BCR

Banca Comerciala Romana S.A.

Consolidated and Separate Financial Statements

(The Group and the Parent Bank)

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

31 December 2016

Contents of the consolidated financial statements

D E C L A R A T I ON,

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 31.12.2016 and declare the following:

a) The accounting policies used for the preparation of the financial statements for 2016 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 ROMÂNĂ BCR PREȘEDINTE EXECUTIV

Chief Financial Officer,

ADRIANA JANKOVICOVA

D E C L A R A T I O N,

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 31.12.2016 and declare the following:

a) The accounting policies used for the preparation of the annual consolidated financial statements for 2016 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 COMERCIALĂ ROMÂNĂ BCR PREȘEDINTE EXECUTIV

Chief Financial Officer,

ADRIANA JANKOVICOVA

No. Cabinet of the President
Supervisory Board

ADMINISTRATORS' REPORT
Banca Comerciala Romana SA
Year ended 31 December 2016

A. Macroeconomic environment in 2016

The Social-Democrats (PSD) claimed a landslide victory in the parliamentary elections held on December 10, garnering 45.6% of the total votes. The Liberals struggled far behind, receiving 20.2% of the votes. Under these circumstances, the PSD, along with their stalwart ally, the Alliance of Liberals and Democrats (ALDE), which received 5.8% of the votes, were very likely to build up a majority and form the new government. This became even more evident as, after redistributing the votes of the parties that did not make the grade (the minimum election threshold is 5%), the Social-Democrats have topped 47% in the Parliament. Other parties that gained mandates in the Parliament were the newly created Union to Save Romania (8.9%), the ethnic Hungarians – UDMR (6.2%) and the People's Movement Party (5.5%), led by former President, Traian Basescu. After bilateral talks with the political parties, President Klaus Iohannis designated the Social-Democrat Sorin Grindeanu as the new Prime Minister.

Latest data show that Romanian economy picked up to 4.8% y/y in the first nine months of 2016 shored up by domestic demand, with household consumption being the most powerful contributor to GDP formation thanks to further fiscal easing and very robust increase in wages. Although looking promising in the first half of the year, investments lost significant momentum towards the end of 2016. Foreign trade turned in a net negative contribution to GDP formation. The resource side of GDP showed each and every segment of activity delivering positive contributions to growth in the first nine months. Agriculture was weakened by almost concomitant bouts of harsh drought and floods in some parts of the country throughout the summer. In view of this, poorer than expected harvest may have somewhat crimped private consumption toward the end of the year (cottage food industry largely supports self-sufficiency especially in rural homesteads). The bulky 'trade & services' component drove most of the growth, followed at a noticeable distance by industrial production.

Industrial output slowed in 2016 led by a steep drop in mining and electricity, gas and steam production and slowing manufacturing (capital goods production in particular). The annual trend of exports decelerated slightly for the better part of the year but managed to stabilize beginning with August, as the drag from the non-EU component eased. Retail sales accelerated vigorously, on the heels of repeated VAT cut and heftier purchasing power. Food sales reported a jet-fuelled increase, followed by strong rises in sales of non-food and fuels. Construction works slackened their pace markedly especially on the account of lackadaisical non-residential and engineering works. Residential sector showed a marked acceleration, due to Prima Casa state sponsored program, while non-residential works braked sharply compared to previous year.

Inflation remained in negative territory throughout 2016, due to further VAT cut, lower energy prices and fuels and slightly cheaper volatile food products. Annual CPI ended 2016 at -0.5% and is likely to rebound in 2017, once the base effect from VAT cut fades away. The central bank kept key rate unchanged, at 1.75% in 2016, but decided to slash mandatory reserve ratios for FC liabilities to 12% in January and then to 10% in late September. Central bank noted that the move to reduce FX mandatory reserves was a consecutive step, in light of the continued fall in foreign currency loans, amid FX reserve consolidation at an adequate level.

Budget expenditures outran revenues in 2016, which led the budget deficit to significantly widen compared to previous year. The revenue side shrank, as VAT income dwindled and EU funds absorption 2014-2020 was in shambles. Personnel and welfare related expenditures were the fastest growing items in the budget, while public investments dropped compared to previous year. According to the Ministry of Finance, Romania ran a budget deficit 2.6% of GDP in cash terms.

B. Important events since the end of 2016

In early January, the central bank has left the monetary policy rate unchanged at 1.75%. Mandatory reserve ratios for both RON and FC liabilities have also been kept flat at 8% and 10%, respectively. The central bank expects inflation to spring back into positive territory in the first quarter of this year, but the magnitude of the rebound will be softer than in the central bank's forecast which currently stands at +0.8%.

In early January, PSD, along with the Alliance of Liberals and Democrats (ALDE) formed a new cabinet headed by Social-Democrat Sorin Grindeanu. The government was quick to win the confidence vote and enjoys a comfortable majority in the Parliament (more than 60%), being backed by ethnic Hungarians and other ethnic minorities.

There were no important events in Banca Comerciala Romana, after the balance sheet date.

C. BCR's Supervisory Board, Management Board, and Assets and Liabilities Committee structure during 01.01 - 31.12.2016

I. Supervisory Board

Period 01.01 – 22.04.2016

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

Period 23.04 – 31.12.2016

- **Manfred Wimmer** - Chairman
- **Andreas Treichl** - Deputy Chairman
- **Gernot Mittendorfer** - member
- **Brian O'Neill** - member
- **Wilhelm Koch** - member (appointed by GSM on 23.04.2016, and granted approval by NBR on 09.09.2016)
- **Hildegard Gacek** - member (appointed by GSM on 23.04.2016, and granted approval by NBR on 26.09.2016)
- **Tudor Ciurezu** - member

II. Management Board

Period 1.01 – 30.06.2016

- **Sergiu Manea** - CEO
- **Bernd Mittermair** - executive vice – president (his mandate ended with 30.06.2016)
- **Paul Ursaciuc** - executive vice – president
- **Jonathan Locke** - executive vice – president
- **Adriana Jankovicova** - executive vice – president
- **Dana Demetrian** - executive vice – president
- **vacant position** - executive vice - president

Period 1.07 – 1.09.2016

- **Sergiu Manea** - CEO
- **Paul Ursaciuc** - executive vice – president
- **Jonathan Locke** - executive vice – president
- **Adriana Jankovicova** - executive vice – president
- **Dana Demetrian** - executive vice – president
- **vacant position** - executive vice – president
- **vacant position** - executive vice – president

Period 1.09 – 29.09.2016

- **Sergiu Manea** - CEO
- **Paul Ursaciuc** - executive vice – president
- **Jonathan Locke** - executive vice – president
- **Adriana Jankovicova** - executive vice – president
- **Dana Demetrian** - executive vice – president
- **vacant position** - executive vice – president

Period 30.09 – 14.10.2016

- **Sergiu Manea** - CEO
- **Paul Ursaciuc** - executive vice – president
- **Jonathan Locke** - executive vice – president (his mandate ended with 14.10.2016)
- **Adriana Jankovicova** - executive vice – president
- **Dana Demetrian** - executive vice – president

Period 15.10 – 30.11.2016

- **Sergiu Manea** - CEO
- **Paul Ursaciuc** - executive vice – president (his mandate ended starting with 30.11.2016)
- **Adriana Jankovicova** - executive vice – president
- **Dana Demetrian** - executive vice - president
- **vacant position** - executive vice - president

Period 1.12 – 31.12.2016

- **Sergiu Manea** - CEO
- **Adriana Jankovicova** - executive vice – president
- **Dana Demetrian** - executive vice - president
- **vacant position** - executive vice - president
- **vacant position** - executive vice - president

III. Assets and Liabilities Management Committee

Period 01.01 – 30.06.2016

- **Adriana Jankovicova** - ALCO chairman
- **Sergiu Manea** - ALCO deputy chairman

- **Bernd Mittermair** - Member (his mandate ended with 30.06.2016)
- **Paul Ursaciuc** - member
- **Jonathan Locke** - member
- **Dana Demetrian** - member
- **vacant position** - member

<u>Period 1.07 – 1.09.2016</u>

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

<u>Period 1.09 – 29.09.2016</u>

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

<u>Period 30.09 – 14.10.2016</u>

- **Adriana Jankovicova** - ALCO chairman
- **Sergiu Manea** - ALCO deputy chairman
- **Paul Ursaciuc** - member
- **Jonathan Locke** - member (his mandate ended with 14.10.2016)
- **Dana Demetrian** - member

<u>Period 15.10 – 30.11.2016</u>

- **Adriana Jankovicova** - ALCO chairman
- **Sergiu Manea** - ALCO deputy chairman
- **Paul Ursaciuc** - Member (his mandate ended with 30.11.2016)
- **Dana Demetrian** - member
- **vacant position** - member

<u>Period 1.12 – 31.12.2016</u>

- **Adriana Jankovicova** - ALCO chairman
- **Sergiu Manea** - ALCO deputy chairman
- **Dana Demetrian** - member
- **vacant position** - member
- **vacant position** - member

Professional experience details of Management Board may be found on the following link: https://www.bcr.ro/en/about-us/bcr-management

According to the statement comprised within the Corporate Governance Framework Report, Banca Comerciala Română SA (BCR) carries out its activity considering the principles and objectives of good corporate governance, in observance of the Romanian and EU legal and regulatory framework, as well as in alignment with the parent company and the best international practices in the field.

Considering the NBR Regulation 5/2013, art.13, the management body should monitor, assess and revise the corporate governance framework, at least annually. In this regard, on March 2016, the BCR Management Board reviewed, approved and published: (i) the principles of the Policy regarding the corporate governance at BCR level and (ii) Corporate Governance Framework Report for 2015.

The Report, published on BCR website, presents the main aspects regarding BCR and BCR Group governance framework, as follows:

- BCR's profile: principles, mission and values;
- BCR Group corporate governance structure and shareholders;
- BCR organizational structure: functional lines;
- Structure of the management bodies: Supervisory Board & Management Board (members, professional experience, responsibilities and subcommittees);
- Performance management and compensation strategy;
- Community.

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

General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the bank's management body.

The Ordinary GMS deliberates and decides on:

- discussing, approving or changing the annual financial statements, after hearing the reports of the: Supervisory Board, Management Board and financial auditor, including the reports of Supervisory Board's committees if applicable, and setting up the dividends, reserves or other allotments;
- electing and revoking the Supervisory Board members;
- setting up an adequate remuneration for the Supervisory Board members for the current year;
- assessing the activity of Supervisory Board and Management Board's members and discharging them of duty for the previous financial year;
- approving the income and expense budget and, if applicable, the plan of activities for the next financial year;
- approving the pledge, lease or close down of the Bank's units;
- approving the initiation of the legal proceedings against the members of Supervisory Board and the financial auditor and nominating the person empowered to represent the Bank in such legal process;
- appointing and revoking the financial auditor and establishing the minimum duration of the contract concluded with them.

The Extraordinary GMS deliberates and decides on:

- discussing, approving or changing the annual financial statements, after hearing the reports of the: Supervisory Board, Management Board and reducing the share capital;
- reconstituting the share capital in order to meet the minimum capital requirements established by law;
- reshaping the Bank main business activity as set forth in Article 7 of the Charter;
- the merger of the Bank with any other company or the Bank splitting up process;
- the liquidation and dissolution of the Bank;

- issuance of bonds;
- conversion of shares from one class to another;
- re-organizing, consolidating or provision documents regarding to intangible assets, when the value of transactions exceeds 25 (twenty five) percent of the Bank own funds;
- contracts conclusion by the Management Board's members regarding the acquisition, selling, lease, exchange or pledge of the Bank assets if the value of such assets exceeds 50 (fifty) percent of the Bank's assets book value on the date of concluding such legal agreement;
- purchase by the Bank of its own shares, directly or indirectly, in accordance with the law;
- amending the Bank Charter.

All shareholders may attend the general meetings of shareholders, in person or by means of a representative. Shareholders can be represented at the General Meeting of Shareholders based on a special power of attorney lodged with the Bank by at least 2 (two) working days before the relevant meeting.

Protecting and facilitating the exercise of shareholders' rights:

Ensures, based on clear and transparent stipulations at bank level, the protection of the shareholders' rights:

- the right to safe registration methods as shareholder/associate;
- the right to relevant information about the progress of the company, in due time and on a regular basis;
- the right to participate and vote in the General Shareholders Meetings and also the right to be informed in relation to the applicable rules and voting procedures related to such meetings;
- the right to a share of the company's profit according to the number of shares owned;
- the right to participate and be properly informed about the changes in the company: amendments to the Charter, approval of new shares being issued, extraordinary transactions (such as, for instance, the sale of an important share of the company's assets);
- the right to address questions related to the General Shareholders Meetings, including with respect to the external audit report;
- the right to participate in making strategic decisions such as the election of the supervisory board members or to express opinions about the remuneration of the members of the supervisory board.

Equal treatment of all shareholders, including the minority and foreign ones, through:

- Ensuring an equal treatment to all shareholders,
- It is forbidden to use confidential information in one's own interest or as a mean to obtaining certain advantages.

Information transparency and their immediate dissemination, through:

Supplying, on a regular basis and in due time, the relevant information and materials related to the company, in order to practice in an appropriate manner, the voting rights during the General Shareholders Meetings, according to the requirements of the regulatory framework applicable.

The Supervisory Board

The Supervisory Board shall supervise the activities of the Management Board and the management of the compliance risk as well as abidance by the laws, the Bank's Charter and the General Meeting of Shareholders decisions.

The Supervisory Board is made of 7 (seven) members appointed for a three-year period, with the possibility of being elected for subsequent three-years mandates.

The main responsibilities include:

- establishes, monitors and regularly assesses (at least yearly) the structure and efficacy of the governance framework of the Bank and its subsidiaries, including the policies related to it, reviewing (at least yearly) and considering various risks, both internal, as well as external that the Bank and its subsidiaries are exposed to ;
- approves and regularly reviews, (at least annually) the general business strategy, the risk strategy and the general risk management policy at Bank's level and at the level of its subsidiaries ;
- approves and periodically reviews the internal audit statute and the internal audit plan, as well as the financial audit scope and the frequency of audit engagements ;
- approves and assesses (at least yearly) the policy regarding compliance risk and its implementation ;
- approves the guidelines for staff policy and the organizational structure of the Bank down to the level of independent entities inclusively and any changes thereof.

The Supervisory Board may establish such committees as necessary and appropriate, consisting of two or more of the members of the Supervisory Board. Such committees shall have the powers and authority established by the Supervisory Board, as provided in the respective committees' internal rules.

Supervisory Board committees:

Remuneration Committee

The Remuneration Committee is a consultancy body which reviews, reports to, advises and assists the Supervisory Board in carrying out its powers and responsibilities with respect to the salary policy, and in particular Advises and monitors the remuneration, bonuses and benefits of the members of the Management Board.

- The Remuneration Committee is made of three members of the Supervisory Board;
- The responsibilities, the organization, the operation and the procedures of the Remuneration Committee are established by the Remuneration Committee Internal Rules.

Audit and Compliance Committee

The Audit and Compliance Committee is a consultancy body, which reviews, reports to, advises and assists the Supervisory Board in carrying out its tasks related to internal control, compliance and audit, as well as on the quality and performance of Bank's internal accountants and auditors, the reliability of the Bank's financial information, and the adequacy of the Bank's financial controls and policies.

- The Audit and Compliance Committee is made of three members of the Supervisory Board;
- Members of the Audit and Compliance Committee must have basic accounting and financial knowledge and at least one member of the Audit and Compliance Committee shall have accounting or financial management professional background;
- The responsibilities, organization, the operation and the procedures of the Audit and Compliance Committee are established by the Audit and Compliance Internal Rules.

Nomination Committee

The Nomination Committee is a consultancy body, which reviews, reports to, advises and assists the Supervisory Board in carrying out its tasks related to the nomination and assessment of suitability of the members of the Supervisory Board, the Management Board and of key function holders respectively as well as to the Bank's corporate governance framework.

- The Nomination Committee is made of three members of the Supervisory Board;

- The responsibilities, the organization, the operation and the procedures of the Nomination Committee are established by the Nomination Committee Internal Rules.

Risk Management Committee

- The Risk Management Committee is a consultancy body which review, reports to, advises and assists the Supervisory Board in carrying out tasks related to risk management and issues recommendations within its authority limits
- The Risk Management Committee is made of three members of the Supervisory Board and a replacement member;
- The responsibilities, organization, the operation and the procedures of the Risk Management Committee are established by the Risk Management Committee Internal Rules.

Management Board (MB):

The Management Board ensures the operational management of the Bank and the effective management of the compliance risk.

The Management Board members are authorized to manage the bank on a daily basis and they have authority and power to legally represent and bound the Bank, according to the Bank Charter.

- The Management Board has five members appointed by the Supervisory Board, one of them being appointed as President of the Management Board;
- Management Board members have to meet the general conditions provided by the law and the special conditions of the Banking Law, National Bank's regulations, and Recruitment and Remuneration Policy of BCR Group management;
- Management Board's members remuneration is decided by the Supervisory Board;
- Management Board's mandate lasts four years;
- The President and the other members of the Management Board have competences and assignments established by law and by the Management Board's Internal Rules. In case any member of the Management Board is a Bank's employee, his/her individual labor contract is suspended for the whole period of membership in the Management Board.

Main responsibilities:

- managing the implementation of Bank's financial targets, strategy and business plan;
- systematically and regularly approving and revising the strategies and policies regarding the risk management.
- approving the strategies and policies related to the internal capital and own equity (covering and proportional to the nature, extension and complexity of the activity conducted by the Bank),
- periodically monitoring and assessing the efficiency of the Bank's activity management framework and practices, mainly the management policies regarding the management framework, and reviewing the management framework in order to reflect any changes in the internal and external factors affecting the Bank,
- approving the explicit plan regarding the capital,
- approving and assessing the Bank risk appetite,
- approving the level of interest, commission, fees, costs and other similar bank changes collected and paid by the Bank in line with the budget approved by the General Meeting of Shareholders,
- approving the internal rules of the committees established by the Management Board. Shareholders.

The Management Board may set up committees as it deems necessary and appropriate. Such committee's competencies and authority will be stipulated by the Management Board and responsibilities will be defined by each committee's internal rules.

Management Board's Committees:

Asset and Liabilities Committee (ALCO)

ALCO reviews, reports to, and assists the Management Board in carrying responsibilities as regard asset and liabilities structure management, financing strategy, interest rate policy, liquidity policy, pricing for savings products/ lending products/ cards/ , introducing/ suspension or removal the products and services . The committee is a body for analysis and decision that issues decisions and recommendations according to the established authority limits.

The ALCO consists of the Management Board members.

The responsibilities, organization, working means and procedures of ALCO are established by the ALCO Internal Rules.

Credit Committee

The Credit Committee reviews, reports to, and assists the Management Board in carrying its responsibilities regarding loans granting, changing of terms and conditions for granting, using and/or securing some previously granted loans, concluding agreements, extending their validity periods, issuing letters of guarantee, factoring and other activities, for retail, corporate and workout customers.

The Credit Committee is made of 5 members.

The responsibilities, organization, working means and procedures of Credit Committee are established by the Credit Committee and Subcommittee Internal Rules.

Cost and Investment Committee (CIC)

CIC analyses, decides, informs and assists the Management Board in carrying responsibilities regarding: projects prioritization/ approval/ monitoring, implementation of CRs in scope for IT release, definition of costs and investments framework and methodology and group related processes, monitoring of costs and investments, approval of GAE & investments (CAPEX), coordination of property related activities for BCR and Subsidiaries, costs budgeting for BCR Group, setting – up branches and agencies, formulating recommendation regards to Self-Banking strategy, budget and investments and operational improvement, according to the established authority limits.

The CIC is made of 3 members.

The responsibilities, organization, working means and procedures of I&D Committee are established by the CIC Internal Rules.

Risk Committee of Management Board

Risk Committee of Management Board is subordinated to the Management Board, and is responsible for approval, pre-approval and reviewing the aspects regarding the risk administration.

The Risk Committee of Management Board is made of all Management Board Members.

The responsibilities, organization, working means and procedures of Risk Committee of Management Board are established by the Risk Committee of Management Board Internal Rules.

D. Patrimony of the BCR

As of 31 December 2016, the BCR 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. 27/2010 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 2016 amounted to RON 64,068,225 thousands, increasing by 7.7% compared to 31 December 2015 (RON 59,460,913 thousands).

2012	2013	2014	2015	2016
70,531,183	**63,509,963**	**59,037,134**	**59,460,913**	**64,068,225**

In EUR equivalent, total assets at 31 December 2016 represent 14,108.5 million, compared to EUR 13,142.0 million as at 31 December 2015 (converted at the exchange rates at the end of each corresponding financial year).

Assets in the balance sheet have the following structure:

ASSETS

Nr		31.12.2015	31.12.2016	Percentage Change 2016/2015
	in RON thou			
1	Cash and cash balances	9,255,487	11,648,878	25.9%
2	Financial assets - held for trading	**248,108**	**633,199**	**155.2%**
	Derivatives	*78,814*	*73,486*	*-6.8%*
	Other trading assets	*169,294*	*559,713*	*230.6%*
3	Financial assets designated at fair value through profit or loss	22,246	15,319	-31.1%
4	Financial assets - available for sale	6,256,238	4,845,303	-22.6%
5	Financial assets - held to maturity	8,818,660	12,386,197	40.5%
6	Loans and receivables to credit institutions	184,631	651,414	252.8%
7	Loans and receivables to customers	32,548,724	31,162,509	-4.3%
8	Property and equipment	235,921	1,158,548	391.1%
9	Intangible assets	224,239	280,699	25.2%
10	Investments in associates	7,509	7,509	0.0%
11	Current tax assets	131,826	159,029	20.6%
12	Deferred tax assets	398,530	310,554	-22.1%
13	Non-current assets and disposal groups classified as held for sale	38,037	2,292	-94.0%
14	Other assets	1,090,757	806,775	-26.0%
	TOTAL	**59,460,913**	**64,068,225**	**7.7%**

At the end of 2016, Banca Comerciala Romana absorbed 2 companies, part of BCR Group: BCR Real Estate Management SRL and Bucharest Financial Plazza SRL. The main activity of the subsidiaries absorbed was management of real estate assets.
At the merger date, the assets of the parent company Banca Comerciala Romana, was impacted as follows:

- Loans and receivables to customers decreased by RON 776,558 thousands, which represents 2 loans granted by BCR to the subsidiaries.
- Property and equipment increased by RON 839,567 thousands, which represents the transfer of real estate properties from subsidiaries in BCR patrimony.
- Other assets decreased by RON 161,178 thousands, mainly from the elimination of participation in subsidiaries absorbed.

There are no research and developments activities in Banca Comerciala Romana.

Liabilities and Equity in the balance sheet as at 31 December 2016, amounting to RON 64,068,225 thousands, have the following structure:

LIABILITIES AND EQUITY

Nr		31.12.2015	31.12.2016	Percentage Change 2016/2015
	in RON thou			
1	Financial liabilities held for trading	35,102	38,391	9.4%
2	Financial liabilities measured at amortised costs	**52,241,984**	**55,825,328**	**6.9%**
	Deposits from banks	*10,837,456*	*9,125,095*	*-15.8%*
	Deposits from customers	*39,973,916*	*45,354,909*	*13.5%*
	Debt securities issued	*912,236*	*637,192*	*-30.2%*
	Other financial liabilities	*518,376*	*708,132*	*36.6%*
3	Provisions	795,869	1,069,547	34.4%
4	Other Liabilities	244,969	242,726	-0.9%
5	**TOTAL EQUITY**	**6,142,989**	**6,892,233**	**12.2%**
6	Issued capital	2,952,565	2,952,565	0.0%
7	Share premium	395,483	395,483	0.0%
8	Retained earnings	1,243,181	2,083,989	67.6%
9	Other capital reserve	1,551,760	1,460,196	-5.9%
	TOTAL	**59,460,913**	**64,068,225**	**7.7%**

At the merger date, the liabilities and equity of the parent company Banca Comerciala Romana, was impacted as follows:

- Deposit from customers decreased by RON 37,551 thousands, which represents current accounts of subsidiaries to BCR.
- Equity decreased by RON 42,871 thousands.

