
LIABILITIES									
Financial liabilities - held for trading			(70,127)						(70,127)
Financial liabilities -measured at amortized cost						(52,872,441)			(52,872,441)
Derivative - hedge accounting								(554,005)	(554,005)
Total financial liabilities			**(70,127)**			**(52,872,441)**		**(554,005)**	**(53,496,573)**
Net gains / losses recognized through profit or loss			(257,749)			1,147			(256,602)

43. FINANCIAL INSTRUMENTS PER CATEGORY ACCORDING TO IAS 39 (continued)

Bank

in RON thousands	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Cash on hand	Derivatives designated as hedging instruments	Total
ASSETS									
Cash and cash balances	6,997,829						2,257,658		9,255,487
Loans and advances to credit institutions	184,631								184,631
Loans and advances to customers	32,548,724								32,548,724
Financial assets- held for trading			248,108						248,108
Financial assets - at fair value through profit or loss				22,246					22,246
Financial assets - available for sale					6,256,238				6,256,238
Financial assets - held to maturity		8,818,660							8,818,660
Total financial assets	**39,731,184**	**8,818,660**	**248,108**	**22,246**	**6,256,238**		**2,257,658**		**57,334,094**
Net gains / losses recognized through profit or loss	(59,732)	1,433	(564)	282	52				(58,529)
Net gains / losses recognized through OCI					(84,605)				(84,605)
LIABILITIES									
Financial liabilities - held for trading			(35,102)						(35,102)
Financial liabilities -measured at amortized cost						(52,241,984)			(52,241,984)
Derivative - hedge accounting									
Total financial liabilities			**(35,102)**			**(52,241,984)**			**(52,277,086)**
Net gains / losses recognized through profit or loss			(258,964)						(258,964)

44. AUDIT FEES AND TAX CONSULTANCY FEES

The following table contains fundamental audit fees and tax fees charged by the auditors (of BCR Bank and subsidiaries; the auditors being Ernst & Young) in the financial years 2015 and 2014:

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Fees for the audit of the financial statements and the consolidated financial statements	4,512	4,750	3,911	4,051
Other services involving the issuance of a report	47	20	-	-
Other services	160	747	66	747
TOTAL	4,719	5,517	3,977	4,798

45. CONTINGENT LIABILITIES

Commitments, financial and performance guarantees

	Group		Bank	
in RON thousands	2014	2015	2014	2015
Commitments	5,259,130	7,106,946	5,410,609	7,348,015
Revocable	2,548,525	2,774,969	2,706,294	3,015,873
Irevocable	2,710,605	4,331,977	2,704,315	4,332,142
Financial guaranteed	2,068,846	1,586,875	2,068,796	1,612,937
Performance guarantees	1,011,709	1,093,677	1,012,684	1,095,590
Total	8,339,685	9,787,498	8,492,089	10,056,542

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 are contracts that provide compensation if another party fails to perform a contractual obligation.

in RON thousands	2014	2015
Performance guarantees at 1 January	838,646	1,012,684
Amounts paid for claims settlement	(110,197)	(27,678)
New guarantees issued during the period	364,309	141,551
Guarantees expired during the period	(80,074)	(30,966)
Performance guarantees at 31 December	1,012,684	1,095,591

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.
At the same time, 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.

45. CONTINGENT LIABILITIES (continued)

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 million 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.

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 2015, the Bank was still the defendant in one case from this category. The total value of this case is RON 1,571,578.

Until December 31, BCR hadn't received a final answer from MFP to its notification related to the increasing of guarantee ceiling. The amounts mentioned in the notification sent in December 2013 amounting EUR 402,760,385 and RON 10,791,084 (for 8 litigations) , will be diminished , following the finalization of the cases excepting one case amounting of RON 1,571,578. We mention that this case was favorable solved by court at first level of judgment.