E. Income statement for the year ended 31 December 2016

Nr		31.12.2015	31.12.2016	Percentage Change 2016/2015
	in RON thou			
1	Net interest income	1,925,963	1,726,463	-10.4%
2	Net fee and commission income	695,461	672,086	-3.4%
3	Dividend income	31,295	5,004	-84.0%
4	Net trading and fair value result	303,988	309,098	1.7%
5	Rental income from investment properties & other operating lease	1,406	1,014	-27.9%
6	Personnel expenses	(648,327)	(657,036)	1.3%
7	Other administrative expenses	(762,830)	(804,923)	5.5%
8	Depreciation and amortisation	(119,667)	(105,780)	-11.6%
9	Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	(10)	111,754	-1117640.0%
10	Net impairment loss on financial assets not measured at fair value through profit or loss	58,300	217,288	272.7%
11	Other operating result	(429,876)	(468,927)	9.1%
12	**Pre-tax profit from continuing operations**	**1,055,703**	**1,006,041**	**-4.7%**
13	Taxes on income	(92,276)	(119,955)	30.0%
14	**Post-tax profit from continuing operations**	**963,427**	**886,086**	**-8.0%**
15	Profit from discontinued operations net of tax	-	-	NA
16	**NET PROFIT OF THE YEAR**	**963,427**	**886,086**	**-8.0%**

Income statement of Banca Comerciala Romana, was not affected by the merger process with the subsidiaries.

INTEREST AND SIMILAR INCOME

Nr		31.12.2015	31.12.2016	Percentage Change 2016/2015
	in RON thou			
1	Financial assets held for trading	53,633	48,986	-8.7%
2	Available-for-sale financial assets	214,189	149,370	-30.3%
3	Loans and receivables	1,916,127	1,568,999	-18.1%
4	Held-to-maturity investments	405,001	411,219	1.5%
5	Derivatives - Hedge accounting, interest rate risk	16,153	0	-100.0%
6	Other assets	12,068	48,269	300.0%
7	**Total Interest Income**	**2,617,171**	**2,226,843**	**-14.9%**

Interest income declined by 14.9 % compared with December 31, 2015.

INTEREST AND SIMILAR EXPENSES

Nr		31.12.2015	31.12.2016	Percentage Change 2016/2015
	in RON thou			
1	Financial liabilities held for trading	(26,042)	(23,500)	-9.8%
2	Financial liabilities measured at amortised cost	(661,603)	(470,773)	-28.8%
3	Derivatives - Hedge accounting, interest rate risk	(53)	-	-100.0%
4	Other liabilities	(3,510)	(6,107)	74.0%
5	**Total Interest Expense**	**(691,208)**	**(500,380)**	**-27.6%**

Interest expenses declined by 27.6 % compared with December 31, 2015.

Net commission income in amount of RON 672,086 thousands (as of December 2016) compared to RON 695,461 thousands (as of December 2015), show a decrease of 3.4%, as follows:

NET FEES AND COMMISSION INCOME

Nr		31.12.2015	31.12.2016	Percentage Change 2016/2015
	in RON thou			
1	Securities	4,839	4,857	0.4%
2	Clearing and settlement	(45,027)	(19,512)	-56.7%
3	Custody	15,204	13,173	-13.4%
4	Payment services	86,017	49,734	-42.2%
5	Customer resources distributed but not managed	421,739	414,717	-1.7%
6	Lending business	87,970	86,739	-1.4%
7	Other	124,719	122,378	-1.9%
8	**Net Commission Income**	**695,461**	**672,086**	**-3.4%**

The net result of 2016, calculated as the difference between revenues and expenses, represents a profit of RON 886,086 thousands, compared to 2015 with a profit of RON 963,427 thousands.

F. The Bank's risk profile

1. Overview

The overall focus of risk and capital management throughout 2016 was on maintaining the BCR Group risk profile in line with the BCR Risk Strategy, increasing the capital base and supporting the strategic management initiatives with a focus on balance sheet optimization.

The *overall risk profile* for BCR Group, as well as the *individual risk profiles* are implemented through the BCR Group Risk Strategy, and are subject to an annual comprehensive review process. A quarterly assessment of the risk profiles is considered to check if there are changes in respect of the risks materiality or if new risks occurred in the Bank activity.

Based on the BCR Group Risk Strategy and BCR Group overall and individual risk profiles, BCR Group subsidiaries, including BCR, set up their local risk profile. Also, BCR Group's capital management framework serves to ensure that the group and its subsidiaries are capitalized in line with the risk profile, regulatory requirements and economic capital requirements.

In terms of governance, full oversight of the risk profile and a sound execution of the risk strategy is ensured including appropriate monitoring and escalation of issues that could materially impact the risk profile of the Bank.

2. ERM Proportionality principles

BCR Group has implemented the ERM Proportionality Principles which is a crucial and integral part of the overall risk framework and strategy. The proportionality principle is applied for the core components of ERM/ICAAP framework (Risk Materiality Assessment / Risk taxonomy, Risk-bearing Capacity Calculation, Risk Appetite & Risk Profile, Stress testing).

The proportionality concept, the classification categories and criteria as well as process requirements for implementation, application and roll-out in the context of key ICAAP areas are described in BCR Group ERM Principles, as a core element governing the application of the ICAAP/ERM framework.

The risk management principles, concepts and processes are generally designed, developed and implemented to address over-arching organizational needs across both group and local entities/subsidiaries reflecting a high degree of granularity and detail.

However, subsequent implementation and application at BCR Group subsidiaries requires an approach that takes differences in business structures, size, complexity and relevance into account. This will ensure a meaningful, suitable and adequate application across BCR Group in line with local needs and capabilities while still fulfilling overall BCR Group level requirements and standards.

The evaluation of proportionality criteria is reviewed on an annual basis and included in the Risk Strategy. In addition, a re-assessment might be carried out outside the annual review cycle if changed business parameters indicate a need for a respective re-classification.

As a conclusion, the **Bank Risk Profile determines the BCR Group Risk profile** – both in respect of the overall risk profile as well as on individual risk types - based on the following considerations:

- the volume and nature of BCR activity as part of BCR Group,
- the categorization of BCR as a full subsidiary based on the ERM proportionality Principles.

3. Individual risk profiles for the key risk types

3.1. Credit Risk

Credit risk is defined 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.

In respect of the **credit risk profile**, in order to lower the risk profile for this risk in 2016, BCR has targeted the following strategic directions:

- An integrated risk management framework where risk appetite is cascaded down to the highest granular level in terms of concentration policy, lending acceptance criteria and business strategy;
- BCR continued to refine, update, monitor and redevelop its statistically validated scorings, rating models, risk parameters and tools;

- BCR continued to manage the industry concentrations and to align the portfolio composition with the business strategy.
- Perform periodical stress tests/sensitivity analysis related to the impact of credit risk on the Bank.

More details regarding Credit Risk, may be found in Notes 39.5 of the Financial Statements.

3.2. Concentration risk analysis

With regard to concentration risk, BCR implemented a process to identify measure, control and manage risks concentration. This process is essential to ensure the long-term viability of the bank, especially in times of an adverse business environment and stressed economic conditions.

The BCR concentration risk framework outlines the standards needed to identify, measure, monitor, and mitigate concentration risks, whose implementation is essential to ensure the long-term viability of any financial institution, especially in the case of stressed economic conditions. In respect of management of concentration risk, the Bank has implemented a wide framework of limits such as industry limits, geographic regions, corporate unsecured loan, corporate and PI limits, FX retail limits, as well as concentration risk limits on individual counterparties depending on the ratings (maximum / operational lending limits), market and liquidity risk limits and operational key risk indicators.

3.3. Residual risk analysis

This type of credit risk does not arise due to deterioration of the counterparty's creditworthiness, but from an insufficient ability to realize the collateral taken. This may result from the possibility that the legal mechanism by which the collateral was pledged or transferred does not guarantee that the bank has the right to liquidate or seize the collateral or that the collateral will not turn out to be as valuable as expected.

Collateral and credit enhancement are evaluated pursuant to internally defined rules. Depending on rating grade, purpose and tenor, risk bearing products are protected against losses by stipulating adequate collateral that is fully and indisputably legally enforceable and sufficiently documented for the Bank. Nevertheless, collateral and credit enhancement can never substitute repayment capability.

3.4. FX induced credit risk analysis

FX induced credit risk is a risk associated with foreign currency lending to un-hedged borrowers, which arises due to exchange rate fluctuations of the respective foreign currency. FX induced credit risk arises from debtors not benefitting from natural (borrowers receive FX income, including cash-in from transfers or exports) or financial hedging (based on a contract concluded between the borrower and the credit institution which covers FX risk).

3.5. Market Risk

Market risk is the risk that may arise due to adverse changes in market prices and to the parameters derived from them. In BCR, market risk is divided into interest rate risk, credit spread risk, exchange rate risk, price risk, volatility risk, and market liquidity risk. These concern both trading and banking book positions.

Key principles of BCR Group's market risk management are based on the following pillars:

- Identification of market risks – identification of market risks inherent in the investment operations and in new products, and ensuring adequate procedures and controls before these are implemented or undertaken;
- Position keeping and Market Data Maintenance – ensuring proper data representation of BB and TB positions and also sourcing of appropriate market data for financial instruments and risk factors including data quality checks and cleansing;
- Pricing and valuation – maintenance of appropriate instrument pricing framework and valuation routines for the calculation of valuation adjustments;
- Risk measurement – calculation of risk exposure using sensitivities, value-at-risk, and stress testing;
- Validation - On one hand this concerns Value at Risk ("VaR") back-testing while on the other hand parameters and models used must be validated on a regular basis;

- Market Conformity of Trading Activity - assuring that trading activities are performed at market conforming prices and rates;
- Market Risk Limits - development of a comprehensive limit system, limit allocation and violation reporting;
- Market Risk Monitoring and Reporting – timely and accurate reporting of all relevant information.

More details regarding Market Risk, may be found in Notes 39.6 of the Financial Statements.

3.6. Liquidity Risk and Funding Risk

The Bank distinguishes between market liquidity risk (which is the risk that the Bank cannot 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 Bank 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 its financial condition).

The Bank has an appropriate reporting framework for liquidity and funding risk management, which includes the scope, possible manifestations and frequency of these risks, and which also designates the entity responsible for preparing the specific reports.

In 2016, the Bank has implemented and started delivering to the regulator the Additional Liquidity Monitoring Metrics (ALMM) reports, thus benefiting from a more comprehensive analysis of its financing sources.The Bank has an adequate set of limits on the values of various liquidity risk indicators, which enable it to closely monitor and control liquidity risk.

The Bank is also using the Survival Period Analysis (SPA) as a key tool for measuring liquidity risk; its aim is to assess whether sufficient liquidity can be obtained in order to operate at a level where the Bank can survive a liquidity stress scenario for at least 1 month. The analysis is performed per each significant currency (i.e. RON and EUR), and per total currencies.

Another important tool for BCR's funding risk management process is the CFP (Contingency Funding Plan). It provides a useful framework in the event the Bank is unable to fund some or all of its activities in a timely manner, and at a reasonable cost.

With respect to cash flow risks, BCR is actively managing the intraday liquidity positions, such that it can be able to fulfill at any time the requirements related to payments and settlements, in both normal and crisis conditions.

Thus, BCR has the capacity to:

1. Measure daily the gross inflows and outflows, to predict as accurately as possible the time of the day when these flows will occur, and to predict any financing deficits that may occur during a day;
2. Monitor the intraday liquidity positions as compared to the expected activities and available resources (balances, capacity to cover outstanding loans, available collaterals)
3. Obtain the necessary financing for meeting the intraday liquidity objectives
4. Manage the eligible collaterals for obtaining the intraday financing
5. Manage the liquidity outflows according to BCR intraday objectives
6. Be prepared to face unexpected changes in intraday liquidity flows.

The mechanisms used by BCR in order to calculate the liquidity position are based on the following:

1. prediction of cash-flows impacting the current account during the day – as accurately as possible – including prediction of the timing of these flows throughout the day
2. estimation of the possible cash-flow shortages throughout the day
3. ability to monitor the intraday liquidity position and the expected liquidity requirements throughout the day.

Potential measures used by BCR for managing liquidity in order to ensure the intraday availability of funds are:

1. the possibility to access intraday liquidity from NBR in case of necessity to cover unexpected amounts during a day
2. making payments based on the available resources (and the liquidity position expected during the day).

More details regarding Liquidity Risk, may be found in Notes 39.7 of the Financial Statements.

3.7. Operational Risk

BCR Group's operational risk is governed by an operational risk management policy which defines:

- the operational risk management structure, hierarchy and governance model ("three lines of defense model");
- the risk appetite setting the limits of residual operational risk tolerance (OpRisk scaling matrix);
- common standards for managing and documenting operational risk within BCR Group;
- the framework that ensure OpRisk (OpRisk concentrations) are adequately identified, assessed, documented and managed.

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. In addition to the quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys. BCR also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

To lower the operational risk profile, the Bank has undertaken the following measures:

- Permanent development and improvement of control environment;
- Improvement of operational loss data collection;
- Performing periodical stress tests/sensitivity analysis related to the impact of operational risk on the Bank.

The Bank has implemented a wide range of specific ratios for managing operational risk. The monitoring and regular reporting of operational risk indicators (KRI) is enabling the Bank to detect any change in its exposure to operational risk in due time. Also, the Bank is monitoring the evolution of recorded events, as well as through implementing/ solving corrective measures.

More details regarding Operational Risk, may be found in Notes 39.8 of the Financial Statements.

3.8. Reputational Risk

Reputational risk issues arise from transactions with clients or through different business activities. However, due to its nature these usually materialize through other risk types. The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with business and the relevant risk type owner supports their resolution.

Reputational risk registered improvements in 2016 based on a series of projects such as launching of the financial education program, launching of public diplomacy initiative, consolidation of corporate culture, risk return decision tool, new product approval process.

G. Risk Management

1. ERM / ICAAP framework

The Bank has continued to strengthen its ERM/ICAAP framework. This includes as its fundamental pillar the ICAAP (Internal Capital Adequacy Assessment Process) required under Pillar II of the Basel framework.

The Enterprise-wide Risk Management/ICAAP framework is a holistic steering and management model designed to support BCR Group in managing its risk portfolios and its risk bearing capacity by ensuring that the bank has, at all times, an adequate coverage potential which ensures the necessary capital adequacy to sustain its business and risk strategy.

As such, the ERM forms a sound steering and management system and is integral to the bank/group's overall steering and management function. This Enterprise-wide Risk Management is formalized through an umbrella policy serving to lay out its general principles, functions and requirements in order to ultimately fulfill ICAAP requirements.

A key component of ICAAP is the assessment of the group's capital adequacy using economic capital measures. In the ICAAP, the Group identifies and measures its risks and ensures that it has sufficient capital in relation to its risk profile. The process also ensures that adequate risk management systems are used and further developed. The relevant components of ERM framework refer to:

1.1. Risk profile

The risk profile is represented by the aggregated actual and potential risk exposures of the Bank. The ERM is tailored to the Bank's business and Risk Profile and reflects the strategic goal of protecting shareholders while ensuring the sustainability of the organization.
The Bank Risk Profile is developed within the Risk Appetite and by evaluating the material risks to which the bank is exposed. The BCR Group Risk Report monitors the development of the Bank Risk Profile compared with the Risk Appetite and Risk Strategy and is presented to the Management Board and Supervisory Board on a quarterly basis.

1.2. Risk appetite (RAS)

The Bank defines its Risk Appetite through the annual strategic planning process to ensure appropriate alignment of risk, capital and performance targets. RAS represents a strategic statement expressing the maximum level of risks the Bank is prepared to accept in order to achieve its business objectives. It consists of a set of core metrics providing quantitative direction for risk steering, as well as qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks.

1.3. Risk bearing capacity (RCC)

The Risk Bearing Capacity calculation defines the capital adequacy required by the ICAAP. Within the RCC the Bank's risks measured from an internal economic perspective are summed up to provide the basis to determine the Economic Capital. The Economic Capital is then compared to internal capital, as measured by the coverage potential.
The integral forecast, risk appetite limits and the traffic light system support management in its discussions and decision process. The traffic light system embedded in the RCC helps to alert the management in case there is need to decide on, plan and execute actions either to replenish the capital base or to take measures for reducing risk.

1.4. Stress testing

Stress testing is a vital component of the Risk Management framework within the Bank and is incorporated into the strategic planning process for business activities, capital and liquidity assessment. The assessment of the ability of the Bank to sustain losses in severe but plausible macroeconomic scenarios provides information on the adequacy of the overall business model, and supports the planning of emergency and mitigation measures.
Stress testing results and recommendations are incorporated into the process for defining the RAS, subsequent financial projections and budgeting processes, the assessment of risk concentrations, as well as in the calculation of the risk-bearing capacity and the determination of the economic capital adequacy limit.

1.5. Risk Planning and Forecasting

The Bank has implemented a sound risk planning and forecasting process, which includes both a forward and backward looking component, focusing on both portfolio and economic environment changes.
Planning of risk relevant key numbers is also part of BCR ERM framework and it assures the adequate reflection of risks within the steering and management process of the Bank activity.

1.6. Recovery Plan

The Bank Recovery Plan Governance represents a framework for the drawing up and the implementation of the recovery 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's financial strength and viability when it comes under severe stress.
The Recovery Plan also ensures that proper remediation measures are applied if the Bank starts moving outside of its approved risk appetite in order to recalibrate its risk profile and ensure that can recover on a sustainable basis.

2. Monitoring of the Bank Risk Profile

Oversight of the overall risk profile at the Bank level consists of both strategic and operational oversight.

2.1. Strategic oversight

The Risk Appetite Statement (RAS) sets the boundary for a maximum risk the Bank is willing to accept in order to pursue its business objectives; this includes a set of core steering metrics with triggers levels providing strategic guidelines for risk management and planning.

The Risk strategy sets strategic risk targets based on the targeted risk profile of the Bank and the RAS and provides a balanced risk-return view considering strategic focus and business plans.

Both are regularly monitored and reported in the BCR Group Risk Report including a traffic light overview together with respective measures to address identified deviations from strategic plans or objectives.

2.2. Operational oversight

Risk management by risk type ensures that the risk specific profile remains in line with the risk strategy and operative limits support the achievement of strategic targets. The development of the specific risk profile (i.e. retail credit, corporate credit, operational risk, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision making of the dedicated risk functions to ensure the risk profile remains within risk strategy (i.e. retail risk report). These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of, e.g., portfolio quality (client, segment, countries and industries) or risk drivers. In instances where certain risk portfolios or events are identified as potentially in distress, these are closely monitored by the dedicated risk functions to manage the risk impact and to develop effective strategies to minimize potential losses. This process facilitates early risk detection and reaction.

H. ORGANIZATION OF THE INTERNAL CONTROL SYSTEM'S FUNCTION

Both supervisory and management functions are responsible for the development and the maintenance of a proper internal control system ensuring effective and efficient operations, adequate risk control, prudent business conduct, reliable financial and non-financial information reported at internal and external level, as well as compliance with the on-going laws, regulations and the internal policies and procedures.

Every person in the organization has certain internal control responsibilities assigned. All employees provide information used by the internal control system or otherwise take action effecting control. Furthermore, all members of personnel are also responsible for communicating operational problems upwards, as well as infringements of the Ethics Code or on-going policies and illegal actions.

The internal control system in BCR involves:

a) the existence of a sound internal control framework in place, ensured by:

- clear definition of the role and responsibilities of the management body concerning the internal control
- identification, assessment and monitoring of significant risks
- control activities definition, segregation of duties assurance and conflict of interest avoidance
- a transparent framework for information and communication
- continuous monitoring of the activities and correcting the deficiencies.

b) the existence of independent control functions in place (the risk management function, compliance function and internal audit function) with direct line of reporting to the management body.

The BCR Internal Control System is structured on three levels:

1. First-level or line controls is designed to ensure that transactions are carried out correctly. Controls are performed by the entities that take the risks and incorporated in specific procedures. The responsibility of this area is allocated to the Business Management.
2. Second-level of control is the duty of Risk Management Function and Compliance Function.

3. Third-level controls are performed by Internal Audit Function, which assesses and regularly checks the completeness, functionality and adequacy of the internal control system. Internal audit is independent of both first and second-level lines.

Controls in place for financial reporting process:

1. Each employee has a dedicated back-up which undertakes all the responsibilities of the employee on leave.
2. Non disclosure agreement signed by all employees;
3. Ethical Code in place;
4. Zero tolerance to confidential information disclosure
5. Clear defined approval flow in accordance with the banking law.
6. Dual control in place, validation rules in BCR systems. Implementation of "4-eyes principles" for each financial report.
7. Existing standardized labeled folders with restricted access.

I. BCR policy regarding environmental issues

Environmental protection and the responsible use of resources are endeavors integrated in the business strategies of environmentally conscious companies world-wide, and in Romania.

Banca Comerciala Romana:

- 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 does not finance activities which do not meet environmental requirements specified in the Romanian legislation, relevant international conventions and agreements to which Romania adhered expressly.

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

In BCR, environmental activity is coordinated by Credit Analysis & Sabine Department.

J. Outlook for BCR's activity

In 2017, the positive development of the Romanian economy should be reflected in a growth rate (real GDP) of 4.3% according to BCR forecast, mainly driven by domestic demand in general and private consumption in particular.

Balance Sheet developments

In the current context, BCR Group expects a mid-single digit **net loan** growth supported by growth in retail, while **corporate segment** is likely to remain rather stable mainly supported by SME and despite further NPL reduction.

The growth in **net retail loans** in 2017 is expected to be fueled by double digit growth in cash loans coupled with single digit increase in mortgages, mainly Prima Casa loans, although in terms of absolute volume growth the mortgage lending will likely remain the main contributor in 2017.

On the liabilities side, BCR will continue to capitalize on its very strong **customer deposit** base. BCR will continue to drive a structural shift in the BS by further increasing the share of demand deposits / current accounts and by converting the more expensive funding, especially in EUR, into fee-earning asset management and insurance products. At the same time, BCR will gradually decrease intra-group long term funding in line with the Bank's strategy to focus on local currency lending by relying on its strong self-funding capacity in RON.

Income Statement developments

Net interest income is expected to stabilize on the back of afore-mentioned structural changes, even though the continuous improvement in asset quality will still have an adverse impact on NII, coming from lower income on unimpaired portion of non performing loans (unwinding effect).

The second key income component, **net fee and commission income**, is expected to grow by mid-single digit in 2017 mainly on the back of increasing customer base which is expected to drive higher revenues from transaction business and maintenance and at the same time higher volume of brokerage fees for subsidiaries products.

All in all, the **operating income** should hence remain stable in 2017 or decline marginally in the case of lower-than-expected loan growth.

Operating expenses are expected to slightly rise by low single digit in 2017. The mild cost inflation will be mainly driven by IT investments necessary to secure BCR Group's future competitiveness and measures induced by regulatory requirements. Further investments in product simplification, process standardization, data management or the group-wide implementation of the digital platform George underline the digital strategy. Additional cost drivers are regulatory expenses related for example to the implementation of IFRS 9 from the beginning of 2018.

Risk costs should again support net profit in 2017. While the low interest rate environment has a negative impact on net interest income, it does have a positive effect on risk costs which, unlike net interest income, benefit additionally from further reduction of NPLs, leading to single digit NPL ratio expected in 2017. BCR, however, does expect certain amount of risk allocations starting 2017 after the significant releases in 2016 and 2015, with the risk cost ratio tending towards a normalized evolution.

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 2016

1. General information

During 2016, 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 2015**	**31 December 2016**
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%
Financiara SA (liquidated)	Romania	Financial	97.46%	0.00%
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%
Bucharest Financial Plazza SRL*	Romania	Real Estate	99.99%	0.00%
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%	99.99%
CIT ONE SRL	Romania	Cash processing and storing	99.99%	99.99%
BCR Real Estate Management SRL*	Romania	Real estate	99.99%	0.00%
BCR Fleet Management SRL**	Romania	Operational leasing	99.97%	99.97%
BCR Payments SPV	Romania	Payments transactions	99.99%	99.99%

*Company was absorbed by BCR as at 31-December-2016
** Company held indirectly by BCR through BCR Leasing SA

2. The consolidated financial statements of the BCR Group for the year ended 31-December-2016

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-2016 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-2016, while Appendix 2 presents the consolidated balance sheet at 31-December-2016.