Other litigations

As at 31 December 2015, the Bank was involved in the normal course of its business in a number of 4,089 other litigation as defendant, out of which in 1,630 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 2015, the Bank recorded provisions for litigations in total amount of RON 25,703,759, USD 11,000, EUR 58,000 (2014: RON 67,660,052, USD 21,180, EUR 556,826). 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 2015.

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.

45. CONTINGENT LIABILITIES (continued)

Currently, BCR is involved in a number of litigations with retail clients for contracts which contain "allegedly abusive clauses" and with ANPC (National Consumer Protection Agency - 8 disputes filed by the institution, having as grounds the interpretations over Law 193/2000 featuring potential cross portfolio contamination effects). All the litigations with ANPC are in progress, but out of the total 8, the bank has won one in first court. There is no relevant precedent in the market with respect to similar cases. In the prior year financial statements, following the assessment of the bank's experts on this topic, a contingent liability disclosure was included in the notes to the financial statements.

Considering the increasing trend in the number of litigations with clients for contracts which contain "allegedly abusive clauses" and the fact that the bank has lost irrevocably a litigation for "allegedly abusive clauses" against an associated group of 200 clients, the bank considered it appropriate to estimate a provision for potential future litigations with customers for contracts which contain "allegedly abusive clauses". The expected timing of any resulting outflows of economic benefits was estimated between 1-4 years. For the estimation of the provision the bank considered and used as a basis for calculation assumptions as to the trend in litigations, the history of litigations and the related court resolutions against the bank and against its clients and the results of the active set of mitigating measures implemented in 2015. The estimation of the provision is considered a significant estimate, and will be reviewed semi-annually by the bank, considering the future trends in litigations, court resolutions for litigations with clients for contracts which contain "allegedly abusive clauses", court resolutions with respect to litigations with ANPC and future changes in legislation.

The law – datio in solutum

On 25 November 2015 the Parliament passed a new consumer protection related enactment, that in principle provides the consumer with a right to return a mortgaged property to the Bank in settlement of the outstanding debt for which that property acts as security This right is available to borrowers also in respect of ongoing contracts. Given also the negative endorsement from ECB, the Romanian Presidency returned the datio in solutum draft law back for re-examination. It is likely that the revised law, containing similar conditions to those in the original law, will be passed in Q2 2016. Should the law be enacted until the publication of financial statements, this will be an un-adjusting subsequent event for financial year 2015.

The audit mission of the Romanian Court of Accounts – BCR Banca pentru Locuinte

In 2015, The Romanian Court of Accounts ("CoA") conducted an audit mission in BCR Banca Pentru Locuinte ("BpL").
Following the mission, the CoA claims that several deficiencies were identified, the vast majority grounded on a different interpretation of the applicable legal provisions. BpL did not accept the deficiencies notified by CoA and initiated a contestation process which is currently ongoing.

46. SPLIT BETWEEN CURRENT AND NON-CURRENT 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

	December 2014		December 2015	
in RON thousands	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	8,235,167	-	9,441,833	-
Financial assets - held for trading	302,151	68,678	195,075	53,033
Derivatives	86,298	68,678	25,781	53,033
Other trading assets	215,853	-	169,294	-
Financial assets - designated at fair value through profit or loss	-	24,587	-	22,246
Financial assets - available-for-sale	918,010	6,737,051	3,283,229	3,920,031
Financial assets - held to maturity	2,518,320	7,059,856	2,054,612	8,099,808
Loans and receivables to credit institutions	416,351	108,930	173,007	31,396
Loans and receivables to customers	9,762,177	22,803,889	10,332,078	22,118,679
Property and equipment	-	1,056,610	-	1,098,757
Investment properties	-	-	-	486
Intangible assets	-	218,461	-	234,265
Investments in associates and joint ventures	-	15,289	-	16,193
Tax assets	598,026	17,230	133,192	426,363
Assets held for sale	335,680	-	301,900	-
Other assets	249,405	178,746	202,874	220,959
TOTAL ASSETS	**23,335,287**	**38,289,327**	**26,117,800**	**36,242,216**
Finanacial liabilities - held for trading	66,390	3,737	32,859	2,243
Derivatives	66,390	3,737	32,859	2,243
Financial liabilities measured at amortised cost	40,678,956	14,885,074	40,310,606	15,011,082
Deposits from banks	3,513,751	10,677,363	2,566,302	8,680,921
Deposits from customers	36,759,126	3,163,503	36,950,958	5,675,064
Debt securities issued	-	1,044,208	257,139	655,097
Other financial liabilities	406,079	-	536,207	-
Derivatives - hedge accounting	554,005	-	-	-
Provisions	88,865	258,534	16,020	796,697
Current tax liabilities	695	-	1,350	-
Deferred tax liabilities	-	9,716	-	6,282
Other liabilities	168,487	-	307,326	266
TOTAL LIABILITIES	**41,557,398**	**15,157,061**	**40,668,161**	**15,816,570**

* The amounts over one year related to those derivatives classified in the category "held for trading" which are hedging instruments from an economic but not from accounting point of view.

46. SPLIT BETWEEN CURRENT AND NON-CURRENT ASSETS AND LIABILITIES (continued)

Bank

in RON thousands	December 2014 < 1 year	December 2014 > 1 year	December 2015 < 1 year	December 2015 > 1 year
Cash and cash balances	8,158,441	-	9,255,487	-
Financial assets - held for trading	302,151	68,678	195,075	53,033
Derivatives	86,298	68,678	25,781	53,033
Other trading assets	215,853	-	169,294	-
Financial assets designated at fair value through profit or loss	-	24,587	-	22,246
Financial assets - available for sale	842,402	5,793,021	3,035,753	3,220,485
Financial assets - held to maturity	2,064,148	6,365,269	1,764,581	7,054,079
Loans and receivables to credit institutions	371,736	108,930	153,235	31,396
Loans and receivables to customers	9,753,570	23,183,703	9,763,146	22,785,578
Property and equipment	-	222,539	-	235,921
Intangible assets	-	206,874	-	224,239
Investments in associates	-	7,509	-	7,509
Tax assets	592,930	-	131,826	398,530
Non-current assets and disposal groups classified as held for sale	37,678	-	38,037	-
Other assets	66,168	866,800	41,625	1,049,132
TOTAL ASSETS	**22,189,224**	**36,847,910**	**24,378,765**	**35,082,148**
Financial liabilities held for trading	66,390	3,737	32,859	2,243
Derivatives	66,390	3,737	32,859	2,243
Financial liabilities measured at amortised costs	39,562,338	13,310,103	40,086,418	12,155,566
Deposits from banks	3,212,807	10,651,315	2,765,548	8,071,908
Deposits from customers	35,977,881	1,614,580	36,545,355	3,428,561
Debt securities issued	-	1,044,208	257,139	655,097
Other financial liabilities	371,650	-	518,376	-
Provisions	91,551	251,143	1,054	794,815
Other Liabilities	86,970	-	244,969	-
TOTAL LIABILITIES	**40,361,254**	**13,564,983**	**40,366,354**	**13,195,333**

***** The amounts over one year related to those derivatives classified in the category “held for trading” which are hedging instruments from an economic but not from accounting point of view.

The table below show the contractual expiry by maturity of the contingent liabilities and commitments:

Group

in RON thousands	December 2014 < 1 year	December 2014 > 1 year	December 2015 < 1 year	December 2015 > 1 year
Contingent liabilities	2,708,061	447,134	2,473,446	350,919
Commitments	4,179,444	1,005,046	5,469,069	1,494,064
Total	**6,887,505**	**1,452,180**	**7,942,515**	**1,844,983**

Bank

in RON thousands	December 2014 < 1 year	December 2014 > 1 year	December 2015 < 1 year	December 2015 > 1 year
Contingent liabilities	2,707,443	448,677	2,501,605	350,735
Commitments	4,270,744	1,065,225	5,724,449	1,479,753
Total	**6,978,187**	**1,513,902**	**8,226,054**	**1,830,488**

47. OWN FUNDS AND CAPITAL REQUIREMENTS

Since 1 January 2014, BCR Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements have been implemented within the EU by the CRR and the CRD IV as well as within various technical standards issued by European Bank Authority, which were enacted in national law by the National Bank of Romania, Regulation No 5/2013.
All requirements as defined in the CRR, the NBR and the aforementioned technical standards are fully applied by BCR Group.