3. Highlights

BCR results in 2016: RON 8.8 billion new loans granted on the back of extensive customer reach, substantial NPL decline, strong capital position; RON 1 billion net profit.

- In 2016 BCR granted a volume of RON 8.8 billion new retail and corporate loans.
- BCR executes strategy across customer segments based on improved service accessibility – zero fees for cash withdrawal at own ATMs, zero fees for basis current account.
- The bank has reached 200,000 clients to whom it has offered commercial solutions to reduce financial burden, whilst ramping up financial education initiatives.
- In 2016 the NPL ratio decreased to 11.7% as compared to 20.2% in 2015, as a result of the sustained efforts to reduce the NPL legacy and improve the quality of the performing portfolio; the NPL provision coverage ratio improved further to 85.3%, as of December 2016.
- The capital position of the bank is strong to support business growth. BCR's solvency ratio stood at 21.8% as of December 2016 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 6.5 billion as of December 2016.
- 2016 net profit stood at RON 1,041.8 million (EUR 232.0 million), supported by new client business and improving portfolio quality.

I am thankful to our clients and employees for their trust. With that in mind, I would like to underline two simple achievements in 2016: BCR focused on customer business and continued investing in the infrastructure for more convenient, reliable and accessible services. We believe that is the right strategy ahead of us. Owing to a committed shareholder through the cycle, we count on a very solid capital position and a strong balance sheet, allowing us to further extend financial intermediation throughout Romania.

As a Romanian bank with a majority foreign shareholder we are a convinced promoter of Romania's progressive advance within the global value chain. We believe the key to succeeding in that challenge lies, above all, in encouraging both domestic and international capital to nest, produce value and catalyse Romania's intellectual and entrepreneurial potential. As such, we shall be an active player in all initiatives aimed at creating competitiveness and prosperity for the country, **Sergiu Manea, CEO of BCR,** stated.

4. Business performance overview

Full year 2016 commercial and financial highlights

Banca Comerciala Romana (BCR) in 2016 achieved a strong **net profit of RON 1,041.8 million (EUR 232.0 million)**, supported by new client business and continued improvement of portfolio quality.

The operating result stood at RON 1,297.7 million (EUR 289.0 million), 16.9% lower than the previous year at RON 1,561.5 (EUR 351.3), driven by lower operating income coupled with higher investment, mainly in IT infrastructure.

In 2016 BCR granted a volume of RON 8.8 billion new retail and corporate loans.

In bank retail business, strong performance in volume generation by the franchise resulted **in new loans totalling RON 5.5 billion,** mainly driven by solid sales in cash loans coupled with secured loans – mainly Prima Casa, while standard mortgage production was affected by debt to asset law.

BCR successfully targets **client activation** by means of internet & mobile banking services (significantly up yoy), free basic current account and debit card, as well as ATM and POS transactions (also up yoy).

The bank was the first local institution compliant with EU Directive 17 on Credit Agreements for Consumers. The bank has also reached a milestone **200.000 clients to whom it has offered in the last years commercial solutions to reduce financial burden and increase loyalty**.

In corporate banking business, **new volumes added on the balance sheet totalled RON 3.3 billion**. Cofinancing of EU funded projects was also solid with BCR holding over 30% market share and a portfolio of over RON 7.7 billion co-financed. The corporate book growth is 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 10.3%, to **RON 1,786.7 million** (EUR 397.9 million), from RON 1,992.6 million (EUR 448.3 million) in 2015, on the back of continued NPL portfolio resolution, efforts to price competitively in the market and a low interest rate environment.

Net fee income was down by 2.2%, to **RON 708.9 million** (EUR 157.9 million), from RON 725.2 million (EUR 163.2 million) in 2015, on the back of lower brokerage fees from subsidiaries, partially compensated by higher fees from banking transactions as a consequence of bank strategy to enhance electronic channels usage.

Net trading result increased by 1.9%, to **RON 314.3 million** (EUR 70.0 million), from RON 308.4 million (EUR 69.4 million) in 2015, on the back of stable development of customer business.

The **operating income** decreased by 6.7% to **RON 2,868.2 million** (EUR 638.8 million) from RON 3,074.9 million (EUR 691.9 million) in 2015, mainly driven by reduced net interest income and slightly lower net fee and commission income, partly compensated by higher trading result.

General administrative expenses in 2016 reached **RON 1,570.5 million (EUR 349.8 million)**, up by 3.8% in comparison to RON 1,513.4 million (EUR 340.5 million) in 2015, impacted by higher IT infrastructure investments.

As such, **cost-income ratio** advanced to **54.8%** in 2016, versus 49.2% in 2015.

There are no research and developments activities in Banca Comerciala Romana Group.

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 280.0 million** (EUR 62.4 million) in 2016, compared to a release of RON 73.0 million (EUR 16.4 million) in 2015, driven by the extensive portfolio sales performed throughout the year, coupled with improved recovery capabilities for the Retail workout portfolio, healings registered on the Corporate portfolio and unexpected, one-off recoveries from several Corporate insurance claims.

The NPL ratio decreased to **11.7%** as of 31-December-2016, as compared to 20.2% as of 31-December-2015, driven by sales of selected NPL portfolios, good trend of recoveries, overall improvement in the performing portfolio and write-offs. **NPL provision coverage ratio** stood at 85.3%, while, collateral included, it comfortably stood at 121%.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of December 2016, stood at **21.8%**, well above the regulatory requirements of the National Bank of Romania. Also, IFRS **Tier 1+2 capital ratio** of **19.9%** (BCR Group), as of December 2016, 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 high solvency ratio, proving its ability and commitment to support sustainable quality of lending growth in both Retail and Corporate franchises, further reinforcing core revenue generating capacity.

Deposits from customers grew by 13.2% to **RON 48,235.2 million** (EUR 10,626.8 million) at 31-December-2016, versus RON 42,626.0 million (EUR 9,422.2 million) at 31-December-2015, driven by retail and corporate 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.

BCR offers a complete range of financial products and services through a network of 512 retail units located in most towns with more than 10.000 inhabitants, across the whole Romania, as well as 21 business centres and 23 mobile offices dedicated to companies. BCR commands the largest Self-serving Banking Equipment network in the country – about 2.600 Equipment (ATMs, Multifunctional

Machines, Automated Payment Terminals, FX Exchange Machines) as well as 12.000 POS terminals for payments by card at merchants. As of December 2016, BCR Group was employing 7,078 people.

5. Outlook for BCR Bank activity

In 2017, the positive development of the Romanian economy should be reflected in a growth rate (real GDP) of 4.3% according to BCR forecast, mainly driven by domestic demand in general and private consumption in particular.

BALANCE SHEET DEVELOPMENTS

In the current context, BCR Group expects a mid-single digit **net loan** growth supported by growth in retail, while **corporate segment** is likely to remain rather stable mainly supported by SME and despite further NPL reduction.

The growth in **net retail loans** in 2017 is expected to be fueled by double digit growth in cash loans coupled with single digit increase in mortgages, mainly Prima Casa loans, although in terms of absolute volume growth the mortgage lending will likely remain the main contributor in 2017.

On the liabilities side, BCR will continue to capitalize on its very strong **customer deposit** base. BCR will continue to drive a structural shift in the BS by further increasing the share of demand deposits / current accounts and by converting the more expensive funding, especially in EUR, into fee-earning asset management and insurance products. At the same time, BCR will gradually decrease intra-group long term funding in line with the Bank’s strategy to focus on local currency lending by relying on its strong self-funding capacity in RON.

INCOME STATEMENT DEVELOPMENTS

Net interest income is expected to stabilize on the back of afore-mentioned structural changes, even though the continuous improvement in asset quality will still have an adverse impact on NII, coming from lower income on unimpaired portion of non performing loans (unwinding effect).

The second key income component, **net fee and commission income**, is expected to grow by mid-single digit in 2017 mainly on the back of increasing customer base which is expected to drive higher revenues from transaction business and maintenance and at the same time higher volume of brokerage fees for subsidiaries products.

All in all, the **operating income** should hence remain stable in 2017 or decline marginally in the case of lower-than-expected loan growth.

Operating expenses are expected to slightly rise by low single digit in 2017. The mild cost inflation will be mainly driven by IT investments necessary to secure BCR Group’s future competitiveness and measures induced by regulatory requirements. Further investments in product simplification, process standardization, data management or the group-wide implementation of the digital platform George underline the digital strategy. Additional cost drivers are regulatory expenses related for example to the implementation of IFRS 9 from the beginning of 2018.

Risk costs should again support net profit in 2017. While the low interest rate environment has a negative impact on net interest income, it does have a positive effect on risk costs which, unlike net interest income, benefit additionally from further reduction of NPLs, leading to single digit NPL ratio expected in 2017. BCR, however, does expect certain amount of risk allocations starting 2017 after the significant releases in 2016 and 2015, with the risk cost ratio tending towards a normalized evolution.

6. 2016 Business performance overview and 2017 outlook for the subsidiaries

BCR owns at 31-December-2016 equity investments in 17 companies, 8 being subsidiaries, respective BCR has the power to govern their financial and operating policies in order to obtain benefits from their activities. BCR Group consists, 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, Suport Colect SRL, CIT ONE SRL, BCR Payments Services SRL.

At the end of 31-December-2016, Banca Comerciala Romana, absorbed 2 companies, which were previously subsidiaries of the BCR Group: BCR Real Estate Management SRL and Bucharest

Financial Plazza SRL. Bucharest Financial Plazza SRL was 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 2016.

BCR Chisinau SA

In spite of the challenging macro and business environment in 2016, BCR Chisinau achieved to increase operating profit to MDL 49.4 million (+24% compared to 2015). This performance was mainly possible thanks to: (i) BCR Chisinau realizations (increase of incomes from lending and transactional banking activities and adequate management of deposits volumes pricing), as well as to (ii) external factors (mainly higher average IR in Government Securities compared to 2015).

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 32.0 million. In this context, the coverage on nonperforming loans by provisions has increased from 54.3% in 2015 to 61.9% in 2016.

The share of Non-performing loans slightly decreased in 2016 to 32% from 33.1% in 2015 (the NPLs are concentrated in a limited number of loans granted before 2010 and mostly provisioned). Liquidity ratio increased to 66.6% in 2016 compared with 63.0% in previous year, solvency ratio (local standards) decreased to 121.3% in 2016 compared to 164.4% in 2015. BCR Chisinau improved the Loans/Deposits ratio (excluding banks) to 63.3%, compared to 90.0% in 2015.

For 2017 the Bank aims to: (i) to keeping on expanding its business in Moldova through the enlargement of its branches network, the enlargement of its loan portfolio and the increase on incomes from transactional banking and (ii) remarkable increase of the level of automation of the Bank, including BCR Chisinau Internet Banking solution upgrade and (iii) further alignment to the local legislation and Group policies (IFRS 9 and Basel III, among others).

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).

The total portfolio of BCR Banca pentru Locuinte SA was 360.680 net contracts for which customers have realized savings of more than RON 2.88 billion. Estimated market share on deposits volumes (Bauspar banks) was approx. 83% at the end of 2016.

Lending activity recorded a decrease rate, as of the end of 2016 (RON 41.12 million) – 0.65 times lower than at the end of 2015 (RON 63.08 million), but the estimated market share for outstanding loans as of 31-December-2016, granted by BCR Banca pentru Locuinte SA, was 62%.The main reason for decreasing the loan sales is the stopping of the new saving-lending contracts since February 1st, 2016, the loans sales being limited to the existing clients' portfolio (in 2015, 66% of new loans came from Anticipated loans and 21% from Intermediary loans, generated by the new sales of the saving-lending contracts).

The strategic priority of the company in 2017 is lending revival, repositioning BpL as "Expert in Renovation " through "one stop shop" through which customers will find solution to their housing problems and thus achieve an increase in lending business by 75% versus 2016 .

BCR Leasing IFN SA

In 2016 BCR Leasing continued its focus on boosting sales and consolidating its position on the market. Total assets reached RON 1.5 billion increasing by 27% compared to the previous year sustained by enhanced new sales growth, while the share of non-performing exposures continued to improve from 10.6% in 2015 to 9.5% in 2016.

BCR Leasing profitability doubled in 2016 reaching RON 27.3 million (compared to 2015 of RON 13.6 million) the main driver being the net interest income with RON 12.9 million. Another key factor that contributed significantly to increasing profitability is the cost of risk which recorded a level of RON 6.9 million, meaning 0.52% of the financed portfolio. This reflects successful efforts to improve the quality of the lease portfolio, and higher quality of the new sales.

Operating result increased by 37% (RON 50.1 million in 2016 vs. RON 36.6 million in 2015) mainly due to increase in net interest income by 32% (RON 53.5 million in 2016 vs. RON 40.5 million in 2015). Cost to income ratio significantly improved in 2016 from 51% in 2015 to 33% in 2016 reflecting enhanced company efficiency.

In 2016 new sales continued to be boosted by both bank channel and partnerships with dealers / importers, with a 60% / 40% split.

In 2017 BCR Leasing expects sales growth of 15% compared to 2016 and aims to cover all segments of potential customers by continuing to develop both the bank and dealers channel.

BCR Fleet Management S.R.L. is a wholly owned subsidiary of BCR Leasing IFN S.A. with its main business is operational leasing and fleet management. In 2016 BCR Fleet Management's total assets reached RON 205 million, increasing by 46% compared to previous year sustained by the new business growth. As of year-end 2016, BCR Fleet Management portfolio counted 2,101 assets under operational leasing and 721 assets under fleet management agreements.

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 2016 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 8.35% and si 567,879 subscribers.

In terms of total number of subscribers for voluntary pensions funds, BCR Pensii ranked 2nd, with a market share of 30.18% corresponding to a number of 123,830 participants.

In 2016, BCR Pensii had the first position for voluntary pensions new sales, with 39.33% market share of new sales.

The strategy of the subsidiary is to continue on the same trend as in 2016, of increasing the Pillar 3 sales quality in order to improve the collection rate. Furthermore, in 2017 the company continues the Pillar 2 active strategy.

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 in order to develop a 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 subsidiary's activities.

BCR Real Estate Management SRL

At the end of year 2016, BCR Real Estate Management SRL, was absorbed toghether with Bucharest Financial Plazza SRL, by the parent company Banca Comerciala Romana.

The Company's core business was 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 was performed by BCR based on the mandate contract.

The company owned a portfolio of 185 properties at the end of 2016 located in 42 counties out of 15 units are in Bucharest.

In 2016 the company sold 12 properties and continued his principal activity by renting and administrating the buildings that are in ownership.

Profit of the company at 31-December-2016 was in amount of: 23,417 RON thousands, decreasing in comparison with profit as of 31-December-2015, in amount of 37,269 RON thousands.

Bucharest Financial Plazza SRL

At the end of year 2016, Bucharest Financial Plazza SRL, was absorbed toghether with BCR Real Estate Management SRL, by the parent company Banca Comerciala Romana.

Bucharest Financial Plazza SRL was wholly owned by BCR Real Estate Management SRL. In 2016, the company continued performing its core business activity represented by the management of the real estate assets owned. The core activities of the company was performed by BCR based on the mandate contract.

The company owned a portfolio of 25 properties at the end of 2016 of which the largest number of properties siting in Bucharest is 12 units and Constanta – 3 units, the remaining 10 properties being located in the different cities in Romania.The portfolio consisted of commercial spaces at groundfloor, upperfloor spaces and independent buildings dedicated for banking usage.

Profit of the company at 31-December-2016 was in amount of: 14,612 RON thousands, decreasing in comparison with profit as of 31-December-2015, in amount of 24,309 RON thousands.

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 2016, main company's projects were: implementation of route optimization application, opening of a new processing center to Arad, starting a renewal process of armored car fleet (company following to acquire 110 Ford armored cars – 45 being delivered in 2016), processing equipment and security system.

The financial result for the year ending 31-December-2016 is a net profit in amount of RON 0.2 million, in line with 2015 result.

For 2017, CIT ONE mainly planned to increase nongroup clients portfolio, to implement cashier arming project, to continue the renewal of armored cars and processing equipment fleet, investment in processing center refurbishment and extension, relocation of Craiova PC to Bals, 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 for corporate clients with large fleets. BCR Fleet Management developed partnerships with the most important passenger cars and commercial vehicles dealers and importers in Romania, being able to provide its services for almost any passenger car or commercial vehicles.

In only 4 years time, BCR Fleet Management has become an important player in the operational leasing market with a total fleet over 3,000 vehicles and total asset size of 205 million RON at the end of 2016. During 2016, new business volume increased consistently compared with previous year, up to +23 million eur total financed value. BCR Fleet Management's clients are mostly multinational corporations or large romanian companies, as well as public sector organizations.

For 2017 BCR Fleet Management estimates a 20% increase in new sales compared to the pervious year. The commercial strategy will be focused on developing further the corporate clients segment, as well as diversifing the portfolio in the retail. Apart for that, bcr fleet management will aim to improve operational efficiency by adjusting its processes and workflows to its actual size, developing its it infrastructure and optimizing the company's headcount.

Suport Colect SRL

Suport Colect is owned by BCR (99,999959%) and BCR Leasing IFN S.A. (0,000041%). In 2016, the Company continued performing its core business activity represented by the collection of the loans receivables portfolio owned, including cash collections from receivables, sale of receivables or through properties obtained as debt to asset swaps, either amiable or in enforcement or in the application of the law 77/2016 (DIP„Legea darii in plata").

In 2016 the Company continued the efforts to improve the assets quality and profitability of the company. Thus, the Company recorded profits in 2016, due to positive impact of recoveries realised on the loans receivables portfolio.

Profit of the company at 31-December-2016 was in amount of: 31,603 RON thousands increasing in comparison with profit as of 31-December-2015, in amount of 16,758 RON thousands.

In 2017 the action plans are focused on the following main aspects: sale of the properties owned, continue the efforts to realize recoveries on the loans receivables portfolio and close the related processess (having the enforcement process closed, collateral sold, close litigations).

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 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 2016, 4.6 million transactions were processed, down 10% compared to 2015. Staff turnover remains high in 2016, continuing the trend of the past 2 years.

In this context, the company took measures to keep experienced employees through partial wage growth, which led to increase of personnel expenses by 3% compared to last year. In parallel, other administrative expenses decreased by 27%.

Profit of the company at 31-December-2016 was in amount of: 619 RON thousands, decreasing in comparison with profit as of 31-December-2015, in amount of 758 RON thousands.

For 2017 BCR Payments Services SRL will complete the service catalog with a new service, which requires multiple file processing payments. Also, this year, the catalog will be reviewed in terms of prices of all services rendered.

Projects in 2017 are focused on continuous business improvement by preparing and training employees to maintain performance indicators in agreed parameters. Also, there is in progress the implementation of the improved revised plan of business continuity in case of disaster.

7. The Risk Exposure Profile of BCR Group

1. Overview

BCR Group uses a risk management and control system that is forward-looking and tailored to its business and risk profile. This system is based on a clear risk strategy that is consistent with the business strategy and focused on early identification and management of risks and trends.

Given BCR Group business strategy, the key risks for BCR Group is credit risk, market risk, interest rate risk in the banking book, liquidity and funding risk and operational risk. In respect of risks, an annual comprehensive risk materiality assessment is undertaken on an annual basis, while a quarterly review of risks materiality is performed quarterly. It is ensured that all material risks are covered by BCR Group's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the 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.

As part of its risk strategy, BCR Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The target risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework.

In terms of governance, full oversight of the risk profile and a sound execution of the risk strategy is ensured including appropriate monitoring and escalation of issues that could materially impact the risk profile of the Group.

2. ERM Proportionality Principles

The proportionality principle is a crucial and integral part of BCR Group's overall risk framework and strategy. The proportionality principle is applied for the core components of BCR Group ERM/ICAAP framework (Risk Materiality Assessment / Risk taxonomy, Risk-bearing Capacity Calculation, Risk Appetite & Risk Profile, Stress testing).

The proportionality concept, the classification categories and criteria as well as process requirements for implementation, application and roll-out in the context of key BCR Group ICAAP areas are described in BCR Group ERM Principles, as a core element governing the application of the Group ICAAP/ERM framework.

BCR Group level risk management principles, concepts and processes are generally designed, developed and implemented to address over-arching organizational needs across both group and local entities/subsidiaries reflecting a high degree of granularity and detail.

However, subsequent implementation and application at BCR Group subsidiaries requires an approach that takes differences in business structures, size, complexity and relevance into account. This will ensure a meaningful, suitable and adequate application across BCR Group in line with local needs and capabilities while still fulfilling overall BCR Group level requirements and standards.

The evaluation of proportionality criteria is reviewed on an annual basis and included in the Risk Strategy. In addition, a re-assessment might be carried out outside the annual review cycle if changed business parameters indicate a need for a respective re-classification.

3. Risk Profile

Starting from the volume and nature of BCR activity as part of BCR Group, the risk profile of BCR Group is driven by the Bank risk profile. Thus, the Risk Profile for BCR Group follows in general the same directions as the Bank, both with regard to overall risk profile and individual risks profiles.

4. Individual risk profiles for the key risk types

4.1. Credit Risk

Credit risk is defined 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.

In respect of the **credit risk profile**, in order to lower the risk profile for this risk in 2016, BCR has targeted the following strategic directions:

- An integrated risk management framework where risk appetite is cascaded down to the highest granular level in terms of concentration policy, lending acceptance criteria and business strategy;
- BCR Group continued to refine, update, monitor and redevelop its statistically validated scorings, rating models, risk parameters and tools;
- BCR Group continued to manage the industry concentrations and to align the portfolio composition with the business strategy.
- Perform periodical stress tests/sensitivity analysis related to the impact of credit risk on the Bank and Group

More details regarding credit risk, may be found in Notes 39.5 of the Financial Statements.

4.2. Concentration risk analysis

With regard to concentration risk, BCR Group implemented a process to identify measure, control and manage risks concentration. This process is essential to ensure the long-term viability of the Group, especially in times of an adverse business environment and stressed economic conditions.

The BCR concentration risk framework outlines the standards needed to identify, measure, monitor, and mitigate concentration risks, whose implementation is essential to ensure the long-term viability of any financial institution, especially in the case of stressed economic conditions. In respect of management of concentration risk, the Bank has implemented a wide framework of limits such as industry limits, geographic regions, corporate unsecured loan, corporate and PI limits, FX retail limits, as well as concentration risk limits on individual counterparties depending on the ratings (maximum / operational lending limits), market and liquidity risk limits and operational key risk indicators.

4.3. Residual risk analysis

This type of credit risk does not arise due to deterioration of the counterparty's creditworthiness, but from an insufficient ability to realize the collateral taken. This may result from the possibility that the legal mechanism by which the collateral was pledged or transferred does not guarantee that the bank has the right to liquidate or seize the collateral or that the collateral will not turn out to be as valuable as expected.

Collateral and credit enhancement are evaluated pursuant to internally defined rules. Depending on rating grade, purpose and tenor, risk bearing products are protected against losses by stipulating adequate collateral that is fully and indisputably legally enforceable and sufficiently documented for the Bank. Nevertheless, collateral and credit enhancement can never substitute repayment capability.

4.4. FX induced credit risk analysis

FX induced credit risk is a risk associated with foreign currency lending to un-hedged borrowers, which arises due to exchange rate fluctuations of the respective foreign currency. FX induced credit risk arises from debtors not benefitting from natural (borrowers receive FX income, including cash-in from transfers or exports) or financial hedging (based on a contract concluded between the borrower and the credit institution which covers FX risk).

4.5. Market Risk

Market risk is the risk that may arise due to adverse changes in market prices and to the parameters derived from them. In BCR Group, market risk is divided into interest rate risk, credit spread risk, exchange rate risk, price risk, volatility risk and market liquidity risk. These concern both trading and banking book positions.