Own funds according to CRR consist of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2). In order to determine the capital ratios, each respective capital component - after application of all regulatory deductions and filters - is considered in relation to the total risk.

The Bank monitors the capital ratios, at individual and consolidated level, based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS), taking into consideration also the local provisions.

The main reason for differences in RWA and own funds computed for Bank and Group is the prudential filter used for BCR solo reporting to NBR. In December 2014, 80% of the gap between prudential value adjustments and IFRS provisions was used for RWA and own funds computation in BCR solo reporting (685 mil. RON). In December 2015 only 60% of the gap was used for RWA and own funds computation in BCR solo reporting (332 mil. RON), as this prudential filter will be phased out until 31.12.2017.

Prudential filter represents the gap between local prudential value adjustments and IFRS provisions. According to NBR Regulation no. 5/2013, the usage of the prudential filter will be phased out until 31.12.2017 (the percentages applicable are 60% in 2015 and will be reduced by 20% p.a. until 0% in 2018). According to the legislation, prudential filters are used only for individual level (BCR standalone); for consolidated level (BCR group) the IFRS provisions are considered.

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, both individual and consolidated level.

47. OWN FUNDS AND CAPITAL REQUIREMENTS (continued)

Group		Dec-14		Dec-15	
in RON thousands		Basel 3		Basel 3	
	Article pursuant to CRR	Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	3,348,049	3,348,049	3,348,049	3,348,049
Own CET1 instruments	36 (1) (f), 42	-	-	-	-
Retained earnings	26 (1) (c), 26 (2)	3,780,800	3,780,800	975,702	975,702
Interim profit	26 (2)	(2,799,866)	(2,799,866)	918,950	918,950
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	380,741	380,741	430,716	430,716
Minority interest recognised in CET1	4 (1) (120) 84	-	-	-	-
Transitional adjustments due to additional minority interests	479, 480	28,041	-	14,587	-
Prudential filter: cash flow hedge reserve	33 (1) (a)	(2,030)	(2,030)	-	-
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	(1,375)	(1,375)	(1,174)	(1,174)
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-	-	-	-
Value adjustments due to the requirements for prudent valuation	34, 105	(6,731)	(6,731)	(5,626)	(5,626)
Regulatory adjustments relating to unrealised gains and losses	467, 468	(353,433)	-	(253,329)	-
Goodwill	4 (1) (113), 36 (1) (b), 37	-	-	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(202,964)	(202,964)	(220,277)	(220,277)
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	(363,801)	(363,801)	(240,548)	(240,548)
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-	-	-	-
Development of unaudited risk provisions during the year (EU No 183/2014)		-	-	-	-
Other transitional adjustments CET1	469 to 472, 478, 481	**478,721**	**-**	**314,458**	**-**
Goodwill		-	-	-	-
Other intangible assets		162,372	-	132,166	-
IRB shortfall of provisions to expected losses		-	-	-	-
Deferred tax assets that rely on future profitability and do not arise from temporary differences		316,349	-	182,292	-
Excess of deduction from AT1 items over AT1	36 (1) (j)	(162,372)	-	(132,166)	-
Common equity tier 1 capital (CET1)	50	**4,123,780**	**4,132,823**	**5,149,342**	**5,205,792**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51(a), 52 to 54, 56 (a), 57	-	-	-	-
Own AT1 instruments	52 (1) (b), 56 (a), 57	-	-	-	-
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	-	-	-	-
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	-	-	-	-
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	-	-	-	-
Other transitional adjustments AT1	474, 475, 478, 481	**(162,372)**	**-**	**(132,166)**	**-**
Goodwill		-	-	-	-
Other intangible assets		(162,372)	-	(132,166)	-
IRB shortfall of provisions to expected losses		-	-	-	-
Excess of deduction from AT1 items over AT1	36 (1) (j)	162,372	-	132,166	-
Additional tier 1 capital (AT1)	61	**-**	**-**	**-**	**-**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	25	**4,123,780**	**4,132,823**	**5,149,342**	**5,205,792**
Tier 2 capital (T2)		2,041,225	2,041,225	1,752,743	1,752,743
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	-	-	-	-
Own T 2 instruments	63 (b) (i), 66 (a), (67)	-	-	-	-
Instrumets issued by subsidiaries recognised in T2	87, 88	-	-	-	-
Transitional adjustments due to aditional recognition in T2 of instruments issued by subsidiaries	480	-	-	-	-
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	-	-	-	-
IRB excess of provisions over expected losses eligible	62 (d)	-	-	-	-
Standardised approach general credit risk adjustments	62 ©	-	-	-	-
Other transitional adjustments tier 2 capital	476, 477, 478, 481	**159,044**	**-**	**-**	**-**
Other items (Local prudential filter - difference between prudential adjustments and adjustments for impairment according to IFRS)		-	-	-	-
Other items (AFS gains recognised in Tier 2 capital)		159,044	-	-	-
IRB shortfall of provisions to expected losses		-	-	-	-
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	-	-	-	-
Tier 2 capital (T2)	**71**	**2,200,269**	**2,041,225**	**1,752,743**	**1,752,743**
Short-term subordinated capital (tier-3)		**-**	**-**	**-**	**-**
Total own funds	**4 (1) (118) and T2**	**6,324,049**	**6,174,048**	**6,902,085**	**6,958,535**