Key principles of BCR Group's market risk management are based on the following pillars:

- *Identification of market risks* – identification of market risks inherent in the investment operations and in new products, and ensuring adequate procedures and controls before these are implemented or undertaken;
- *Position keeping and Market Data Maintenance* – ensuring proper data representation of BB and TB positions and also sourcing of appropriate market data for financial instruments and risk factors including data quality checks and cleansing;
- *Pricing and valuation* – maintenance of appropriate instrument pricing framework and valuation routines for the calculation of valuation adjustments;
- *Risk measurement* – calculation of risk exposure using sensitivities, value-at-risk, and stress testing;
- *Validation* - On one hand this concerns Value at Risk ("VaR") back-testing while on the other hand parameters and models used must be validated on a regular basis;
- *Market Conformity of Trading Activity* - assuring that trading activities are performed at market conforming prices and rates;
- *Market Risk Limits* - development of a comprehensive limit system, limit allocation and violation reporting;

- *Market Risk Monitoring and Reporting* – timely and accurate reporting of all relevant information.

More details regarding market risk, may be found in Notes 39.6 of the Financial Statements.

4.6. Liquidity & Funding Risk

BCR Group distinguishes between market liquidity risk (which is the risk that the group entities cannot 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).

BCR Group has an appropriate reporting framework for liquidity and funding risk management which includes the scope, possible manifestations and frequency of these risks, and which also designates the entity responsible for preparing the specific reports.

BCR Bank has an adequate set of limits on the values of various liquidity risk indicators, which enable it to closely monitor and control liquidity risk. These limits are also cascaded down to the major entities of BCR Group (i.e. BCR BpL and BCR Chisinau), which have also implemented the limits and set their own values, based on prior approval from BCR Bank.

In 2016, BCR Bank and BCR BpL have implemented and started delivering to the regulator the Additional Liquidity Monitoring Metrics (ALMM) reports, thus benefiting from a more comprehensive analysis of their financing sources.

With respect to cash flow risks, BCR is actively managing the intraday liquidity positions, such that it can be able to fulfill at any time the requirements related to payments and settlements, in both normal and crisis conditions.

Thus, BCR has the capacity to:

1. Measure daily the gross inflows and outflows, to predict as accurately as possible the time of the day when these flows will occur, and to predict any financing deficits that may occur during a day;
2. Monitor the intraday liquidity positions as compared to the expected activities and available resources (balances, capacity to cover outstanding loans, available collaterals)
3. Obtain the necessary financing for meeting the intraday liquidity objectives
4. Manage the eligible collaterals for obtaining the intraday financing
5. Manage the liquidity outflows according to BCR intraday objectives
6. Be prepared to face unexpected changes in intraday liquidity flows.

The mechanisms used by BCR in order to calculate the liquidity position are based on the following:

1. prediction of cash-flows impacting the current account during the day – as accurately as possible – including prediction of the timing of these flows throughout the day
2. estimation of the possible cash-flow shortages throughout the day
3. ability to monitor the intraday liquidity position and the expected liquidity requirements throughout the day.

Potential measures used by BCR for managing liquidity in order to ensure the intraday availability of funds are:

1. the possibility to access intraday liquidity from NBR in case of necessity to cover unexpected amounts during a day
2. making payments based on the available resources (and the liquidity position expected during the day).

More details regarding liquidity risk, may be found in Notes 39.7 of the Financial Statements.

4.7. Operational Risk

BCR Group's operational risk is governed by an operational risk management policy, which defines:

- the operational risk management structure, hierarchy and governance model ("three lines of defence model");
- the risk appetite setting the limits of residual operational risk tolerance (OpRisk scaling matrix);

- common standards for managing and documenting operational risk within BCR Group;
- the framework that ensure OpRisk (OpRisk concentrations) are adequately identified, assessed, documented and managed.

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. In addition to the quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys. BCR Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.
To lower the operational risk profile, Bank has undertaken the following measures:

- Permanent development and improvement of control environment;
- Improvement of operational loss data collection;
- Performing periodical stress tests/sensitivity analysis related to the impact of operational risk on the Bank and Group.

The Bank and its subsidiaries have implemented a wide range of specific ratios for managing operational risk. The monitoring and regular reporting of operational risk indicators (KRI) is enabling the Bank to detect any change in its exposure to operational risk in due time. Also, the Bank is monitoring the evolution of recorded events, as well as through implementing/ solving corrective measures.

More details regarding operational risk, may be found in Notes 39.8 of the Financial Statements.

4.8. Reputational Risk

Reputational risk issues arise from transactions with clients or through different business activities. However, due to its nature these usually materialize through other risk types. The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with business and the relevant risk type owner supports their resolution.

Reputational risk registered improvements in 2016 based on a series of projects such as launching of the financial education program, launching of public diplomacy initiative, consolidation of corporate culture, risk return decision tool, new product approval process.

5. ERM / ICAAP framework

BCR Group ERM has continued to strengthen its comprehensive framework. This includes as its fundamental pillar the ICAAP (Internal Capital Adequacy Assessment Process) required under Pillar II of the Basel framework.

The Enterprise-wide Risk Management/ICAAP framework is a holistic steering and management model designed to support BCR Group in managing its risk portfolios and its risk bearing capacity by ensuring that the bank has, at all times, an adequate coverage potential which ensures the necessary capital adequacy to sustain its business and risk strategy.

As such, the ERM forms a sound steering and management system and is integral to the bank/group's overall steering and management function. This Enterprise-wide Risk Management is formalized through an umbrella policy serving to lay out its general principles, functions and requirements in order to ultimately fulfill ICAAP requirements.

A key component of ICAAP is the assessment of the group's capital adequacy using economic capital measures. In the ICAAP, the Group identifies and measures its risks and ensures that it has sufficient capital in relation to its risk profile. The process also ensures that adequate risk management systems are used and further developed. The relevant components of ERM framework refer to:

5.1. Risk profile

The risk profile is represented by the aggregated actual and potential risk exposures of the Bank. The ERM is tailored to BCR Group's business and Risk Profile and reflects the strategic goal of protecting shareholders while ensuring the sustainability of the organization.

The Group Risk Profile is developed within the Risk Appetite and by evaluating the material risks to which the bank is exposed. BCR Group Risk Report monitors the development of the BCR Group Risk

Profile compared with the Risk Appetite and Risk Strategy and it is presented to the Management Board and Supervisory Board on a quarterly basis.

5.2. Risk appetite (RAS)

BCR Group defines its Risk Appetite through the annual strategic planning process to ensure appropriate alignment of risk, capital and performance targets. RAS represents a strategic statement expressing the maximum level of risks BCR Group is prepared to accept in order to achieve its business objectives. It consists of a set of core metrics providing quantitative direction for risk steering, as well as qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks.

5.3. Risk bearing capacity (RCC)

The Risk Bearing Capacity calculation defines the capital adequacy required by ICAAP. Within the RCC the Group's risks measured from an internal economic perspective are summed up to provide the basis to determine BCR Group's Economic Capital. The Economic Capital is then compared to internal capital, as measured by the coverage potential.

The integral forecast, risk appetite limits and the traffic light system support management in its discussions and decision process. The traffic light system embedded in BCR Group's RCC helps to alert the management in case there is need to decide on, plan and execute actions either to replenish the capital base or to take measures for reducing risk.

5.4. Stress testing

Stress testing is a vital component of the Risk Management framework within BCR Group and is incorporated into the strategic planning process for business activities, capital and liquidity assessment. The assessment of the ability of the Bank to sustain losses in severe but plausible macroeconomic scenarios provides information on the adequacy of the overall business model, and supports the planning of emergency and mitigation measures.

Stress testing results and recommendations are incorporated into the process for defining the RAS, subsequent financial projections and budgeting processes, the assessment of risk concentrations, as well as in the calculation of the risk-bearing capacity and the determination of the economic capital adequacy limit.

5.5. Risk Planning and Forecasting

BCR Group has implemented a sound risk planning and forecasting process, which includes both a forward and backward looking component, focusing on both portfolio and economic environment changes.

Planning of risk relevant key numbers is also part of BCR Group Enterprise Risk Management framework and it assures the adequate reflection of risks within the steering and management process of the Group activity.

6. Monitoring of the BCR Group Risk Profile

Oversight of the overall risk profile at the Group level consists of both strategic and operational oversight.

6.1. Strategic oversight

The Risk Appetite Statement (RAS) sets the boundary for a maximum risk the Group is willing to accept in order to pursue its business objectives; this includes a set of core steering metrics with triggers levels providing strategic guidelines for risk management and planning

The Risk strategy sets strategic risk targets based on the targeted risk profile of the Group and the RAS and provides a balanced risk-return view considering strategic focus & business plans.

Both are regularly monitored and reported in the BCR Group Risk Report including a traffic light overview together with respective measures to address identified deviations from strategic plans or objectives.

6.2. Operational oversight

Risk management by risk type ensures that the risk specific profile remains in line with the risk strategy and operative limits support the achievement of strategic targets. The development of the specific risk profile (i.e. retail credit, corporate credit, operational risk, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision making of the dedicated risk functions to ensure the risk profile remains within risk strategy (i.e. retail risk report). These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of, e.g., portfolio quality (client, segment, countries and industries) or risk drivers. In instances where certain risk portfolios or events are identified as potentially in distress, these are closely monitored by the dedicated risk functions to manage the risk impact and to develop effective strategies to minimize potential losses. This process facilitates early risk detection and reaction.

8.Organization of the internal control system's function

Both supervisory and management functions are responsible for the development and the maintenance of a proper internal control system ensuring effective and efficient operations, adequate risk control, prudent business conduct, reliable financial and non-financial information reported at internal and external level, as well as compliance with the on-going laws, regulations and the internal policies and procedures.

Every person in the organization has certain internal control responsibilities assigned. All employees provide information used by the internal control system or otherwise take action effecting control. Furthermore, all members of personnel are also responsible for communicating operational problems upwards, as well as infringements of the Ethics Code or on-going policies and illegal actions.

The internal control system in BCR involves:

a) the existence of a sound internal control framework in place, ensured by:

- clear definition of the role and responsibilities of the management body concerning the internal control
- identification, assessment and monitoring of significant risks
- control activities definition, segregation of duties assurance and conflict of interest avoidance
- a transparent framework for information and communication
- continuous monitoring of the activities and correcting the deficiencies.

b) the existence of independent control functions in place (the risk management function, compliance function and internal audit function) with direct line of reporting to the management body.

The BCR Internal Control System is structured on three levels:

1. First-level or line controls is designed to ensure that transactions are carried out correctly. Controls are performed by the entities that take the risks and incorporated in specific procedures. The responsibility of this area is allocated to the Business Management.
2. Second-level of control is the duty of Risk Management Function and Compliance Function.
3. Third-level controls are performed by Internal Audit Function, which assesses and regularly checks the completeness, functionality and adequacy of the internal control system. Internal audit is independent of both first and second-level lines.

Controls in place for financial reporting process:

1. Each employee has a dedicated back-up which undertakes all the responsibilities of the employee on leave.
2. Non disclosure agreement signed by all employees;
3. Ethical Code in place;
4. Zero tolerance to confidential information disclosure
5. Clear defined approval flow in accordance with the banking law.
6. Dual control in place, validation rules in BCR systems. Implementation of "4-eyes principles" for each financial report.

7. Existing standardized labeled folders with restricted access.

9. Important events since the end of 2016

In early January, the central bank has left the monetary policy rate unchanged at 1.75%. Mandatory reserve ratios for both RON and FC liabilities have also been kept flat at 8% and 10%, respectively. The central bank expects inflation to spring back into positive territory in the first quarter of this year, but the magnitude of the rebound will be softer than in the central bank's forecast which currently stands at +0.8%.

In early January, PSD, along with the Alliance of Liberals and Democrats (ALDE) formed a new cabinet headed by Social-Democrat Sorin Grindeanu. The government was quick to win the confidence vote and enjoys a comfortable majority in the Parliament (more than 60%), being backed by ethnic Hungarians and other ethnic minorities.

There were no important events in Banca Comerciala Romana Group, after the balance sheet date.

10. BCR Group's policy regarding environmental issues

Environmental protection and the responsible use of resources are endeavors integrated in the business strategies of environmentally conscious companies world-wide, and in Romania.

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 which do not meet environmental requirements specified in the Romanian legislation, relevant international conventions and agreements to which Romania adhered expressly.

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

In BCR Group, environmental activity is coordinated by Credit Analysis & Sabine Department.

CHAIRMAN

OF THE SUPERVISORY BOARD

MANFRED WIMMER

CONSILIUL DE SUPRAVEGHERE BCR PRESEDINTE

Appendix 1
Consolidated income statement for the year ended 31 December 2016

in RON million	Dec-15	Dec-16	% change
Net interest income	1,992.6	1,786.7	-10.3%
Net fee and commission income	725.2	708.9	-2.2%
Dividend income	5.7	2.9	-49.8%
Net trading and fair value result	308.4	314.3	1.9%
Net result from equity method investments	2.7	1.8	-34.7%
Rental income from investment properties & other operating lease	40.3	53.5	33.0%
Personnel expenses	(716.7)	(729.9)	1.8%
Other administrative expenses	(625.1)	(671.6)	7.4%
Depreciation and amortisation	(171.6)	(169.0)	-1.5%
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	5.0	111.7	2132.7%
Net impairment loss on financial assets not measured at fair value through profit or loss	72.9	280.0	284.1%
Other operating result	(627.4)	(518.9)	-17.3%
Pre-tax profit from continuing operations	**1,012.0**	**1,170.5**	**15.7%**
Taxes on income	(90.0)	(130.4)	44.9%
Post-tax profit from continuing operations	**922.0**	**1,040.1**	**12.8%**
Profit from discontinued operations net of tax	-	-	
NET PROFIT OF THE YEAR	**922.0**	**1,040.1**	**12.8%**
Attributable to non-controlling interests	3.1	(1.8)	-158.0%
ATTRIBUTABLE TO OWNERS OF THE PARENT	**919.0**	**1,041.8**	**13.4%**
Operating Income	3,074.9	2,868.2	-6.7%
Operating Expenses	(1,513.4)	(1,570.5)	3.8%
Operating Result	**1,561.5**	**1,297.7**	**-16.9%**

Appendix 2
Consolidated balance sheet at 31 December 2016

in RON million	Dec-15	Dec-16	% change
ASSETS			
Cash and cash balances	9,441.8	11,911.9	26.2%
Financial assets - held for trading	248.1	633.2	155.2%
Derivatives	78.8	73.5	-6.8%
Other trading assets	169.3	559.7	230.6%
Financial assets designated at fair value through profit or loss	22.2	15.3	-31.1%
Financial assets - available for sale	7,203.3	5,574.1	-22.6%
Financial assets - held to maturity	10,154.4	13,904.2	36.9%
Loans and receivables to credit institutions	204.4	552.8	170.5%
Loans and receivables to customers	32,450.8	32,291.1	-0.5%
Property,plant,equipment	1,098.8	1,472.6	34.0%
Investment properties	0.5	0.4	-13.2%
Intangible assets	234.3	289.3	23.5%
Investments in joint ventures and associates	16.2	16.6	2.3%
Current tax assets	133.2	162.5	22.0%
Deferred tax assets	426.4	322.5	-24.4%
Non-current assets and disposal groups classified as held for sale	301.9	2.3	-99.2%
Other assets	423.8	365.7	-13.7%
TOTAL ASSETS	**62,360.0**	**67,514.6**	8.3%
LIABILITIES			
Financial liabilities held for trading	35.1	38.4	9.4%
Derivatives	35.1	38.4	9.4%
Financial liabilities measured at amortised costs	55,321.7	59,236.1	7.1%
Deposits from banks	11,247.2	9,654.7	-14.2%
Deposits from customers	42,626.0	48,235.2	13.2%
Debt securities issued	912.2	637.2	-30.2%
Other financial liabilities	536.2	709.0	32.2%
Provisions	812.7	1,104.1	35.9%
Current tax liabilities	1.4	1.3	-6.5%
Deferred tax liabilities	6.3	4.0	-36.9%
Other Liabilities	307.6	326.4	6.1%
Total equity	5,875.3	6,804.4	15.8%
attributable to non-controlling interest	31.3	25.4	-18.8%
attributable to owners of the parent	5,844.0	6,779.0	16.0%
TOTAL LIABILITIES AND EQUITY	**62,360.0**	**67,514.6**	8.3%

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Banca Comerciala Romana S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Banca Comerciala Romana SA ("the Bank"), which comprise the statement of financial position as at December 31, 2016, the profit or loss account, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank as at December 31, 2016, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with the National Bank of Romania Order no. 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The English version of the audit report represents a translation of the original audit report issued in Romanian language.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter

Impairment of loans and advances to customers

Management's identification of impairment indicators and determination of the impairment allowance for loans and advances to customers is a complex process and involves judgement and use of estimates. Such an assessment is inherently uncertain, involving various factors and use of assumptions, including the financial condition of the counterparty, expected future cash flows of the debtors and net cash inflows from the potential sale of collaterals.

Special considerations are given to aspects that are new or experienced notable developments in 2016, like Law no. 77/2016 regarding Payment in Kind and sale of significant loans portfolios.

The use of different modelling techniques and assumptions could produce significantly different estimates of impairment allowance. Notes 2.2, 2.3, 22, 38 and 39 to the financial statements present more information on the estimation of impairment allowance for loans and advances to customers.

Due to the significance of loans and advances to customers (representing 47.8% of total consolidated assets and 48.6% of total separate assets) and the related estimation uncertainty, we consider this a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included, among others, the assessment of the Bank's methodology regarding the identification of impairment indicators, assessment of specific impairment allowance respectively collective impairment allowance. We assessed the design and evaluated the operating effectiveness of internal controls over the monitoring of loans and advances to customers and over impairment calculations including the quality of underlying data and relevant systems.

For impairment allowance for loans calculated on an individual basis, our analysis was focused on the corporate exposures with the most significant potential impact on the financial statements

and considered the key assumptions underlying the impairment identification and quantification such as estimated future cash flows of the debtors, realizable value of collaterals and estimates of recoveries subsequent to the loss event.
Our internal valuation experts were involved, as appropriate, to assist us in performing our audit procedures.

For impairment allowance for loans calculated on a collective basis we analyzed the Bank's methodology, inputs and assumptions used, as well as the model validation where the case.

We further assessed the adequacy of the Bank's disclosures in the financial statements regarding exposure to credit risk.

Key audit matter

Provisions for litigations and other risks

The process for recording provisions is an estimation process involving a high level of judgement, therefore there is an inherent risk that the existing provisions at year-end may significantly differ from the actual loss realized subsequent to the reporting date. The Bank sets up provisions for litigations and other risks, notes 2.3, 30 and 44 to the financial statements presenting more information on their estimation. The main aspects for which the management exercised judgment are litigations for consumer protection issues, Court of Accounts inspection findings for BCR Banca pentru Locuinte and related litigation and the outcome of the on-going tax authorities' inspection.

Provisions for litigation and other risks are significant to our audit because the assessment process is complex and judgmental.

How our audit addressed the key audit matter

The audit procedures performed included, among others, an assessment of the Bank's governance, processes and internal controls with respect to recognition and measurement of provisions as well as of the management's assumptions considering the supporting explanations and documentation provided by management and its internal legal advisors for the recording of significant provisions.

We obtained written confirmations from the external legal counsels and compared their opinions with the management's assumptions and assessment regarding the impact and the disclosures in the financial statements related to significant litigations.

Our evaluation was focused on the significant matters, especially the ones that were new or that experienced notable developments in 2016, such as litigations related to consumer protection issues, Court of Accounts inspection findings for the subsidiary BCR Banca pentru Locuinte and related litigation and the outcome of the on-going tax authorities' inspection. Our tax and legal experts were involved in the analysis and corroboration of the assumptions used in determining the provisions and contingent liabilities by considering the relevant legal requirements.

We also evaluated the adequacy of the Bank's disclosures in the financial statements regarding provisions for risks and litigations.

Key audit matter

Information Technology (IT) systems relevant for financial reporting

A significant part of the Bank's operations and financial reporting process is reliant on IT systems involving automated processes and controls over the capture, storage and processing of information. An important component of this internal control system involves the existence of and adherence to appropriate user access and change management processes and controls. These controls are particularly important because they ensure that the access and changes to IT systems and data are made by authorized persons in an appropriate manner.

The IT environment of the Bank is complex with a significant number of interconnected systems and databases. Due to the high automation of the processes relevant for financial reporting and to the complexity of the IT environment of the Bank, a high proportion of the overall audit procedures was concentrated in this area. We therefore consider that this area represents a key audit matter.

How our audit addressed the key audit matter

We focused our audit procedures on those IT systems and controls that are significant for the financial reporting. As the audit procedures over the IT systems require specific expertise, we involved our IT specialists in performing the audit procedures.

Our audit procedures included, among others, understanding and assessing the overall IT control environment and the controls in place, including the ones over access to systems and data, as well as IT system changes. We tailored our audit approach based on the financial significance of the system and the existence of automated procedures supported by the respective system.

As part of the audit procedures we tested the operating effectiveness of controls over granting access rights to determine if only appropriate users had the ability to create, modify or delete user accounts for the relevant applications. We also tested the operating effectiveness of controls around the development and changes of applications to determine whether these are appropriately authorized, tested and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application and IT-dependent controls in the processes relevant to our audit.

Key audit matter

Recognition of deferred tax assets

Deferred tax assets, represent a significant balance sheet position in the Bank financial statements and relate to both tax losses carried forward and temporary differences, including temporary differences resulted from impairment of investments in subsidiaries.

Management judgement is required to assess whether it is probable that sufficient taxable profit or taxable temporary differences will be available against which the deductible temporary differences can be utilized at the time of their reversal, respectively whether it is probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilized before its expiry.

Given the relatively high degree of uncertainty involved in such an assessment and the magnitude of the deferred tax asset position as at 31 December 2016, in particular in the context of the on-going tax inspection, we have identified deferred income taxes as a key audit matter. The Bank's disclosures regarding deferred tax assets are included in Note 2.2, 2.3, 12 and Note 26 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures focused on assessing the key management assumptions for the deferred tax asset recoverability such as forecasts which underpin the asset recognition, including summaries of tax losses expiry dates. We evaluated consistency with long term business plans used by management to manage and monitor the performance of the business.

Our internal tax specialists were involved, as appropriate, in our audit procedures in the current taxation area and any relevant evaluations were considered for impact in our assessment of the taxable profit projections.

Furthermore, we assessed the adequacy of the Banks's disclosures regarding deferred tax assets.

Other information

The other information comprises the Administrators' Report and Consolidated Administrators' Report, but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the National Bank of Romania Order no. 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group (the Bank and its subsidiaries) to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Administrators' Report and Consolidated Administrators' Report, we have read the Administrators' Report and Consolidated Administrators' Report and report that:

a) in the Administrators' Report and Consolidated Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at 31 December 2016;

b) the Administrators' Report and Consolidated Administrators' Report include, in all material respects, the required information according to the provisions of the National Bank of Romania Order no. 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications, Annex 1 points 11 - 14 and point 37;

c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at 31 December 2016, we have not identified information included in the Administrators' Report and Consolidated Administrators' Report that contain a material misstatement of fact.

On behalf of

Ernst & Young Assurance Services SRL

Registered with the Chamber of Financial Auditors of Romania

No. 77/15 August 2001

Gelu Gherghescu

Registered with the Chamber of Financial Auditors of Romania	Bucharest, Romania
No. 1449/ 9 September 2002	23 March 2017

The English version of the audit report represents a translation of the original audit report issued in Romanian language.

STATEMENT OF COMPREHENSIVE INCOME
Consolidated and Bank for the year ended 31 December 2016

INCOME STATEMENT

in RON thousands	Note	Group 31.12.2015	Group 31.12.2016	Bank 31.12.2015	Bank 31.12.2016
Net interest income	3	1,992,595	1,786,695	1,925,963	1,726,463
Net fee and commission income	4	725,181	708,932	695,461	672,086
Dividend income	5	5,732	2,878	31,295	5,004
Net trading and fair value result	6	308,413	314,317	303,988	309,098
Net result from investments in associates	23	2,749	1,795	-	-
Rental income from investment properties and other operating lease	7	40,258	53,549	1,406	1,014
Personnel expenses	8	(716,721)	(729,874)	(648,327)	(657,036)
Other administrative expenses	8	(625,077)	(671,594)	(762,830)	(804,923)
Depreciation and amortisation	8	(171,637)	(169,029)	(119,667)	(105,780)
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	9	5,005	111,747	(10)	111,754
Net impairment (loss) / reversal on financial assets not measured at fair value through profit or loss	10	72,903	279,990	58,300	217,288
Other operating result	11	(627,352)	(518,915)	(429,876)	(468,927)
Pre-tax profit from continuing operations		**1,012,049**	**1,170,491**	**1,055,703**	**1,006,041**
Taxes on income	12	(90,027)	(130,428)	(92,276)	(119,955)
NET PROFIT OF THE YEAR		**922,022**	**1,040,063**	**963,427**	**886,086**
Attributable to non-controlling interests		3,072	(1,783)	-	-
Attributable to owners of the parent		918,950	1,041,846	-	-

STATEMENT OF COMPREHENSIVE INCOME

in RON thousands	Group 2015	Group 2016	Bank 2015	Bank 2016
Net result for the period	**922,022**	**1,040,063**	**963,427**	**886,086**
Other comprehensive income				
Items that may not be reclassified to profit or loss				
Remeasurement of net gain (losses) on benefit plans	(416)	(655)	(427)	(654)
Deferred taxes relating to items that may not be reclassified	19	105	68	105
Total	**(397)**	**(550)**	**(359)**	**(549)**
Items that may be reclassified to profit or loss				
Available for sale reserve	72,511	(133,729)	84,605	(115,741)
Gain/(loss) during the period	77,578	(21,982)	84,657	(3,987)
Reclassification to profit or loss	(5,067)	(111,747)	(52)	(111,754)
Cash flow hedge reserve	(2,417)	-	(2,417)	-
Reclassification to profit or loss	(2,417)	-	(2,417)	-
Currency translation	(9,880)	1,460	-	-
Deferred taxes relating to items that may be reclassified	(11,197)	21,288	(13,150)	18,519
Total	**49,017**	**(110,981)**	**69,038**	**(97,222)**
Total other comprehensive income	**48,620**	**(111,531)**	**68,679**	**(97,771)**
Total comprehensive income	**970,642**	**928,532**	**1,032,106**	**788,315**
Total comprehensive income attributable to non-controlling interests	1,717	(4,925)	-	-
Total comprehensive income attributable to owners of the parent	968,925	933,457	-	-

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

Adriana Jankovicova

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

Adina Georgiana Cotiga

STATEMENT OF FINANCIAL POSITION

		Group		Bank	
in RON thousands	Note	31.12.2015	31.12.2016	31.12.2015	31.12.2016
ASSETS					
Cash and cash balances	14	9,441,833	11,911,895	9,255,487	11,648,878
Financial assets - held for trading		248,108	633,199	248,108	633,199
Derivatives	15	78,814	73,486	78,814	73,486
Other trading assets	16	169,294	559,713	169,294	559,713
Financial assets designated at fair value through profit or loss	17	22,246	15,319	22,246	15,319
Financial assets - available for sale	18	7,203,260	5,574,087	6,256,238	4,845,303
Financial assets - held to maturity	19	10,154,420	13,904,201	8,818,660	12,386,197
Loans and receivables to credit institutions	21	204,403	552,830	184,631	651,414
Loans and receivables to customers	22	32,450,757	32,291,134	32,548,724	31,162,509
Property and equipment	24	1,098,757	1,472,604	235,921	1,158,548
Investment properties	24	486	422	-	-
Intangible assets	25	234,265	289,304	224,239	280,699
Investments in associates	23	16,193	16,568	7,509	7,509
Current tax assets	26	133,192	162,480	131,826	159,029
Deferred tax assets	26	426,363	322,508	398,530	310,554
Non-current assets and disposal groups classified as held for sale	27	301,900	2,292	38,037	2,292
Other assets	28	423,833	365,730	1,090,757	806,775
TOTAL ASSETS		**62,360,016**	**67,514,573**	**59,460,913**	**64,068,225**
LIABILITIES					
Financial liabilities held for trading		35,102	38,391	35,102	38,391
Derivatives		35,102	38,391	35,102	38,391
Financial liabilities measured at amortised costs	29	55,321,688	59,236,059	52,241,984	55,825,328
Deposits from banks		11,247,223	9,654,673	10,837,456	9,125,095
Deposits from customers		42,626,022	48,235,198	39,973,916	45,354,909
Debt securities issued		912,236	637,192	912,236	637,192
Other financial liabilities		536,207	708,996	518,376	708,132
Provisions	30	812,717	1,104,102	795,869	1,069,547
Current tax liabilities	26	1,350	1,262	-	-
Deferred tax liabilities	26	6,282	3,966	-	-
Other Liabilities	31	307,592	326,404	244,969	242,726
Total equity		5,875,285	6,804,389	6,142,989	6,892,233
Attributable to non-controlling interest		31,282	25,397	-	-
Attributable to owners of the parent		5,844,003	6,778,992	-	-
TOTAL LIABILITIES AND EQUITY		**62,360,016**	**67,514,573**	**59,460,913**	**64,068,225**

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

Adriana Jankovicova

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

Adina Georgiana Cotiga

BCR

STATEMENT OF CHANGES IN EQUITY

Consolidated and Bank for the year ended 31 December 2016

STATEMENT OF CHANGES IN EQUITY

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**

2016 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 31.12.2015	**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**
Merger of subsidiaries*	-	-	(6,403)	6,207	-	-	-	-	-	(196)	-	(196)
Other changes	-	-	1,728		-	-	-	-	-	1,728	(960)	768
Total comprehensive income	-	-	1,041,846	-	-	(130,041)	1,505	(655)	20,802	933,457	(4,925)	928,532
Net profit/(loss) for the period	-	-	1,041,846	-	-	-	-	-	-	1,041,846	(1,783)	1,040,063
Statement of comprehensive income	-	-	-	-	-	(130,041)	1,505	(655)	20,802	(108,389)	(3,142)	(111,531)
Total equity as of 31.12.2016	**2,952,565**	**395,483**	**1,977,946**	**1,130,670**	**-**	**334,403**	**(23,541)**	**77,316**	**(65,850)**	**6,778,992**	**25,397**	**6,804,389**

*merger effect: RON 6.207 thousands reclassification os statutory reserve of absorbed entities from retained earnings to other reserve, RON (196) thousands taxation effect

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**

2016 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 31.12.2015	**2,952,565**	**395,483**	**1,243,181**	**1,124,463**	**-**	**430,636**	**-**	**78,050**	**(81,389)**	**6,142,989**
Merger of subsidiaries*			(45,278)	6,207						(39,071)
Total comprehensive income	-	-	886,086	-	-	(115,741)	-	(654)	18,624	788,315
Net profit/(loss) for the period	-	-	886,086		-	-	-	-	-	886,086
Statement of comprehensive income	-	-	-		-	(115,741)	-	(654)	18,624	(97,771)
Total equity as of 31.12.2016	**2,952,565**	**395,483**	**2,083,989**	**1,130,670**	**-**	**314,895**	**-**	**77,396**	**(62,765)**	**6,892,233**

*merger effect: RON 6.207 thousands reclassification os statutory reserve of absorbed entities from retained earnings to other reserve, RON (38,875) thousands retained earnings of absorbed entities, RON (196) thousands taxation effect

STATEMENT OF CASH FLOWS

in RON thousands	Note	Group 31.12.2015	Group 31.12.2016	Bank 31.12.2015	Bank 31.12.2016
Net result for the period		**922,022**	**1,040,063**	**963,427**	**886,086**
Non-cash adjustments for items in net profit/(loss) for the year					
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	8	171,637	169,029	119,667	105,780
Allocation to and release of impairment of loans	10	433,521	562,306	371,458	497,728
Gains/(losses) from the sale of assets		9,094	(1,676)	2,652	2,079
Other provisions	31	463,641	290,730	451,595	273,284
Impairment of subsidiaries	11	-	-	(144,834)	45,856
Other adjustments		134,871	94,581	120,909	101,538
Changes in assets and liabilities from operating activities after adjustment for non-cash components					
Financial assets - held for trading		122,721	(385,091)	122,721	(385,091)
Financial assets - at fair value through profit or loss		2,341	6,927	2,341	6,927
Financial assets - available for sale		524,312	1,495,444	463,790	1,295,194
Loans and receivables to credit institutions		320,878	(348,427)	296,035	(466,783)
Loans and receivables to customers		(318,212)	(402,683)	17,091	113,420
Other assets from operating activities		(72,158)	58,104	(49,779)	53,006
Financial liabilities - held for trading		(35,025)	3,289	(35,025)	3,289
Financial liabilities measured at amortised cost		22,267	4,337,147	(365,848)	4,023,273
Deposits from banks		(2,811,254)	(1,466,264)	(2,894,029)	(1,586,075)
Deposits from customers		2,703,393	5,630,622	2,433,774	5,368,205
Other financial liabilities		130,128	172,789	94,407	241,143
Derivatives - hedge accounting		(554,005)	-	(554,005)	-
Other liabilities from operating activities		126,012	4,975	157,999	(2,153)
Cash flow from operating activities		**2,273,917**	**6,924,718**	**1,940,194**	**6,553,433**
Proceeds of disposal					
Financial assets - held to maturity		2,330,456	2,036,760	1,835,354	1,708,200
Property and equipment, intangible assets and investment properties		10,293	17,507	5,872	4,729
Acquisition of					
Financial assets - held to maturity and associated companies		(2,897,218)	(5,768,416)	(2,263,480)	(5,258,582)
Property and equipment, intangible assets and investment properties		(240,677)	(339,177)	(156,286)	(213,059)
Cash flow from investing activities		**(797,146)**	**(4,053,326)**	**(578,540)**	**(3,758,712)**
Dividends paid to non-controlling interests		(5,496)		-	
Debt securities issued		(131,972)	(275,044)	(131,972)	(275,044)
Other financing activities		(132,637)	(126,286)	(132,636)	(126,286)
Cash flow from financing activities		**(270,105)**	**(401,330)**	**(264,608)**	**(401,330)**
Cash and cash equivalents at beginning of period		**8,235,167**	**9,441,833**	**8,158,441**	**9,255,487**
Cash flow from operating activities		2,273,917	6,924,718	1,940,194	6,553,433
Cash flow from investing activities		(797,146)	(4,053,326)	(578,540)	(3,758,712)
Cash flow from financing activities		(270,105)	(401,330)	(264,608)	(401,330)
Cash and cash equivalents at end of period	**14**	**9,441,833**	**11,911,895**	**9,255,487**	**11,648,878**
Cash flows related to taxes, interest and dividends					
Payments for taxes on income (included in cash flow from operating activities)		(53,367)	(36,846)	(42,784)	(28,317)
Interest received		2,899,275	2,370,658	2,712,180	2,260,290
Interest paid		(850,903)	(554,925)	(743,050)	(520,506)
Dividends received		5,732	2,878	31,295	5,004

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 2016, 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 2016 were authorized for issue in accordance with a resolution of the Management Board on 13 March 2017.

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.
The Group presents its statement of financial position 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 45.

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2016 and 31 December 2015:

Company's name	Country of incorporation	Nature of the business	Shareholding 2015	Shareholding 2016
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%
Financiara SA (liquidated)	Romania	Financial	97.46%	0.00%
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%
Bucharest Financial Plazza SRL*	Romania	Real estate	99.99%	0.00%
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%	99.99%
CIT One SRL	Romania	Cash processing and storing	99.99%	99.99%
BCR Real Estate Management SRL*	Romania	Real estate	99.99%	0.00%
BCR Fleet Management SRL**	Romania	Operational leasing	99.97%	99.97%
BCR Payments SPV	Romania	Payments transactions	99.99%	99.99%

* Company was absorbed by BCR as at 31.12.2016
** Company held indirectly by BCR through BCR Leasing SA

(1) Impact of inflation

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

(2) Statement of compliance

The consolidated financial statements of the Group 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.

(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 judgement made in determining significant influence are the same 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 recognized at cost. The carrying amount of the investment is adjusted to recognize 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 amortized 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 recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized 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 recognize 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, recognizes 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 recognizes 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 recognized 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 40 Fair value of assets and liabilities.

(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 realizable 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 utilization, loan to collateral ratios etc.), concentrations of risks and economic data.
The impairment loss on loans and advances is disclosed in more detail in Note 39.5.

(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 recognized 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 utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. 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 26.

(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 30 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.

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 recognized for assets carried at cost or amortized cost (other than impairment losses). For assets carried at fair value, however, the change in fair value shall be recognized 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 Bank immediately recognizes 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 recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

(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.

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)/reversal 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 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 recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate method. Any difference between the new amortized cost and the expected cash flows is also amortized 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 derecognized 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 recognized 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 derecognized 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.
The corresponding cash received is recognized on the statement of financial position with a corresponding obligation to return it as a liability under the line item 'Financial liabilities measured at amortized 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 recognized 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 39.5.

(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.
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 recognized 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)/reversal 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)/reversal 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.
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 amortized 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) 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.

(9) 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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(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 recognized as an expense in the profit or loss on a straight line basis over the lease term. Contingent rental payables are recognized 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 depreciated in accordance with the principles applicable to the assets involved. Lease income is recognized 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.

(10) Recognition of income and expenses

Revenue/expense is recognized to the extent that it is probable that the economic benefits will inflow/outflow to the Group and the revenue/expense can be reliably measured.

(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.
The amounts related to the interest accrual from derivatives classified in the category "held for trading" which is 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".

(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 recognized 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.

(11) 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.

(12) 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.

(13) 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 derecognized 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 recognized in the profit or loss in the period of derecognition.

(14) 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.

(14.1) Business combinations with entities under common control

Business combinations arising from transfers of interest in entities that are under the common control are accounted for as if the acquisition had occurred at the effective date of the merger. No restatement of the comparatives was presented. The assets and liabilities of the absorbed entities are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's consolidated financial statements.

(15) Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.
Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licenses 3-5 years

(16) 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.

(17) 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 recognizes this difference in line 'Other operating result'.

(18) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of comprehensive income in '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.

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. Performance guarantees are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortized balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value if the discounting effect is material.

The Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts are recognized as loans and receivables.

(19) Employee benefits

(i) Short term service benefits

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

(ii) Defined contribution plans

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

The Bank and the subsidiaries in Romania do not operate any independent pension scheme and, consequently, have no obligation in respect of pensions.

(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.

(20) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(21) Taxes

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

(22) Fiduciary assets

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

(23) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

(24) Segment reporting

An operating segment is a component of the Group:

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

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

(25) Comparatives related to merger

In 2016 BCR Bank absorbed two of it's subsidiaries, namely REM and BFP. The effective date of the merger was 31 December 2016.
In preparing the Bank's individual financial statements in accordance with IFRSs as endorsed by the European Union, the following methods were applied:

- a) Statement of financial position as at 31 December 2016 was presented for BCR after the merger took place, out of which inter-company transactions were eliminated, while the statement of financial position as at 31 December 2015 is presented by BCR individual
- b) Statement of comprehensive income for the year ended 31 December 2016 was presented for BCR individual, while the statement of comprehensive income for the year ended 31 December 2015 was also presented by BCR individual (only the impact of deferred tax from merger is reflected in BCR Statement of comprehensive income)
- c) The effect of the merger for the three entities is presented on Statement of changes in equity as of 31 December 2016.

No restatement of the comparatives was presented for the year 2015.

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 2016:

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

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment allows 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. Management had not made use of this amendment.

- **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. Management has not made use of this amendment.

- **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. Management has not made use of this amendment.

- **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 Company had no transactions in scope of this amendment.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**
  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 Company does not have any plans that fall within the scope of this amendment.

- **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. Management has not made use of this amendment.

- **The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. None of these had an effect on the Company's financial statements.
  - 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. None of these had an effect on the Group's financial statements.
  - ➢ 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.

- 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.

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

- **IFRS 9 Financial Instruments (IASB Effective Date: 1 January 2018)**

IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 addresses three main areas of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

IFRS 9 introduces two classification criteria for financial assets: 1) an entity's business model for managing the financial assets, and 2) the contractual cash flow characteristics of the financial assets. As a result, a financial asset is measured at amortised cost only if both of the following conditions are met: a) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding and b) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows. Measurement of a fair value through other comprehensive income is applicable to financial assets that meet condition a) but the business model applied to them is focused both on holding the assets to collect contractual cash flows and selling the assets. All other financial assets are measured at fair value with changes recognised in profit or loss. For investments in equity instruments that are not held for trading, an entity may make an irrevocable election at initial recognition to measure them at fair value with changes recognised in other comprehensive income. BCR Group intends to use this election for some of its investments in equity instruments which are of a long-term nature and do not have quoted market price.

IFRS 9 does not change classification and measurement principles for financial liabilities compared to IAS 39. The only change is related to financial liabilities designated at fair value through profit or loss (fair value option). The fair value changes related to the credit risk of such liabilities will be generally presented in other comprehensive income. IFRS 9 provides an option to apply this requirement early, however BCR Group does not intend to make use of this option.

The standard provides a uniform impairment model applied to both financial assets and off-balance sheet credit risk bearing exposures (loan commitments and financial guarantees). For the financial instruments where no significant deterioration of credit risk is identified subsequent to initial recognition a loss allowance in the form of 12-month expected credit losses is recognized. Lifetime expected credit losses are to be recognised for all instrument whose credit risk increases significantly after initial recognition.

Based on the accounting policy choice embedded into the transition requirements of IFRS 9, BCR Group will not restate comparative information upon initial application of IFRS 9. Instead, the one-off impact from initial application of IFRS 9 will be reflected in the opening equity as of 1 January 2018.

During the year 2016, BCR Group has completed the development of business requirements documentation addressing the changes in group-level policies, procedures, processes and systems, assessed as necessary in preparation for transition to IFRS 9 on 1 January 2018. On this basis, Group's entities (notably: the parent bank and subsidiaries) started the localization of the group-level requirements, both in terms of local implementation of new group-wide solutions (e.g. in respect of fair valuation of non-SPPI non-trading debt instrument assets, allocation of financial assets to business models, or in respect of calculation of expected credit losses), and in terms of adapting existing local solutions to the group-level requirements. As part of this effort, iterative financial impact studies (notably with regards to classification/measurement and impairment of financial assets but gradually also with regards to regulatory capital and ratios) continued across the Group. Starting with the second half of 2017 a fully-fledged parallel run of the 'as is' IAS 39 and the 'to be' IFRS 9 driven processes for classification, measurement, impairment and disclosure/reporting for financial instruments is planned. The above mentioned financial impact assessments and the simulated IFRS 9-driven outputs throughout the parallel run will bear an inherent degree of approximation, that is expected to reduce along with different IFRS 9-driven functionalities being implemented, tested and transferred from testing to the bank's operating systems, at the level of each affected group entity before the first application in 2018. Reliable quantitative estimates of the IFRS 9 impacts are expected to be available throughout 2017 and will be disclosed accordingly.

On this basis, BCR Group upholds its previous expectations that this standard will have a significant effect on balance sheet items and measurement methods for financial instruments.

In the area of classification and measurement, BCR Group concluded that part of its loan portfolio might be measured at fair value through profit or loss, due to the contractual cash flow characteristics. Thus, mitigation activities have been undertaken across the Bank in respect of the affected lending products in order to reduce this portfolio. As a result of these activities it is currently expected that such measurement would finally be mostly limited to loans bearing interest rates featuring imperfections that might not pass quantitative testing required by the standard. On the other hand, some debt securities currently measured at fair value through other comprehensive income may be measured at amortized cost due to the 'held-to-collect contractual cash flows' business model applied to them. Otherwise no significant changes are expected based on the business model criterion. This is because financial assets held-for-trading will continue to be measured at fair value through profit or loss and SPPI-compliant loans will part of the business model of holding assets in order to collect contractual cash flows and will continue to be measured at amortised cost.

In the area of expected credit loss modelling and ensuing impairment loss, the Group believes that one of the key drivers of the expected impact from adopting the new impairment model required by IFRS 9 is the assessment of significant increase in credit risk for exposures that are not identified as credit-impaired. In this respect, across portfolios and product types, quantitative indicators defined for assessing significant increase in credit risk will include adverse change in lifetime probability of default and days-past-due status. Qualitative indicators will include specific early-warning-system risk- or forbearance-type flag or work-out transfer flag being assigned. Some of the qualitative indicators (assignments of some specific flag types) will inherently rely on experienced credit risk judgment being exercised adequately and timely. The related group-wide and entity-level credit risk controlling policies and procedures (most of them already in place, some of them in progress of being adapted in preparation for IFRS 9) will ensure the necessary governance framework. Also, the Group believes that another significant driver of the expected impact from adopting the IFRS 9 impairment model required by IFRS 9 is incorporation of forward-looking macro-economic information. In this respect, the Group has developed a methodology for lifetime probabilities of default calculation that requires the application of a macroeconomic overlay. That is, the probabilities of default are modified by using a macroeconomic function as estimated for stress testing purposes (i.e. function linking selected macroeconomic variables with probabilities of default). In consideration of these methodological requirements, credit loss allowances are expected to increase significantly for non-defaulted exposures.

Also, the Group expects that the structure of the financial statements (both main components and explanatory notes) will be have to be adapted, notably in the light of the new reporting and disclosure requirements of IFRS 7, as triggered by IFRS 9.

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

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

  The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications 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.

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

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

  The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. 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 7: Disclosure Initiative (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. 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.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. 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 40: Transfers to Investment Property (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. 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.

- **IFRIC interpetation 22: Foreign Currency Transactions and Advance Consideration**
  The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation 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.

- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle,** which is a collection of amendments to IFRSs.
  The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements 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.
    - IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
    - IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
    - IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

3. NET INTEREST INCOME

	Group		Bank	
in RON thousands	**2015**	**2016**	**2015**	**2016**
Interest Income				
Financial assets held for trading	53,633	48,986	53,633	48,986
Available-for-sale financial assets (ii)	256,894	189,314	214,189	149,370
Loans and receivables (i)	1,952,924	1,619,642	1,916,127	1,568,999
Held-to-maturity investments (iii)	467,401	459,843	405,001	411,219
Derivatives - Hedge accounting, interest rate risk	16,153	-	16,153	-
Other assets	13,788	50,415	12,068	48,269
Total interest income	**2,760,793**	**2,368,200**	**2,617,171**	**2,226,843**
Interest expenses				
Financial liabilities held for trading	(26,042)	(23,500)	(26,042)	(23,500)
Financial liabilities measured at amortised cost (iv)	(738,580)	(551,882)	(661,603)	(470,773)
Derivatives - Hedge accounting, interest rate risk	(53)	-	(53)	-
Other liabilities	(3,523)	(6,123)	(3,510)	(6,107)
Total interest expense	**(768,198)**	**(581,505)**	**(691,208)**	**(500,380)**
Net interest income	**1,992,595**	**1,786,695**	**1,925,963**	**1,726,463**

(i) Interest income from loans and receivables position include also interest income from impaired loans in amount of RON 81,013 thousands (2015: RON 162,946 thousands) for the Group and RON 79,730 thousands (2015: RON 157,466 thousands) for the Bank. Due to sale of loans in 2015 and 2016 (see note 22) interest income from loans and advances to customers significantly decreased. Furthermore in the context of low interest rates environment, proactive measures were taken in order to support customers. Significant repricing campaign has been performed starting Q4 2015 on the outstanding mortgage portfolio.

(ii) Interest income from Available-for-sale financial assets decreased due lower volumes of new investments compared to the run-offs and lower yields according to market conditions compared to the high yield of the matured investments.

(iii) Interest income from held to maturity investments registered a slight decrease on Group level due to lower yields of new investments according to market conditions compared to the higher yields of run-offs; for the Bank the decrease of yields was compensated by higher new invested volumes compared to the run-offs.