47. OWN FUNDS AND CAPITAL REQUIREMENTS (continued)

Bank		Dec-14		Dec-15	
in RON thousands		Basel 3		Basel 3	
	Article pursuant to CRR	Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	3,348,049	3,348,049	3,348,049	3,348,049
Own CET1 instruments	36 (1) (f), 42	-	-	-	-
Retained earnings	26 (1) (c), 26 (2)	3,868,421	3,868,421	1,232,671	1,232,671
Interim profit	26 (2)	(2,629,568)	(2,629,568)	963,427	963,427
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	358,616	358,616	427,295	427,295
Minority interest recognised in CET1	4 (1) (120) 84	-	-	-	-
Transitional adjustments due to additional minority interests	479, 480	-	-	-	-
Prudential filter: cash flow hedge reserve	33 (1) (a)	(2,030)	(2,030)	-	-
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	(1,375)	(1,375)	(1,174)	(1,174)
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-	-	-	-
Value adjustments due to the requirements for prudent valuation	34, 105	(6,731)	(6,731)	(5,626)	(5,626)
Regulatory adjustments relating to unrealised gains and losses	467, 468	(338,668)	-	(231,343)	-
Goodwill	4 (1) (113), 36 (1) (b), 37	-	-	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(191,140)	(191,140)	(210,367)	(210,367)
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	(363,801)	(363,801)	(240,548)	(240,548)
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-	-	-	-
Development of unaudited risk provisions during the year (EU No 183/2014)		-	-	-	-
Other transitional adjustments CET1	469 to 472, 478, 481	**469,261**	**-**	**308,512**	**-**
Goodwill		-	-	-	-
Other intangible assets		152,912	-	126,220	-
IRB shortfall of provisions to expected losses		-	-	-	-
Deferred tax assets that rely on future profitability and do not arise from temporary differences		316,349	-	182,292	-
Excess of deduction from AT1 items over AT1	36 (1) (j)	(513,268)	-	(301,995)	-
Common equity tier 1 capital (CET1)	50	**3,997,766**	**4,380,441**	**5,288,901**	**5,513,727**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51(a), 52 to 54, 56 (a), 57	-	-	-	-
Own AT1 instruments	52 (1) (b), 56 (a), 57	-	-	-	-
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	-	-	-	-
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	-	-	-	-
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	-	-	-	-
Other transitional adjustments AT1	474, 475, 478, 481	**(513,269)**	**-**	**(301,995)**	**-**
Goodwill		-	-	-	-
Other intangible assets		(152,912)	-	(126,220)	-
Other items (Local prudential filter - difference between prudential adjustments and adjustments for impairment according to IFRS)		(342,482)	-	(166,091)	-
Other items (Local filter - exposure from loans granted to former employees in more favourable conditions than market)		(17,875)	-	(9,684)	-