(iv) On liabilities side, the decrease in interest expense was mainly favored by lower market rates and change in statement of financial position structure by higher share of sight deposits, coupled with gradual decrease in long term funding in line with the Bank's strategy to focus on local currency lending by relying on its strong self-funding capacity in RON.

4. NET FEES AND COMMISSION INCOME

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Securities	**4,839**	**4,857**	**4,839**	**4,857**
Securities Transfer orders	4,839	4,857	4,839	4,857
Clearing and settlement	**(45,027)**	**(19,512)**	**(45,027)**	**(19,512)**
Asset management	**21,726**	**26,993**	**-**	**-**
Custody	14,396	11,918	15,204	13,173
Payment services	**86,701**	**50,594**	**86,017**	**49,734**
Payment services - Card business	100,818	68,737	100,194	67,955
Payment services - Others	(14,117)	(18,143)	(14,177)	(18,221)
Customer resources distributed but not managed	**397,849**	**415,140**	**421,739**	**414,717**
Insurance products	49,110	50,669	46,659	46,792
Building society brokerage	-	1,121	23,736	1,640
Foreign exchange transactions	12,094	14,319	12,094	14,319
Other (i)	336,645	349,031	339,250	351,966
Lending business	**80,437**	**80,476**	**87,970**	**86,739**
Loan commitments given, Loan commitments received	16,521	18,429	16,521	18,429
Guarantees given, Guarantees received	17,932	20,408	22,637	23,542
Other lending business	45,984	41,639	48,812	44,768
Other	**164,260**	**138,466**	**124,719**	**122,378**
Net Commission income	**725,181**	**708,932**	**695,461**	**672,086**
Fee and commission income	892,403	839,312	843,094	792,814
Fee and commission expense	(167,222)	(130,380)	(147,633)	(120,728)

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

Net Fees and Commission Income evolution has been pressured in 2016 mainly due lower brokerage fees from subsidiaries ("Other" position) and lower interchange fee income following changes in related regulation ("Payment services" position). Lost part of commissions from BCR Banca pentru Locuinte in 2016 ("Other" position) together with lower fee contribution from Erste Asset Management were partially compensated by higher fees for cash transactions as a consequence of bank strategy to enhance electronic channels usage ("Customer resources distributed but not managed" position).
Starting June 2016 the Point of Sale (POS) activity was transferred to an external payment provider, while the accounting treatment for the related fees has been changed from Net Fees and Commission to Other Operating Result (impact in "Clearing and settlement" position).

5. DIVIDEND INCOME

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Financial assets held for trading	227	-	227	-
Financial assets designated at fair value through profit or loss	304	-	304	-
Available-for-sale financial assets (ii)	5,201	2,878	5,201	2,878
Dividend income from equity investments (i)	-	-	25,563	2,126
Dividend income	**5,732**	**2,878**	**31,295**	**5,004**

(i) Dividends from equity investments in 2015 and 2016 were mainly received from BCR Banca pentru Locuinte, BCR Payments and investments in associate Fondul de Garantare a Creditului Rural IFN SA (and eliminated at group level). No dividend were paid in 2016 by Banca pentru Locuinte (2015: RON 21,984 thousands)

(ii) Dividends received from investments available for sale: VISA, Mastercard, Biroul de Credit, Transfond, Bursa de Valori Bucuresti decreased, as in 2015 dividends received from Transfond were cumulative for 3 years RON 2,454 thousands, as compared to RON 635 thousands in 2016.

6. NET TRADING AND FAIR VALUE RESULT

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Net Trading result	**308,695**	**315,465**	**304,270**	**310,246**
Securities and derivatives trading	54,899	55,811	54,899	55,811
Foreign exchange transactions (i)	253,796	259,654	249,371	254,435
Gains or losses on financial assets and liabilities designated at fair value through profit or loss	**(282)**	**(1,148)**	**(282)**	**(1,148)**
Gain / (loss) from measurement / sale of financial assets designated at fair value through profit or loss	(282)	(1,148)	(282)	(1,148)
Total net trading and fair value result	**308,413**	**314,317**	**303,988**	**309,098**

(i) Increased slightly due to Foreign exchange transactions, which 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	2015	2016	2015	2016
Investment property	1,643	239	-	-
Operating leases	38,615	53,310	1,406	1,014
Total	**40,258**	**53,549**	**1,406**	**1,014**

Operating leases are mainly from car fleets rentals and other buildings which do not meet the criteria for investment property. Reported increase is in line with expectation of operating leasing business of the Group.

8. GENERAL ADMINISTRATIVE EXPENSES

	Group		Bank	
in RON thousands	**2015**	**2016**	**2015**	**2016**
Personnel expenses (i)	(716,721)	(729,874)	(648,327)	(657,036)
Other administrative expenses (ii)	(625,077)	(671,594)	(762,830)	(804,923)
Depreciation and amortisation (iii)	(171,637)	(169,029)	(119,667)	(105,780)
Total	**(1,513,435)**	**(1,570,497)**	**(1,530,824)**	**(1,567,739)**

Personnel expenses				
	2015	**2016**	**2015**	**2016**
Wages and salaries	(558,961)	(567,831)	(505,834)	(511,505)
Compulsory social security	(130,772)	(130,255)	(118,750)	(117,419)
Long-term employee provisions	22	(1,477)	117	(1,346)
Other personnel expenses	(27,010)	(30,311)	(23,860)	(26,766)
Total	**(716,721)**	**(729,874)**	**(648,327)**	**(657,036)**

Other administrative expenses				
	2015	**2016**	**2015**	**2016**
Payments into deposit insurance fund	(94,431)	(65,271)	(86,565)	(58,621)
IT expenses	(161,998)	(178,115)	(155,942)	(172,265)
Expenses for office space	(129,500)	(130,301)	(247,193)	(239,163)
Office operating expenses	(90,269)	(107,123)	(140,618)	(161,274)
Advertising / Marketing	(37,960)	(43,309)	(33,684)	(40,608)
Legal and consulting costs	(63,284)	(84,182)	(58,998)	(79,526)
Sundry administrative expenses	(47,635)	(63,293)	(39,830)	(53,466)
Total	**(625,077)**	**(671,594)**	**(762,830)**	**(804,923)**

Depreciation and amortisation				
	2015	**2016**	**2015**	**2016**
Software and other intangible assets	(79,459)	(70,823)	(74,768)	(67,471)
Real estate used by the Group /Bank	(36,370)	(36,767)	(16,320)	(14,439)
Investment Property	(246)	(64)	-	-
Amortisation of customer relationships	-	-	-	-
Office furniture and equipment and sundry property and equipment	(55,562)	(61,375)	(28,579)	(23,870)
Total	**(171,637)**	**(169,029)**	**(119,667)**	**(105,780)**

(i) Personnel expenses for the Group in 2016 are higher with RON 13,153 thousands compared with 2015 driven mainly by enhancements in Retail sales force.
Long term employee provisions are described in Note 30. 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 120,132 thousands (2015: RON 121,316 thousands).

(ii) Other administrative expenses for the Group in 2016 are higher with RON 46,517 thousands compared with 2015, driven mainly by legal and consulting costs related to consumer protection litigation, "Datio in solutum" and notary fees related to REM and BFP merger project, higher investments in IT and in other operational projects, higher advertising and marketing costs partly off-set by lower deposit insurance fund due to lower risk profile of the bank.
Payments into deposit insurance fund is calculated according to Regulation 2/2016 issued by Deposits insurance fund, based on eligible deposits volume as of end of previous year and it is booked as general administrative expense in the current year. The amount was paid on 28 April 2016.

(iii) Depreciation and amortization for the Group in 2016 is lower with RON 2,608 thousands compared with 2015 driven mainly by lower IT software depreciation due to end of useful life of different applications, partly offset by higher depreciation for goods under operating lease in BCR Fleet Management due to business growth.

The number of Own employees of the Bank at 31 December 2016 was 6,134 employees (31 December 2015 was 6,125 employees).

The number of the Own employees of the Group at 31 December 2016 was 7,078 employees (31 December 2015 was 7,065 employees).

The key management remuneration paid during 2016 were of RON 10,139 thousands (2015: RON 12,434 thousands).

in RON thousands	2015		2016	
	(Gross amount)	(Employer taxes)	(Gross amount)	(Employer taxes)
Short-term employee benefits	12,434	1,881	10,139	1,593
- fixed component	10,652	1,585	7,123	1,102
- variable component	1,782	296	3,015	491

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

	2015	2016
Domestic	**7,000**	**7,046**
Banca Comerciala Romana	6,135	6,191
BCR Leasing IFN SA	92	90
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	44	44
BCR Banca pentru Locuinte SA	80	75
Suport Colect SRL	-	-
CIT One SRL	555	562
BCR Real Estate Management SRL	1	-
BCR Fleet Management SRL	5	5
BCR Payments SPV	88	79
Abroad	**72**	**74**
BCR Chisinau SA	72	74
Total	**7,072**	**7,120**

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

	Group		Bank	
in RON thousands	**2015**	**2016**	**2015**	**2016**
Gain / (loss) from sale of financial assets available for sale	5,005	111,747	(10)	111,754
Total	**5,005**	**111,747**	**(10)**	**111,754**

In June 2016, VISA Europe LTD shares were acquired by VISA Inc. which resulted in a gain of RON 110,228 thousands.

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

	Group		Bank	
in RON thousands	**2015**	**2016**	**2015**	**2016**
Loans and receivables	**74,336**	**282,003**	**59,733**	**219,301**
Allocation to risk provisions for loans and receivables	(1,354,352)	(900,627)	(1,255,853)	(823,596)
Release of risk provisions for loans and receivables	1,288,726	1,029,995	1,149,272	906,065
Direct write-offs of loans and receivables	(367,895)	(691,674)	(264,877)	(580,197)
Recoveries on written-off loans and sale of loans	507,857	844,309	431,191	717,029
Held to maturity instruments - allocations	**(1,433)**	(2,013)	**(1,433)**	(2,013)
Total	**72,903**	**279,990**	**58,300**	**217,288**

Based on the extensive portfolio sales performed throughout the year, coupled with improved recovery capabilities for the Retail workout portfolio, healings registered on the Corporate portfolio and unexpected, one-off recoveries from several Corporate insurance claims, BCR Group recorded a provision release of RON 279,990 thousands in terms of net charge of impairments on financials assets not measured at fair value through profit and loss. The recoveries from sales of loans are in amount of RON 580,238 thousands for the Group and RON 496,099 thousands for the Bank. The rest on the same position represents insurance claims in amount of RON 110,207 thousands, recoveries from debt to asset from written off accounts in amount of RON 61,595 thousands (including “Datio in solutum” law) and recoveries on written off loans in amount of RON 92,269 thousands.

11. OTHER OPERATING RESULT

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Result from real estates/movalble/properties/software/other assets (i)	(51,791)	(59,973)	(39,477)	(45,377)
Allocation/release of other provisions (see Note 30)	(445,517)	(305,494)	(433,173)	(287,492)
Allocation/release of provisions for commitments and guarantees given (see Note 30)	(28,862)	21,050	(28,855)	21,066
Other taxes	(23,213)	(20,747)	(3,267)	(4,290)
Impairment of subsidiaries (ii)	-	-	144,834	(45,856)
Result from other operating (expenses)/income(iii)	(77,969)	(153,751)	(69,938)	(106,978)
Total	**(627,352)**	**(518,915)**	**(429,876)**	**(468,927)**

(i) In 2016 it includes mainly impairment for repossessed assets in amount of RON (48,068) thousands (2015: (31,877) thousands) for the Group and RON (46,540) thousands (2015: (26,707) thousands) for the Bank.
Gains/(Losses) on property plant and equipment are in amount of RON 7,260 thousands (2015: (6,000) thousands) for the Group and RON 4,578 thousands (2015: (5,015) thousands) for the Bank.
(ii) Impairment of subsidiaries includes allocation of impairment of subsidiaries in amount of RON (45,856) thousands (31 December 2015 release in amount of RON 144,834 thousands) which is eliminated at Group level. Details are presented in Note 28;
(iii) Includes sundry expenses: insurance, recovery and resolution fund, litigations, penalties.

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, and the change in deferred taxes.

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Current tax (expense) / income	(4,698)	(7,692)	-	-
Deferred tax (expense) / income	(85,329)	(122,736)	(92,276)	(119,955)
Total	**(90,027)**	**(130,428)**	**(92,276)**	**(119,955)**

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	2015	2016	2015	2016
Pre-tax profit/(loss)	1,012,049	1,170,491	1,055,703	1,006,041
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(161,928)	(187,279)	(168,912)	(160,967)
Impact of tax-exempt earnings of investments and other tax-exempt income	68,892	85,957	60,578	46,906
Tax increases due to non-deductible expenses, additional business tax and similar elements	(140,565)	(142,366)	(134,837)	(127,116)
Impact of other elements of deferred tax income/ (expense)	150,895	113,260	150,895	121,222
Tax income not atributable to the reporting period	(7,321)	-	-	-
Income tax (expense) / release reported in the income statement	**(90,027)**	**(130,428)**	**(92,276)**	**(119,955)**
The effective tax rate	**8.90%**	**11.14%**	**8.74%**	**11.92%**

For the Bank variation on income tax (expense), between 2015 and 2016 was mainly due to decrease of non-taxable revenues (coming mainly from reversal of provisions for off balance sheet items and for other debtors) which exceed the decrease of non-deductible expense (coming mainly provisions for litigations, for off balance sheet items and for other debtors).

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 2017-2021;
- 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 years 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 budget.

In 2016 the Bank continued to be profitable and thus a significant portion of fiscal loss was utilized.
Tax effects relating to each component of other comprehensive income:

Group

in RON thousands	2015 Before-tax amount	2015 Tax benefit	2015 Net-of-tax amount	2016 Before-tax amount	2016 Tax benefit	2016 Net-of-tax amount
Available for sale-reserve (including currency translation)	464,444	(74,177)	390,267	334,403	(53,479)	280,924
Remeasurement of net gain (losses) on benefit plans	77,971	(12,475)	65,496	77,316	(12,371)	64,945
Currency translation	(25,046)	-	(25,046)	(23,541)	-	(23,541)
Other comprehensive income	**517,369**	**(86,652)**	**430,717**	**388,178**	**(65,850)**	**322,328**

Bank

in RON thousands	2015 Before-tax amount	2015 Tax benefit	2015 Net-of-tax amount	2016 Before-tax amount	2016 Tax benefit	2016 Net-of-tax amount
Available for sale-reserve (including currency translation)	430,636	(68,902)	361,734	314,895	(50,383)	264,512
Remeasurement of net gain (losses) on benefit plans	78,050	(12,487)	65,563	77,396	(12,382)	65,014
Other comprehensive income	**508,686**	**(81,389)**	**427,297**	**392,291**	**(62,765)**	**329,526**

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 2016:

in RON thousands	2014	DTA
Fiscal Loss	42,156	6,745
Fiscal Loss expiry	2021	

13. DIVIDENDS PAID

No dividends were paid in 2016 (2015: RON 5,496 thousands).

14. CASH AND CASH BALANCES

in RON thousands	Group 2015	Group 2016	Bank 2015	Bank 2016
Cash on hand (i)	2,269,512	4,333,186	2,257,658	4,322,634
Cash balances at central banks (ii)	6,885,041	7,422,789	6,747,119	7,246,274
Other demand deposits	287,280	155,920	250,710	79,970
Total cash and cash balances	**9,441,833**	**11,911,895**	**9,255,487**	**11,648,878**

(i) The cash on hand balance growth was mainly driven by the accumulation of structural surplus in foreign currency on the local market.

(ii) The current accounts held by the Bank with National Bank of Romania are mandatory to comply with minimum mandatory reserves requirements of National Bank. Mandatory reserve rates at the end of 2016 were for RON 8% (December 2015: 8%) and for foreign currencies 10% (December 2015: 14%). Minimum mandatory reserve account held at central bank increased significantly for RON in 2016: 5,183,397 RON thousands (2015: 3,490,655 thousands) due to significantly increase in current account and deposit collected in RON during 2016. In the same time it was a decrease for minimum mandatory reserve in currencies: RON equivalent in 2016 2,062,800 thousands (2015: 3,256,208 thousands), due to decrease in rate applied to current account and deposits in currencies. As a net effect, result an increase in total minimum mandatory reserve in amount of RON 499,155 thousands.

15. DERIVATIVES – HELD FOR TRADING

	Group / Bank					
	2015			2016		
	Notional amount	Fair value		Notional amount	Fair value	
in RON thousands		Positive	Negative		Positive	Negative
Derivatives held in Trading book	**3,628,005**	**20,483**	**22,300**	**5,528,136**	**28,371**	**30,091**
Interest rate instruments and related derivatives	3,116,178	18,129	20,024	5,040,753	27,587	29,245
Equity instruments and related derivatives	287,360	-	573	242,967	-	198
Foreign exchange trading and related derivatives	219,042	1,446	795	220,196	651	515
Commodities and related derivatives	5,425	908	908	24,220	133	133
Derivatives held in Banking Book	**4,221,581**	**58,331**	**12,802**	**3,529,541**	**45,115**	**8,300**
Interest rate instruments and related derivatives	622,984	49,124	2,243	532,882	37,939	1,816
Equity instruments and related derivatives	287,360	573	-	243,038	198	-
Foreign exchange trading and related derivatives	3,311,237	8,634	10,559	2,753,621	6,978	6,484
Total	**7,849,586**	**78,814**	**35,102**	**9,057,677**	**73,486**	**38,391**

Trading book portfolio increase mainly due to higher volume interest rate derivatives trades in 2016 replacing deals maturing in 2015. Banking book portfolio decrease mainly due to expired cross currency swaps during 2016 and lower FX Swap positions.

16. OTHER TRADING ASSETS

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Equity instruments (i)	**2,417**	**538**	**2,417**	**538**
Debt securities	**166,877**	**559,175**	**166,877**	**559,175**
General governments (ii)	166,877	559,175	166,877	559,175
Financial assets held for trading	**169,294**	**559,713**	**169,294**	**559,713**

(i) Equity investments include: shares issued by Erste Bank and also shares quoted to Bucharest Stock Exchange; The decrease represents the sale during 2016 of shares Erste Bank and Fondul Proprietatea.

(ii) Debt securities include: treasury bills and bonds denominated in RON. The amount significantly increased during 2016 due to new acquisitions of treasury bills and bonds, both issued by Ministry of Public Finance.

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

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Equity instruments (i)	**4,279**	**-**	**4,279**	**-**
Debt securities	**17,967**	**15,319**	**17,967**	**15,319**
General governments (ii)	17,967	15,319	17,967	15,319
Total financial assets designated at fair value through profit or loss	**22,246**	**15,319**	**22,246**	**15,319**

(i) Equity investments include in 2015: shares issued by Financial Investment Companies (SIFs). In 2016 this portfolio was sold;

(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	2015	2016	2015	2016
Equity instruments (i)	**266,258**	**197,435**	**266,037**	**197,214**
Debt securities (ii)	**6,937,002**	**5,376,652**	**5,990,201**	**4,648,089**
General governments	6,922,320	5,367,973	5,990,201	4,648,089
Credit institutions	14,682	8,679	-	-
Total available-for-sale financial assets	**7,203,260**	**5,574,087**	**6,256,238**	**4,845,303**

(i) Equity instruments include investments in shares quoted on Bucharest Stock Exchange and international markets.

(ii) The decrease in 2016 compared to 2015 is due to maturity of bonds issued by Ministry of Public Finance, compensated partially by new acquisitions of bonds issued also by Ministry of Public Finance. The net effect is a decrease of RON (1,554,347) thousands.

19. FINANCIAL ASSETS – HELD TO MATURITY

		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**

		2016	Group
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Debt securities			
General governments	13,907,661	(3,460)	13,904,201
Total financial assets held to maturity	**13,907,661**	**(3,460)**	**13,904,201**

		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**

		2016	Bank
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Debt securities			
General governments	12,389,657	(3,460)	12,386,197
Total financial assets held to maturity	**12,389,657**	**(3,460)**	**12,386,197**

Larger volumes of held to maturity financial assets acquisitions fully compensated the maturities and significantly increased the balance of financial assets booked under held to maturity. The net effect is an increase around RON 3,567,537 thousand.

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 2016, the balance of available-for-sale reserve related to this instrument is RON 4,593 thousands (2015: RON 12,246 thousands).

in RON thousands	Carrying amount	Fair value
Financial assets previously reclassified as at 31 December 2016	349,348	355,414
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	2015	2016
Gain/(Loss) recorded in other comprehensive income	33,336	15,409
Gain/(Loss) recorded in profit or loss	17,947	18,479

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	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Bonds and other interest-bearing securities	**166,877**	**559,175**	**17,967**	**15,319**	**6,937,002**	**5,376,652**	**10,154,420**	**13,904,201**	**17,276,266**	**19,855,347**
Listed	64,391	300,178	17,967	15,319	5,321,389	3,964,926	10,107,172	13,884,895	15,510,919	18,165,318
Unlisted	102,486	258,997	-	-	1,615,613	1,411,726	47,248	19,306	1,765,347	1,690,029
Equity related securities	**2,417**	**538**	**4,279**	**-**	**239,641**	**171,055**	**-**	**-**	**246,337**	**171,593**
Listed	2,417	538	4,279	-	138,391	144,670	-	-	145,087	145,208
Unlisted	-	-	-	-	101,250	26,385	-	-	101,250	26,385
Equity holdings	**-**	**-**	**-**	**-**	**26,617**	**26,380**	**-**	**-**	**26,617**	**26,380**
Total	**169,294**	**559,713**	**22,246**	**15,319**	**7,203,260**	**5,574,087**	**10,154,420**	**13,904,201**	**17,549,220**	**20,053,320**

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	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Bonds and other interest-bearing securities	**166,877**	**559,175**	**17,967**	**15,319**	**5,990,202**	**4,648,089**	**8,818,660**	**12,386,197**	**14,993,706**	**17,608,780**
Listed	64,391	300,178	17,967	15,319	4,397,911	3,288,812	8,818,660	12,386,197	13,298,929	15,990,506
Unlisted	102,486	258,997	-	-	1,592,291	1,359,277	-	-	1,694,777	1,618,274
Equity related securities	2,417	538	4,279	-	239,641	170,834	-	-	246,337	171,372
Listed	2,417	538	4,279	-	138,391	144,670	-	-	145,087	145,208
Unlisted	-	-	-	-	101,250	26,164	-	-	101,250	26,164
Equity holdings	**-**	**-**	**-**	**-**	**26,395**	**26,380**	**-**	**-**	**26,395**	**26,380**
Total	**169,294**	**559,713**	**22,246**	**15,319**	**6,256,238**	**4,845,303**	**8,818,660**	**12,386,197**	**15,266,438**	**17,806,532**

21. LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS

		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**

		2016	Group
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Loans and receivables	**557,466**	**(4,636)**	**552,830**
Central banks	227	-	227
Credit institutions	557,239	(4,636)	552,603
Total loans and receivables to credit institutions	**557,466**	**(4,636)**	**552,830**

		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**

		2016	Bank
in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Loans and receivables	**656,050**	**(4,636)**	**651,414**
Central banks	227	-	227
Credit institutions	655,823	(4,636)	651,187
Total loans and receivables to credit institutions	**656,050**	**(4,636)**	**651,414**

The increase in 2016 compared to 2015 is due to higher placements by BCR to other banks, and also to the increase of loans granted to credit institutions. The cumulative effect is an increase of RON 469,207 thousands.

ALLOWANCES FOR LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS

in RON thousands	Opening balance	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
				2015	Group
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)

in RON thousands	Opening balance	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
				2016	Group
Collective allowances					
Loans and receivables	(1,340)	(3,707)	379	32	(4,636)
Credit institutions	(1,340)	(3,707)	379	32	(4,636)
Total	(1,340)	(3,707)	379	32	(4,636)

in RON thousands	Opening balance	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
				2015	Bank
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)

in RON thousands	Opening balance	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
				2016	Bank
Collective allowances					
Loans and receivables	(1,340)	(3,707)	379	32	(4,636)
Credit institutions	(1,340)	(3,707)	379	32	(4,636)
Total	(1,340)	(3,707)	379	32	(4,636)

The exposure to banks increased in 2016 compared to 2015 and the collective allowances maintained the same trend.