IRB shortfall of provisions to expected losses		-	-	-	-
Excess of deduction from AT1 items over AT1	36 (1) (j)	513,269	-	301,995	-
Additional tier 1 capital (AT1)	61	**-**	**-**	**-**	**-**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	25	**3,997,766**	**4,380,441**	**5,288,901**	**5,513,727**
Tier 2 capital (T2)		2,041,225	2,041,225	1,752,743	1,752,743
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	-	-	-	-
Own T 2 instruments	63 (b) (i), 66 (a), (67)	-	-	-	-
Instrumets issued by subsidiaries recognised in T2	87, 88	-	-	-	-
Transitional adjustments due to aditional recognition in T2 of instruments issued by subsidiaries	480	-	-	-	-
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 49	-	-	-	-
IRB excess of provisions over expected losses eligible	62 (d)	-	-	-	-
Standardised approach general credit risk adjustments	62 ©	-	-	-	-
Other transitional adjustments tier 2 capital	476, 477, 478, 481	**(190,081)**	**-**	**(166,091)**	**-**
Other items (Local prudential filter - difference between prudential adjustments and adjustments for impairment according to IFRS)		(342,482)	-	(166,091)	-
Other items (AFS gains recognised in Tier 2 capital)		152,401	-	-	-
IRB shortfall of provisions to expected losses		-	-	-	-
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	-	-	-	-
Tier 2 capital (T2)	71	**1,851,144**	**2,041,225**	**1,586,652**	**1,752,743**
Short-term subordinated capital (tier-3)		-	-	-	-
Total own funds	4 (1) (118) and T2	**5,848,910**	**6,421,666**	**6,875,553**	**7,266,470**

47. OWN FUNDS AND CAPITAL REQUIREMENTS (continued)

Group		Dec-14		Dec-15	
in RON thousands		Basel 3		Basel 3	
	Article pursuant to CRR	Phased-in	Final	Phased-in	Final
Capital requirement	92 (3), 95, 96, 98	2,519,616	2,519,616	2,460,045	2,460,045
CET1 capital ratio	92 (2) (c)	12.67%	12.70%	13.15%	13.24%
Tier 1 capital ratio	92 (2) (c)	12.67%	12.70%	13.15%	13.24%
Total capital ratio	92 (2) (c)	19.65%	19.18%	18.85%	18.94%

/*Notes

1.The capital adequacy ratios for the Group are computed based on unaudited own funds (profit for current year not included). According to the current estimation, the CET1 capital ratio and theTier 1 capital ratio computed with 2015 profit included would be 16.04% and the total capital ratio computed with 2015 profit included would be 21.74%.

2. In order to compute the capital ratios, an additional regulatory prudential deduction is performed from the capital (CET1, TIier 1 and Total own funds): 216 mio. RON in 2015 and 134 mio. RON in 2014. This deduction is computed as the difference between the total exposure and value adjustments for a list of customers established by National Bank of Romania during their annual audit mission.