22. LOANS AND RECEIVABLES TO CUSTOMERS

in RON thousands	Total assets (gross carring amount)	Specific allowances	Collective allowance	Carrying amount
			2015	Group
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

in RON thousands	Total assets (gross carring amount)	Specific allowances	Collective allowance	Carrying amount
			2016	Group
Loans and receivables	35,884,581	(2,993,897)	(599,550)	32,291,134
General governments	4,193,329	(24,687)	(27,458)	4,141,184
Other financial corporations	316,897	(22,553)	(6,478)	287,866
Non-financial corporations	12,101,694	(1,809,316)	(235,051)	10,057,327
Households	19,272,661	(1,137,341)	(330,563)	17,804,757
Total loans and receivables to customers	35,884,581	(2,993,897)	(599,550)	32,291,134

			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**

			2016	Bank
in RON thousands	**Total assets (gross carring amount)**	**Specific allowances**	**Collective allowance**	**Carrying amount**
Loans and receivables	**34,532,671**	**(2,793,616)**	**(576,546)**	**31,162,509**
General governments	4,193,151	(24,687)	(27,454)	4,141,010
Other financial corporations	651,633	(22,057)	(6,353)	623,223
Non-financial corporations	10,758,985	(1,723,092)	(214,948)	8,820,945
Households	18,928,902	(1,023,780)	(327,791)	17,577,331
Total loans and receivables to customers	**34,532,671**	**(2,793,616)**	**(576,546)**	**31,162,509**

Net customer loans have been impacted both on Group and Bank by the decrease in the Non-Performing Loan (NPL) volumes in line with the bank's NPL resolution strategy, which more than offset the increase of the performing book, to a large extent driven by Retail.

The loans and receivables to customers balance as of 31 December 2016 were impacted by the elimination of intra-group loans granted to REM and BFP in amount of RON 775,067 thousands, as a result of the merger.

ALLOWANCES FOR LOANS AND RECEIVABLES TO CUSTOMERS

								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)**		

								2016	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	**(5,369,124)**	**(759,220)**	**2,278,448**	**950,439**	**81,012**	**(175,452)**	**(2,993,897)**	**844,309**	**(691,674)**
General governments	(28,573)	(4,814)	951	11,745	1,102	(5,098)	(24,687)	1,236	(111)
Other financial corporations	(28,192)	(1,100)	1,913	4,953	771	(898)	(22,553)	96	(860)
Non-financial corporations	(3,753,360)	(413,670)	1,878,237	502,015	39,994	(62,532)	(1,809,316)	775,749	(566,694)
Households	(1,558,999)	(339,636)	397,347	431,726	39,145	(106,924)	(1,137,341)	67,228	(124,009)
Collective allowances									
Loans and receivables	**(622,067)**	**(137,700)**	**-**	**79,177**	**-**	**81,040**	**(599,550)**		
General governments	(31,507)	(3,192)	-	11,119	-	(3,878)	(27,458)		
Other financial corporations	(3,187)	(5,613)	-	2,306	-	16	(6,478)		
Non-financial corporations	(392,334)	(46,908)	-	53,867	-	150,324	(235,051)		
Households	(195,039)	(81,987)	-	11,885	-	(65,422)	(330,563)		
Total	**(5,991,191)**	**(896,920)**	**2,278,448**	**1,029,616**	**81,012**	**(94,412)**	**(3,593,447)**		

*) Allocations, releases, recoveries of amounts previously written off and amounts written off represent the income statement effects (see Note 10).
**) Uses represents the decreases of allowances for impairment due to written off and sold loans.

2015 Bank

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	**(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)**		
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)**		

2016 Bank

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	**(4,969,281)**	**(697,718)**	**2,093,484**	**839,737**	**79,730**	**(139,568)**	**(2,793,616)**	**717,029**	**(580,197)**
General governments	(28,574)	(4,814)	951	11,745	1,102	(5,097)	(24,687)	1,236	(111)
Other financial corporations	(28,017)	(600)	1,877	4,776	771	(864)	(22,057)	96	(860)
Non-financial corporations	(3,623,874)	(354,590)	1,805,294	438,138	38,796	(26,856)	(1,723,092)	649,397	(455,217)
Households	(1,288,816)	(337,714)	285,362	385,078	39,061	(106,751)	(1,023,780)	66,300	(124,009)
Collective allowances									
Loans and receivables	**(600,542)**	**(122,171)**	**-**	**65,949**	**-**	**80,218**	**(576,546)**		
General governments	(31,495)	(3,192)	-	11,113	-	(3,880)	(27,454)		
Other financial corporations	(3,071)	(5,552)	-	2,241	-	29	(6,353)		
Non-financial corporations	(372,629)	(32,178)	-	41,402	-	148,457	(214,948)		
Households	(193,347)	(81,249)	-	11,193	-	(64,388)	(327,791)		
Total	**(5,569,823)**	**(819,889)**	**2,093,484**	**905,686**	**79,730**	**(59,350)**	**(3,370,162)**		

*) Allocations, releases, recoveries of amounts previously written off and amounts written off represent the income statement effects (see Note 10).
**) Uses represents the decreases of allowances for impairment due to written off and sold loans.

In 2016 and 2015 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 2016 and 2015 were as follows:

in RON thousands				Group
	2015		2016	
Transfer of loans	Gross carrying amount	Related allowance	Gross carrying amount	Related allowance
Sale on balance loans	693,032	561,695	2,631,021	2,053,347
Write off on balance loans	1,682,390	1,671,416	329,758	321,830
Sales from previously writen off loans	175,943	175,943	2,949,870	2,949,870
Total exposure reduction from sale and write offs	**2,551,365**	**2,409,054**	**5,910,650**	**5,325,047**

in RON thousands				Bank
	2015		2016	
Transfer of loans	Gross carrying amount	Related allowance	Gross carrying amount	Related allowance
Sale on balance loans	693,032	561,695	2,376,901	1,877,985
Write off on balance loans	1,019,544	1,009,682	310,456	303,498
Sales from previously writen off loans	119,477	119,477	2,423,774	2,423,774
Total exposure reduction from sale and write offs	**1,832,054**	**1,690,855**	**5,111,131**	**4,605,257**

During 2016 BCR Group has realized two main sales of non-performing loans portfolios:
1) corporate and retail loans in amount of RON equivalent 4,393,761 thousands
2) retail loans in amount of RON equivalent 1,059,531 thousands
The rest up to RON 5,910,650 thousands represents other smaller sales.
Total reduction in net exposure for sales and write offs was in amount of RON 585,603 thousands for the Group (2015: RON 142,311 thousands) and RON 505,874thousands for the Bank (2015: RON 141,199 thousands).

23. INVESTMENTS IN ASSOCIATES

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

in RON thousands	2015	2016
Financial institutions	16,193	16,568
Total	**16,193**	**16,568**

in RON thousands	2015	2016
Total assets	1,240,420	737,436
Total liabilities	1,191,837	687,728
Total equity	**48,583**	**49,708**
Proportional of the Group's ownership	33.33%	33.33%
Carying amount of the investment	**16,193**	**16,568**

in RON thousands	2015	2016
Income	21,825	17,843
Expenses	(13,391)	(11,308)
Profit before tax	**8,434**	**6,535**
Income tax expenses	(187)	(1,149)
Profit/loss	**8,247**	**5,386**
Proportional of the Group's ownership	33.33%	33.33%
Group's share of profit for the year	**2,749**	**1,795**

As of 31 December 2016 and 31 December 2015, there is no published price quotations for BCR Group investment accounted for using the equity method.
The contribution of the Fondul de Garantare a Creditului Rural to the BCR Group total assets is 0.02%.

24. 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 01.01.2015	**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	(1449)	(6,354)	(9,472)	53,531	9,636
Currency translation (+/-)	(60)	(737)	(497)	-	(1294)	-
Balance as of 31.12.2015	**1,155,257**	**345,642**	**468,082**	**264,021**	**2,233,002**	**613**
Balance as of 01.01.2016	**1,155,257**	**345,642**	**468,082**	**264,021**	**2,233,002**	**613**
Additions in current year (+)	19,795	48,223	36,928	103,657	208,603	-
Disposals and write off (-)	(20,907)	(13,063)	(36,186)	(15,756)	(85,912)	-
Reclassification (+/-)	(787)	(3,176)	4,420	-	457	-
Assets held for sale (-)	280,713	-	-	-	280,713	-
Currency translation (+/-)	15	188	134	-	337	-
Balance as of 31.12.2016	**1,434,086**	**377,814**	**473,378**	**351,922**	**2,637,200**	**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 01.01.2015	**(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)**
Balance as of 01.01.2016	**(401,153)**	**(270,866)**	**(413,873)**	**(48,353)**	**(1,134,245)**	**(127)**
Amortisation and depreciation (-)	(36,767)	(18,181)	(13,508)	(29,686)	(98,142)	(64)
Disposals (+)	16,477	12,758	35,043	3,851	68,129	-
Impairment (-)	-	(14)	-	-	(14)	-
Currency translation (+/-)	(3)	(184)	(139)	-	(326)	-
Balance as of 31.12.2016	**(421,446)**	**(276,487)**	**(392,477)**	**(74,188)**	**(1,164,598)**	**(191)**

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 31.12.2015	**754,104**	**74,776**	**54,209**	**215,668**	**1,098,757**	**486**
Balance as of 31.12.2016	**1,012,640**	**101,327**	**80,901**	**277,734**	**1,472,602**	**422**

Bank

Property and equipment - Acquisition and production costs				
in RON thousands	Land and buildings	Office and plant equipment / other fixed assets	IT assets (hardware)	Total property and equipment
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	(1,407)	(6,354)	**16,235**
Balance as of 31.12.2015	**346,468**	**292,730**	**458,031**	**1,097,229**
Balance as of 01.01.2016	**346,468**	**292,730**	**458,031**	**1,097,229**
Additions in current year (+)	17,022	32,806	35,919	**85,747**
Disposals and write off (-)	(16,160)	(8,625)	(35,152)	**(59,937)**
Merger effects (+)	1,037,015	21,686	-	**1,058,701**
Reclassification (+/-)	(788)	(3,177)	4,420	**455**
Assets held for sale (-)	36,280	-	-	**36,280**
Balance as of 31.12.2016	**1,419,837**	**335,420**	**463,218**	**2,218,475**

Bank

Property and equipment - Accumulated depreciation				
in RON thousands	Land and buildings	Office and plant equipment / other fixed assets	IT assets (hardware)	Total property and equipment
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)	1,407	6,354	**(17,503)**
Balance as of 31.12.2015	**(216,643)**	**(237,622)**	**(407,043)**	**(861,308)**
Balance as of 01.01.2016	**(216,643)**	**(237,622)**	**(407,043)**	**(861,308)**
Amortisation and depreciation (-)	(14,439)	(11,480)	(12,390)	**(38,309)**
Disposals (+)	16,132	8,428	34,278	**58,838**
Merger effects (+)	(203,718)	(15,416)	-	**(219,134)**
Impairment (-)	-	(14)	-	**(14)**
Balance as of 31.12.2016	**(418,668)**	**(256,104)**	**(385,155)**	**(1,059,927)**

Bank

Property and equipment				
in RON thousands	Land and buildings	Office and plant equipment / other fixed assets	IT assets (hardware)	Total property and equipment
Balance as of 31.12.2015	**129,825**	**55,108**	**50,988**	**235,921**
Balance as of 31.12.2016	**1,001,169**	**79,316**	**78,063**	**1,158,548**

There are no fixed assets pledged as collateral as at 31 December 2016 and 31 December 2015.

The total cost of the Group's tangible fixed assets in use and fully amortized at the end of 2016 was RON 613,878 thousands (2015: RON 623,282 thousands).
The total cost of the Bank's tangible fixed assets in use and fully amortized at the end of 2016 was RON 590,907 thousands (2015: RON 618,540 thousands).
The fair value of land and buildings is RON 672,177 thousands for the Group and RON 114,964 thousands for the Bank. The fair value of land and buildings has been assessed as at 31 December 2015 by an independent valuator.
Details related to assets reclassified in assets held for sale are in Note 27.
The investment properties are presented at cost and as at 31 December 2016 the fair value is RON 613 thousands and the carrying amount is RON 422 thousands. Fair values are determined based on an annual evaluation performed by an accredited external independent valuator.
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 recognized in profit or loss in Other operating result and is in amount of RON 16 thousands.

As a result of the merger between the bank, BCR Real Estate Management and Bucharest Financial Plazza, as of 31 December 2016, the following fixed assets (cost and related accumulated depreciation) were transferred into the Bank's portfolio (RON thousands):

Absorbed entity	Cost	Accumulated depreciation	Total Net book value
REM	792,459	(200,193)	592,266
BFP	266,242	(18,941)	247,301
Total merger effect	1,058,701	(219,134)	839,567

25. 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 01.01.2015	**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**
Balance as of 01.01.2016	**106,944**	**762,873**	**11,616**	**492**	**881,923**
Additions in current year (+)	-	90,638	39,144	-	129,782
Disposals and write off (-)	(106,944)	(2,996)	(1,143)	-	(111,083)
Reclassification (+/-)	-	(15,564)	15,110	-	(454)
Currency translation (+/-)	-	110	-	-	110
Balance as of 31.12.2016	**-**	**835,061**	**64,727**	**492**	**900,278**

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 31.12.2015	**(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
Assets held for sale (-)	-	-	-	-	-
Currency translation (+/-)	-	17	-	-	17
Balance as of 31.12.2015	**(106,944)**	**(531,578)**	**(8,725)**	**(411)**	**(647,658)**
Balance as of 01.01.2016	**(106,944)**	**(531,578)**	**(8,725)**	**(411)**	**(647,658)**
Amortisation and depreciation (-)	-	(58,254)	(12,560)	(8)	(70,822)
Disposals and write off (-)	106,944	2,105	-	-	109,049
Impairment (-)	-	(1,374)	-	(73)	(1,447)
Currency translation (+/-)	-	(96)	-	-	(96)
Balance as of 31.12.2016	**-**	**(589,197)**	**(21,285)**	**(492)**	**(610,974)**

Group

Intangible assets					
in RON thousands	Customer relationships	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31.12.2015	**-**	**231,295**	**2,891**	**81**	**234,265**
Balance as of 31.12.2016	**-**	**245,864**	**43,442**	**-**	**289,304**

Bank

Intangible assets - Acquisition and production costs			
in RON thousands	Software acquired	Self-constructed software within the Group	Total
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**
Balance as of 01.01.2016	**735,699**	**11,616**	**747,314**
Additions in current year (+)	88,168	39,144	**127,312**
Disposals and write off (-)	(2,498)	(1,143)	**(3,641)**
Merger effects (+)	3,083	-	**3,083**
Reclassification (+/-)	(15,564)	15,109	**(455)**
Balance as of 31.12.2016	**808,888**	**64,726**	**873,613**

			Bank
	Intangible assets - Accumulated depreciation		
in RON thousands	Software acquired	Self-constructed software within the Group	Total
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)**
Balance as of 01.01.2016	**(514,351)**	**(8,724)**	**(523,075)**
Amortisation and depreciation (-)	(54,912)	(12,559)	**(67,471)**
Disposals and write off (-)	2,089	-	**2,089**
Merger effects (+)	(3,083)	-	**(3,083)**
Impairment (-)	(1,374)	-	**(1,374)**
Reclassification (+/-)	2	(2)	**-**
Balance as of 31.12.2016	**(571,629)**	**(21,285)**	**(592,914)**

			Bank
	Intangible assets		
in RON thousands	Software acquired	Self-constructed software within the Group	Total
Balance as of 31.12.2015	**221,348**	**2,892**	**224,239**
Balance as of 31.12.2016	**237,259**	**43,441**	**280,699**

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). During 2016 Customer relationship has been written off.
The method used for impairment test 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 was reduced to zero.

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

The total cost of the Group's intangible fixed assets in use and fully amortized at the end of 2016 was RON 403,669 thousands (2015: RON 294,259 thousands).

The total cost of the Bank's intangible fixed assets in use and fully amortized at the end of 2016 was RON 391,108 thousands (2015: RON 290,496 thousands).

The merger effect is represented by intangible assets transferred from BCR Real Estate Management, having a gross book value in amount of RON 3,083 thousands, fully depreciated as of 31 December 2016.

26. TAX ASSETS AND LIABILITIES

							Group
					Net variance 2016		
in RON thousands	Tax assets 2015	Tax assets 2016	Tax liabilities 2015	Tax liabilities 2016	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	3,154	-	-	979	(979)	-
Financial assets - available for sale	(68,902)	(50,242)	(6,594)	(3,966)	(21,288)	-	21,288
Property and equipment	12,157	13,214	-	-	(1,057)	1,057	-
Investments in subsidiaries	166,647	157,020	-	-	9,627	(9,627)	-
Long-term employee provisions	6,777	8,123	-	-	(1,346)	1,241	105
Sundry provisions	41,707	161,114	-	-	(119,407)	119,407	-
Carry forward of tax losses	240,678	6,745	-	-	233,933	(233,933)	-
Other	23,166	23,380	312	-	98	98	-
Total deferred taxes	**426,363**	**322,508**	**(6,282)**	**(3,966)**	**101,539**	**(122,736)**	**21,393**
Current taxes	**133,192**	**162,480**	**(1,350)**	**(1,262)**	**(29,376)**	**(7,692)**	
Total taxes	**559,555**	**484,988**	**(7,632)**	**(5,228)**	**72,163**	**(130,428)**	**21,393**

					Bank
			Net variance 2016		
in RON thousands	Tax assets 2015	Tax assets 2016	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	(68,902)	(50,383)	18,519	-	18,519
Property and equipment	11,850	27,939	2,629	2,629	-
Investments in subsidiaries	166,647	157,020	(9,627)	(9,627)	-
Long-term employee provisions	6,697	8,123	1,531	1,426	105
Sundry provisions	41,560	161,110	119,550	119,550	-
Carry forward of tax losses	240,678	6,745	(233,933)	(233,933)	-
Other	-				-
Total deferred taxes	**398,530**	**310,554**	**(101,331)**	**(119,955)**	**18,624**
Current taxes	**131,826**	**159,029**	**-**	**-**	**-**
Total taxes	**530,356**	**469,583**	**(101,331)**	**(119,955)**	**18,624**

Deferred tax was impacted by RON 13,460 thousands from merger effect on property and equipment position.
The current tax asset recognized as of 31 December 2016 was also impacted by current tax liabilities recognized in the trial balances of the two absorbed subsidiaries (REM and BFP) and presented on a net basis in the Bank's financial statements after the merger, in amount of RON 559 thousands (REM) and RON 556 thousands (BFP).

At the moment of preparation of the Financial Statement, the Bank is under the Tax audit of National Agency of Fiscal Administration, in terms of corporate income tax and VAT. Management considers that all potential aspects communicated by the fiscal authorities are included in the financial statements.
Deferred tax assets are a significant figure in Bank’s consolidated financial statements and relate to both tax losses and temporary differences, including from impairment of investments.
Management assesses there are sufficient future taxable profits available against which the deductible temporary differences and loss of credit forward can be utilized.

27. 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.

in RON thousands	IFRS 5	Reclassification impact on B/S as at 31.12.2016	Reclassification impact on P&L as at 31.12.2016	IFRS 5
Entity	**NBV AS AT 01.01.2016**			**NBV AS AT 31.12.2016**
BCR	38,037	(36,280.00)	486	-
BCR REM	80,832	(67,670.00)	2,614	807
BFP	183,031	(176,764.00)	6,180	1,484
Total	**301,900**	**(280,714)**	**9,280**	**2,291**

Since the approval of the Real Estate Sale plan was obtained, 26 properties were sold and for another 2 properties we have a firm commitment to be sold in the next period.

Currently, the BCR management is still committed to execute the sales plan, however the sales of the remaining portfolio is not highly probable to occur, , therefore these assets were reclassified from Assets Held for Sale to Property and Equipment.

During 2016 11 properties were sold having a net book value of RON 14,459 thousands. The gain obtained from selling these properties was 2,867 thousands RON and it was recognized in “Other operating result”.

Total impact of reclassification was RON 10,070 thousands, split as follows:
- Impairment in amount of RON 9,273 thousands from reclassification of buildings & land from Sales Plan reported in Other Operating Result.
- Depreciation in amount of RON 797 thousands reported in Depreciation and amortization”.

28. OTHER ASSETS

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Accrued income	55,932	54,674	6,313	8,130
Inventories (i)	282,965	197,861	181,908	135,009
Subsidiaries (ii)	-	-	867,223	622,150
Sundry assets	84,936	113,195	35,313	41,486
Total	**423,833**	**365,730**	**1,090,757**	**806,775**

(i) Under this position the major item is represented by "Repossessed Assets", which amounts to net of RON 133,510 thousands (2015: RON 181,908 thousands) for the Bank and RON 62,584 thousands (2015: RON 101,057 thousands) for subsidiaries. Impairment of repossessed assets in amount of RON 173,171 thousands (2015: RON 121,269 thousands) for the Group and RON 114,247 thousands (2015: RON 67,708 thousands) for the Bank was booked as a result of comparing carrying amount with net realizable value.

(ii) Bank's investments in subsidiaries and other companies are in amount of RON 622,150 thousands (2015: RON 867,223 thousands). There is no active market for these investments and the Bank intends to hold them for the long term. This position has been impacted by the elimination of Bank's participations held in BCR Real Estate Management, in amount of RON 161,179 thousands).

At 31 December 2016 the allocation of impairment for investments in subsidiaries was in amount RON (45,856) thousands and consists of allocation of impairment for BCR Chisinau, BCR Leasing, CIT One.

in RON thousands	2015	2016
Suport Colect SRL	(983,047)	(983,047)
BCR Leasing IFN SA	(127,523)	(159,661)
Financiara	(60,166)	-
BCR Chisinau SA	(128,111)	(137,097)
CIT One SRL	(6,945)	(11,677)
Total	**(1,305,792)**	**(1,291,482)**

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

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 +/- %	1.00%
Impact on impairment of subsidiaries: discount rate decrease -	39,743
Impact on impairment of subsidiaries: discount rate increase +	(31,090)

29. FINANCIAL LIABILITIES MEASURED AT AMORTISED COSTS

Credit institutions	Group		Bank	
in RON thousands	2015	2016	2015	2016
Current accounts / overnight deposits	255,392	179,589	253,915	175,794
Term deposits from other banks	6,430,572	4,626,521	6,479,946	4,904,126
Borrowings and financing lines	2,216,067	2,495,583	1,281,572	1,154,233
Subordinated loans**	2,341,975	2,344,779	2,341,975	2,344,779
Repurchase agreements*	3,217	8,201	480,048	546,163
Total deposits by banks	**11,247,223**	**9,654,673**	**10,837,456**	**9,125,095**

*include associated liabilities for collateral repledged in amount of RON 8,201 thousands.
**no changes in subordinated loans occurred in 2016 compared to 2015

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.

Customer	Group		Bank	
in RON thousands	2015	2016	2015	2016
Current accounts / overnight deposits				
Savings deposits				
General governments	-	-	-	-
Other financial corporations	-	-	-	-
Non-financial corporations	-	-	-	-
Households	1,413	1,629	-	-
Non-savings deposits				
General governments	906,820	1,320,799	906,820	1,320,799
Other financial corporations	517,750	584,557	517,750	584,557
Non-financial corporations	7,186,062	7,980,735	7,118,669	7,861,222
Households	5,677,712	9,373,318	5,668,854	9,360,643
Deposits with agreed maturity				
Savings deposits				
General governments	-	-	-	-
Other financial corporations	-	-	-	-
Non-financial corporations	-	-	-	-
Households	2,866,280	2,875,978	-	-
Non-savings deposits				
General governments	344,905	2,539,456	344,905	2,539,456
Other financial corporations	745,153	653,906	931,931	819,569
Non-financial corporations	5,386,157	5,237,918	5,504,781	5,222,918
Households	18,993,770	17,666,902	18,980,206	17,645,745
Total deposits from customers	**42,626,022**	**48,235,198**	**39,973,916**	**45,354,909**
General governments	1,251,725	3,860,255	1,251,725	3,860,255
Other financial corporations	1,262,903	1,238,463	1,449,681	1,404,126
Non-financial corporations	12,572,219	13,218,653	12,623,450	13,084,140
Households	27,539,175	29,917,827	24,649,060	27,006,388

Deposits from Customers have seen a strong upward development driven by both Retail and Corporate clients. More specifically, high inflows came from the Retail current accounts, Group Large Corporates negotiated term deposits and Public Sector collateral deposits.