Bank		Dec-14		Dec-15	
in RON thousands		Basel 3		Basel 3	
	Article pursuant to CRR	Phased-in	Final	Phased-in	Final
Capital requirement	92 (3), 95, 96, 98	2,333,090	2,333,090	2,311,128	2,311,128
CET1 capital ratio	92 (2) (c)	13.25%	14.56%	14.11%	14.75%
Tier 1 capital ratio	92 (2) (c)	13.25%	14.56%	14.11%	14.75%
Total capital ratio	92 (2) (c)	19.60%	21.56%	19.60%	20.82%

/*Notes

1.The capital adequacy ratios for the Bank are computed based on unaudited own funds (profit for current year not included). According to the current estimation, the CET1 capital ratio and the Tier 1 capital ratio computed with 2015 profit included would be 17.56% and the total capital ratio computed with 2015 profit included would be 23.05%.

2. In order to compute the capital ratios, an additional regulatory prudential deduction is performed from the capital (CET1, Tier 1 and Total own funds): 216 mio. RON in 2015 and 134 mio.RON in 2014.This deduction is computed as the difference between the total exposure and value adjustments for a list of customers established by National Bank of Romania during their annual audit mission

Risk structure according to EU directive 575/2013 (CRR)

BCR Group		Dec-14		Dec-15	
in RON thousands	Article pursuant to CRR	Calculation base/total risk	Capital requirement	Calculation base/total risk	Capital requirement
Total Risk Exposure Amount	92 (3), 95, 96, 98	31,495,194	2,519,616	30,750,557	2,460,045
Risk weighted assets (credit risk)	92 (3) (a) (f)	25,552,545	2,044,204	25,427,325	2,034,186
Standardised approach		25,552,545	2,044,204	25,427,325	2,034,186
IRB approach		0	0	0	0
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	239,700	19,176	117,034	9,363
Operational risk	92 (3) (e), 92 (4) (b)	5,647,497	451,800	5,163,437	413,075
Exposure for CVA	92 (3) (d)	55,451	4,436	42,760	3,421
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	28,764,500	2,301,160	28,192,743	2,255,419

Risk structure according to EU directive 575/2013 (CRR)

BCR Parent Bank		Dec-14		Dec-15	
in RON thousands	Article pursuant to CRR	Calculation base/total risk	Capital requirement	Calculation base/total risk	Capital requirement
Total Risk Exposure Amount	92 (3), 95, 96, 98	29,163,624	2,333,090	28,889,096	2,311,128
Risk weighted assets (credit risk)	92 (3) (a) (f)	23,641,090	1,891,287	23,871,282	1,909,703
Standardised approach		23,641,090	1,891,287	23,871,282	1,909,703
IRB approach		0	0	0	0
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	145,076	11,606	142,904	11,432
Operational risk	92 (3) (e), 92 (4) (b)	5,322,007	425,761	4,832,149	386,572
Exposure for CVA	92 (3) (d)	55,451	4,436	42,760	3,421
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	26,964,749	2,157,180	26,387,674	2,111,014

48. COUNTRY BY COUNTRY REPORTING

Country	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
			2014	Group
Romania	3,372,760	(3,039,626)	244,215	13,748
Moldova	16,584	1,761	(367)	-
Total	3,389,344	(3,037,865)	243,848	13,748

Country	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
			2015	Group
Romania	3,051,906	1,005,192	(91,248)	52,983
Moldova	23,022	6,857	1,221	384
Total	3,074,928	1,012,049	(90,027)	53,367

49. EVENTS AFTER THE BALANCE SHEET DATE

In the beginning of February 2016, BCR received reimbursements in total amount of RON 80 million for a number of cases subject to operational risk insurance. The event is non-adjusting for the financial statements as at year-end 2015.

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Adriana Jankovicova

BANCA COMERCIALĂ ROMÂNĂ
BCR
Cabinet Vice Președinte Financiar

AUTHORISED PERSON,
First name and name
Signature

Executive Director Accounting Division,

Adina Elena Bartos