Deposits with Customers balance as of 31 December 2016 were impacted by the elimination of intra-group deposits from REM and BFP in amount of RON 39,933 thousand, as a result of the merger.

Debt securities issued	Group		Bank	
in RON thousands	2015	2016	2015	2016
Subordinated liabilities	**247,956**	**129,189**	**247,956**	**129,189**
Subordinated issues and deposits	247,956	129,189	247,956	129,189
Other debt securities in issue	**664,280**	**508,003**	**664,280**	**508,003**
Bonds (not subordinated)	664,280	508,003	664,280	508,003
Total debt securities issued	**912,236**	**637,192**	**912,236**	**637,192**

As of 31 December 2016, the outstanding nominal amount of subordinated bonds issued by the Bank decreased due to matured bonds: EUR 21,000 thousands (2015: EUR 33,500 thousands and RON 20,000 thousands).

30. PROVISIONS

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Restructuring provisions	-	-	-	-
Long-term employee provisions	42,452	45,734	41,856	45,028
Pending legal issues and tax litigation (i)	526,491	832,991	510,250	799,205
Commitments and guarantees given	242,720	225,341	242,709	225,314
Provisions for commitments and guarantees - off balance (defaulted customers)	178,728	167,940	178,728	167,940
Provisions for commitments and guarantees - off balance (non defaulted customers)	63,992	57,402	63,981	57,374
Other provisions	1,054	36	1,054	-
Provisions for onerous contracts	1,054	-	1,054	-
Other provisions	-	36	-	-
Total provisions	**812,717**	**1,104,102**	**795,869**	**1,069,547**

(i) Having in view the increasing trend in the number of litigations with clients for contracts which contain “allegedly abusive clauses” and the history of past relevant court resolutions, the Bank has recognized provisions for its obligation to reimburse the customers counterparty in such contracts who are likely to initiate litigations in the future. The provisions recognized represent best estimate of potential economic outflows related to relevant accounts with clauses that might be assessed as allegedly abusive.
The expected timing of any resulting outflows of economic benefits was estimated for the near future.
Given the fact that the amount recognized as provision resulted as being significant, it will be reviewed semi-annually by the Bank in order to take account of the future trends in litigations, new court resolutions for litigations with clients for contracts which contain “allegedly abusive clauses” (of ANPC type or not) and future changes in the relevant legislation.
As at December 2016, the Bank recorded provisions for unfair terms included in contracts which contain “allegedly abusive clauses” and which are not subject to a litigation file as at 31.12.2016 in total amount of RON 708,193 thousands (December 2015: RON 449,203 thousands).
Distinctly by the provision for the future litigations, the bank established a provision for all pending cases having as object individual clients claims regarding abusive clauses. For individual claims, the Bank has established a provision of RON 51,780 thousands.

Provisions for other litigations are in amount of RON 39,232 thousands for the Bank.

MOVEMENT IN PROVISIONS

						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	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	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 less long-term employee provisions	**306,624**	**644,336**	**(28,568)**	**(155,431)**	**2,061**	**1,243**	**770,265**

						2016	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: Pending legal issues and tax litigation (see Note 11)	526,491	326,739	(1,027)	(20,234)	-	1,022	832,991
Commitments and guarantees given (see Note 11)	242,720	120,835	-	(141,885)	1,837	1,834	225,341
Provisions for guarantees - off balance (defaulted customers)	178,728	76,617	-	(91,134)	1,837	1,892	167,940
Provisions for guarantees - off balance (non defaulted customers)	63,992	44,218	-	(50,752)	-	(56)	57,402
Other provisions	1,054	25,116	(9)	(26,127)	-	2	36
Provisions for onerous contracts	1,054	-	-	(1,054)	-	-	-
Other provisions	-	25,116	(9)	(25,073)	-	2	36
Total provisions less long-term employee provisions	**770,265**	**472,690**	**(1,036)**	**(188,246)**	**1,837**	**2,858**	**1,058,368**

						2015	Bank
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	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	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 less long-term employee provisions	**302,418**	**630,589**	**(28,176)**	**(154,310)**	**2,061**	**1,431**	**754,013**

						2016	Bank
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: Pending legal issues and tax litigation (see Note 11)	510,250	308,072	-	(19,526)	-	409	799,205
Commitments and guarantees given (see Note 11)	242,709	120,798	-	(141,864)	1,837	1,834	225,314
Provisions for guarantees - off balance (defaulted customers)	178,728	76,617	-	(91,134)	1,837	1,892	167,940
Provisions for guarantees - off balance (non defaulted customers)	63,981	44,181	-	(50,730)	-	(58)	57,374
Other provisions	1,054	25,071	-	(26,125)	-	-	-
Provisions for onerous contracts	1,054	-	-	(1,054)	-	-	-
Other provisions	-	25,071	-	(25,071)	-	-	-
Total provisions less long-term employee provisions	**754,013**	**453,941**	**-**	**(187,515)**	**1,837**	**2,243**	**1,024,519**

Long-term employee provisions	Group		Bank	
in RON thousands	2015	2016	2015	2016
Opening defined benefit obligation	40,775	42,452	40,276	41,856
Interest cost	1,462	1,418	1,449	1,403
Current service cost	4,118	4,210	4,023	4,106
Past service cost	-	(1,855)	-	(1,883)
Benefits paid	(161)	(267)	(161)	(229)
Actuarial (gains)/loss on obligations	416	654	427	653
effect of changes in financial assumptions	1,880	125	1,868	124
effect of experience adjustments	(1,464)	529	(1,441)	529
Settlements gain	(4,158)	(878)	(4,158)	(878)
Total	**42,452**	**45,734**	**41,856**	**45,028**

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.

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

	2015 %	2016 %
Discount rate	3.39%	3.37%
Future salary increases	2.80%	2.80%
Mortality rates	ETTL-PAGLER	ETTL-PAGLER
Disability rates	ETTL-PAGLER	ETTL-PAGLER

Sensitivity analysis	Group 2015	Group 2016	Bank 2015	Bank 2016
Sensivity - Discount rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Discount rate decrease -	2,922	3,195	3,112	3,274
Impact on DBO: Discount rate increase +	(3,058)	(3,124)	(2,827)	(2,980)
Sensivity - Salary increase rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Salary increase rate -	(3,087)	(3,154)	(2,856)	(3,009)
Impact on DBO: Salary increase rate +	2,925	3,197	3,114	3,277

The average duration of the defined benefit obligation at the end of the reporting period is 15.7 years.

The expected service cost for 2017 is RON 4,487 thousands for Group and RON 4,363 thousands for the Bank.

31. OTHER LIABILITIES

in RON thousands	Group 2015	Group 2016	Bank 2015	Bank 2016
Deferred income and accured expenses	106,818	105,391	106,642	102,730
Sundry liabilities	200,774	221,013	138,327	139,996
Total	**307,592**	**326,404**	**244,969**	**242,726**

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

32. ISSUED CAPITAL

The statutory share capital of the Bank as at 31 December 2016 is represented by 16,253,416,254 ordinary shares of RON 0.10 each (31 December 2015: 16,253,416,145 ordinary shares of RON 0.10 each). The shareholders of the Bank are as follows:

in RON thousands	2015 Number of shares	2015 Percentage holding (%)	2016 Number of shares	2016 Percentage holding (%)
Erste Group Bank Ceps Holding GmbH	15,209,668,849	93.5783%	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%
BCR Leasing SA	-	0.0000%	109	0.0000%
Individuals	19,972,490	0.1229%	19,972,490	0.1229%
Total	**16,253,416,145**	**100.0000%**	**16,253,416,254**	**100.0000%**

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

in RON thousands	2015	2016
Share capital before the effect of hyperinflation	1,625,342	1,625,342
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31 December 2003)	1,327,224	1,327,224
Share capital	**2,952,566**	**2,952,566**

Regarding the merger, Extraordinary General Shareholders’ Meeting held on 30 September 2016 approved that the Merger will take place as it follows:

a) The Bank (BCR) absorbed BCR Real Estate Management (BCR REM) considering that BCR interest in BCR REM is 99.99995% and
b) The Bank (BCR) absorbed Bucharest Financial Plazza (BPF), 100% owned by BCR REM.

The merger between BCR, BFP and BCR REM was approved by Bucharest Tribunal on 30 January 2017. The Court ordered the registration in the Trade Registry of the merger between BCR, BFP and BCR REM. By the date of Financial Statements, the reasoning of the Court was not issued. The Court decision was challenged by Societatea de Investitii Financiare Oltenia SA by means of an appeal.
On a different note, Societatea de Investitii Financiare Oltenia SA filed a claim against BCR requesting the cancellation of the Extraordinary General Shareholders’ Meeting decision approving the merger between BCR, BFP and BCR REM. The claim is registered with Bucharest Tribunal. By the date of Financial Statements the date of the first hearing was not scheduled.

The effective date of the merger is 31 December 2016. Following the merger, 109 shares were issued by BCR in favor of BCR Leasing in consideration of its holding in BCR REM of 0.00005%. The shares of BCR REM and BFP were cancelled under art 250 a) of the Company Law 31/1990 as subsequently amended and supplemented.

As BCR already owns 100% of the share capital of the absorbing company BFP, as a result of the merger with BCR REM, and it is in the situation to remunerate its own shares. The shares held were cancelled under art. 250 letter (a) of the Company Law 31/1990, as subsequently amended and supplemented ("No shares in the absorbing company may be exchanged for shares issued by the absorbed company and held by the absorbing company, directly or through persons acting in their own name, but on behalf of the company.").

According to the provisions of Order 897/2015 (appendix 1, art. 14) "companies undergoing reorganization and which hold shares in each other's share capital shall cancel them at the book value on account of equity elements", BCR eliminated the interests held in BFP amounting to RON 141,900,000, as recorded in the financial statements of the absorbing entity on 31.12.2015.

The merger premium was calculated as the difference between the net contribution to the Merger of each of the Absorbed Companies and the share capital increase recorded by BCR in the case of each of the Absorbed Companies:

(i) BCR REM's entire net contribution to the Merger (BCR REM's net assets) amounting to RON 82,732,569.1 was recorded by BCR as merger premium; and

(ii) BFP's entire net contribution to the Merger (BFP's net assets) amounting to RON 143,443,342 was recorded by BCR as merger premium.

(iii) BCR eliminated the interests held in BCR REM amounting to RON 161,178,890, as recorded in the financial statements of the absorbing entity on 31.12.2015, as well as those held in BFP, amounting to RON 141,900,000.

Consequently, the result of the negative residual value is in amount of RON 76,902,979.

The accounting policies related to this merger by absorption are presented in Note 2 (14.1).

33. 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 and Group are organized into the following business segments:

A. Retail banking (RETAIL)

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.

B. 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:

1. Small and Medium Enterprises (SME) 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

2. Public Sector (PS)

- municipalities representing local authorities and companies managed by local authorities
- public sector representing central authorities and companies owned by state, public funds

3. Local Large Corporates (LLC)

- companies with a consolidated annual turnover threshold above 25 million EUR, which are not defined as Group Large Corporate customers according to the Group Large Corporate client list

4. Group Large Corporates (GLC)

- companies with substantial operations in core markets/extended core markets of Erste Group with an indicative consolidated annual turnover of at least 500 million EUR

5. Commercial RE (CRE)

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

Other banking segments:

6. 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.

7. Treasury (GMT): - principally providing money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading.

8. Financial institutions (GMFI): - companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, investment banks, investments funds, brokerages, insurance companies, pension funds, credit unions).

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

In order to split the Group results on business lines the following subsidiaries are allocated entirely on Retail segment: 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 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.

Starting with 2016, the business segmentation was changed. More specifically, Large Corporates segment was split into Local Large Corporates, Group Large Corporates and Financial Institutions. Public Sector segment is no longer reported under Small and Medium Enterprises, currently being shown separately. Furthermore, Other Corporate clients are no longer reported separately and are currently split between Corporate segments.

in RON thousands								2015		Group
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center*	GMT	GMFI
Net interest income	1,992,595	1,312,250	241,831	127,461	24,922	59,763	153,215	66,953	1,027	5,173
Net fee and commission income	725,181	563,777	69,101	64,249	21,615	7,687	9,746	(34,549)	2,317	21,238
Dividend income	5,732	-	-	-	-	-	-	5,732	-	-
Net trading and fair value result	308,413	104,530	50,063	15,437	6,218	6,738	26,645	2,453	87,973	8,356
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)**	**(1,234,338)**	**(212,692)**	**(83,219)**	**(29,973)**	**(8,172)**	**(16,881)**	**89,558**	**(12,908)**	**(4,810)**
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)	24,983	180,059	(2,513)	46,524	(16,829)	(5,378)	(53)	4,448
Other operating result	(627,352)	(474,993)	(30,385)	(36,728)	5,494	(25,686)	(14,068)	(50,401)	(202)	(383)
Pre-tax profit from continuing operations	**1,012,049**	**112,888**	**178,580**	**267,259**	**25,763**	**86,854**	**141,828**	**86,701**	**78,154**	**34,022**
Taxes on income	(90,027)	(18,062)	(28,573)	(39,704)	(7,179)	(13,897)	(22,692)	58,029	(12,505)	(5,444)
Post-tax profit from continuing operations	**922,022**	**94,826**	**150,007**	**227,555**	**18,584**	**72,957**	**119,136**	**144,730**	**65,649**	**28,578**
NET PROFIT OF THE YEAR	**922,022**	**94,826**	**150,007**	**227,555**	**18,584**	**72,957**	**119,136**	**144,730**	**65,649**	**28,578**
Attributable to non-controlling interests	3,072	2,984	5	-	-	-		83		-
Attributable to owners of the parent	**918,950**	**91,842**	**150,002**	**227,555**	**18,584**	**72,957**	**119,136**	**144,647**	**65,649**	**28,578**
Operating Income	3,074,928	1,980,557	396,674	207,148	52,755	74,188	189,606	47,917	91,317	34,766
Operating Expenses	(1,513,435)	(1,234,338)	(212,692)	(83,219)	(29,973)	(8,172)	(16,881)	89,558	(12,908)	(4,810)
Operating Result	**1,561,493**	**746,219**	**183,982**	**123,929**	**22,782**	**66,016**	**172,725**	**137,475**	**78,409**	**29,956**
Cost Income Ratio	49.22%	62.32%	53.62%	40.17%	56.82%	11.02%	8.90%	-186.90%	14.14%	13.84%

* All intercompany eliminations are included in the Local Corporate Center

in RON thousands								2015		Group
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center*	GMT	GMFI
ASSETS										
Cash and cash balances	9,441,833	2,235,863	93,174	-	-	-	-	6,883,686	150,245	78,865
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	29,088	-	-	-	229,371	6,021,322	-	-
Financial assets - held to maturity	10,154,420	1,301,404	34,356	-	-	-	(1,445)	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	4,090,310	2,853,485	1,273,545	1,402,812	4,754,581	191,300	2,737	(2,624)
Property and equipment	1,098,757	1,836	225,753	-	-	-	-	871,168	-	-
Intangible assets	234,265	3,994	3,603	-	-	-	-	226,668	-	-
Investments in associates	16,193	-		-	-	-	-	16,193	-	-
Current tax assets	133,192	-	-	-	-	-	-	133,192	-	-
Deferred tax assets	426,363	1,334	12,959	-	-	-	-	412,070	-	-
Non-current assets and disposal groups classified as held for sale	301,900	-	-	-	-	-	-	301,900	-	-
Other assets	423,833	116,900	80,110	-	-	-	-	226,823	-	-
TOTAL ASSETS	**62,360,016**	**23,147,889**	**4,620,511**	**2,853,485**	**1,273,545**	**1,402,812**	**5,000,474**	**23,555,509**	**429,550**	**76,241**
LIABILITIES										
Financial liabilities held for trading	35,102	-	-	-	-	-	-	35,102	-	-
Derivatives	35,102	-	-	-	-	-	-	35,102	-	-
Financial liabilities measured at amortised costs	55,321,688	31,390,693	4,307,329	1,259,337	3,143,168	298,524	2,681,787	10,872,475	68,052	1,300,323
Deposits from banks	11,247,223	145,565	1,233,971	-	-	-	-	9,612,074	63,220	192,393
Deposits from customers	42,626,022	31,199,989	3,068,976	1,251,685	3,134,589	298,524	2,681,690	(117,361)	-	1,107,930
Debt securities issued	912,236	-	-	-	-	-	-	912,236	-	-
Other financial liabilities	536,207	45,140	4,382	7,651	8,579	-	97	465,526	4,832	-
Derivatives - hedge accounting	-	-	-	-	-	-	-	-	-	-
Provisions	812,717	20,559	30,767	127,661	61,545	726	15,335	556,124	-	-
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	1,829,119	514,298	475,320	164,489	177,356	504,304	2,160,754	48,302	1,343
TOTAL LIABILITIES AND EQUITY	**62,360,016**	**33,281,185**	**4,875,568**	**1,862,318**	**3,369,202**	**476,606**	**3,201,426**	**13,875,691**	**116,354**	**1,301,666**

* All intercompany eliminations are included in the Local Corporate Center

in RON thousands								2016		Group
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center*	GMT	GMFI
Net interest income	1,786,695	1,200,787	225,028	92,023	46,092	59,617	171,801	(14,160)	1,620	3,887
Net fee and commission income	708,932	545,302	66,484	37,833	56,443	5,440	12,947	(44,153)	2,914	25,722
Dividend income	2,878	-	-	-	-	-	-	2,878	-	-
Net trading and fair value result	314,317	108,342	46,061	11,591	5,660	4,864	19,491	20,123	90,299	7,886
Net result from equity method investments	1,795	-	-	-	-	-	-	1,795	-	-
Rental income from investment properties and other operating lease	53,549	-	49,419	-	-	-	-	4,130	-	-
General Administrative expenses	**(1,570,497)**	**(1,243,426)**	**(212,389)**	**(44,787)**	**(71,515)**	**(11,809)**	**(22,941)**	**57,954**	**(11,657)**	**(9,927)**
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	111,747	-	-	-	-	-	-	111,747	-	-
Net impairment loss on financial assets not measured at fair value through profit or loss	279,990	31,426	(13,993)	126,238	(5,813)	147,451	9,751	(12,298)	(2,445)	(327)
Other operating result	(518,915)	(369,243)	(16,919)	14,307	(8,845)	(43,250)	12,779	(106,699)	(64)	(981)
Pre-tax profit from continuing operations	**1,170,491**	**273,188**	**143,691**	**237,205**	**22,022**	**162,313**	**203,828**	**21,317**	**80,667**	**26,260**
Taxes on income	(130,428)	(43,710)	(22,991)	(37,953)	(3,523)	(25,970)	(32,612)	53,440	(12,907)	(4,202)
Post-tax profit from continuing operations	**1,040,063**	**229,478**	**120,700**	**199,252**	**18,499**	**136,343**	**171,216**	**74,757**	**67,760**	**22,058**
NET PROFIT OF THE YEAR	**1,040,063**	**229,478**	**120,700**	**199,252**	**18,499**	**136,343**	**171,216**	**74,757**	**67,760**	**22,058**
Attributable to non-controlling interests	(1,783)	(1,790)	9					(2)		
Attributable to owners of the parent	**1,041,846**	**231,268**	**120,691**	**199,252**	**18,499**	**136,343**	**171,216**	**74,759**	**67,760**	**22,058**
Operating Income	2,868,166	1,854,431	386,992	141,447	108,195	69,921	204,239	(29,387)	94,833	37,495
Operating Expenses	(1,570,497)	(1,243,426)	(212,389)	(44,787)	(71,515)	(11,809)	(22,941)	57,954	(11,657)	(9,927)
Operating Result	**1,297,669**	**611,005**	**174,603**	**96,660**	**36,680**	**58,112**	**181,298**	**28,567**	**83,176**	**27,568**
Cost Income Ratio	54.76%	67.05%	54.88%	31.66%	66.10%	16.89%	11.23%	197.21%	12.29%	26.48%

* All intercompany eliminations are included in the Local Corporate Center

in RON thousands								2016		Group
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center*	GMT	GMFI
ASSETS										
Cash and cash balances	11,911,895	4,235,400	135,282	-	-	-	-	7,461,243	20,005	59,965
Financial assets - held for trading	633,199	-	-	-	-	-	-	73,486	559,713	-
Derivatives	73,486	-	-	-	-	-	-	73,486	-	-
Other trading assets	559,713	-	-	-	-	-	-	-	559,713	-
Financial assets designated at fair value through profit or loss	15,319	-	-	-	-	-	15,319	-	-	-
Financial assets - available for sale	5,574,087	676,113	57,115	-	-	-	237,919	4,602,940	-	-
Financial assets - held to maturity	13,904,201	1,498,698	19,306	-	-	-	(3,460)	12,389,657	-	-
Loans and receivables to credit institutions	552,830	743,662	58,020	-	-	-	-	(746,361)	485,293	12,216
Loans and receivables to customers	32,291,134	18,059,871	4,031,038	2,722,456	1,567,194	1,421,983	4,292,147	174,416	8,237	13,792
Derivatives - hedge accounting	-	-	-	-	-	-	-	-	-	-
Changes in fair value of portfolio hedged items	-	-	-	-	-	-	-	-	-	
Property and equipment	1,472,604	2,621	289,193	-	-	-	-	1,180,790	-	-
Investment properties	422	-	422	-	-	-	-	-	-	-
Intangible assets	289,304	2,643	3,288	-	-	-	-	283,373	-	-
Investments in associates	16,568	-		-	-	-	-	16,568	-	-
Current tax assets	162,480	-	-	-	-	-	-	162,480	-	-
Deferred tax assets	322,508	2,119	12,172	-	-	-	-	308,217	-	-
Non-current assets and disposal groups classified as held for sale	2,292	-	-	-	-	-	-	2,292	-	-
Other assets	365,730	90,963	93,073	-	-	-	-	181,694	-	-
TOTAL ASSETS	**67,514,573**	**25,312,090**	**4,698,909**	**2,722,456**	**1,567,194**	**1,421,983**	**4,541,925**	**26,090,795**	**1,073,248**	**85,973**
LIABILITIES										
Financial liabilities held for trading	38,391	-	-	-		-	-	38,391		-
Derivatives	38,391	-	-	-		-	-	38,391		-
Financial liabilities measured at amortised costs	59,236,059	33,283,374	4,451,975	1,614,807	4,209,543	395,208	4,586,350	9,058,526	20,679	1,615,597
Deposits from banks	9,654,673	95,661	1,540,930	-	-	-	-	7,834,133	8,201	175,748
Deposits from customers	48,235,198	33,130,662	2,908,131	1,602,321	4,201,043	395,208	4,582,212	(19,760)	-	1,435,381
Debt securities issued	637,192	-	-	-	-	-	-	637,192	-	-
Other financial liabilities	708,996	57,051	2,914	12,486	8,500	-	4,138	606,961	12,478	4,468
Derivatives - hedge accounting	-	-	-	-		-	-	-		-
Provisions	1,104,102	340,269	28,215	108,254	77,382	520	933	548,518	-	11
Current tax liabilities	1,262	-	-	-		-	-	1,262		-
Deferred tax liabilities	3,966	2,827	573	-	-	-	-	566	-	-
Other Liabilities	326,404	36,941	39,708	-	-	-	-	249,755	-	-
Total equity	6,804,389	2,022,898	517,688	413,500	218,836	126,848	422,636	3,037,083	39,999	4,901
TOTAL LIABILITIES AND EQUITY	**67,514,573**	**35,686,309**	**5,038,159**	**2,136,561**	**4,505,761**	**522,576**	**5,009,919**	**12,934,101**	**60,678**	**1,620,509**

* All intercompany eliminations are included in the Local Corporate Center

in RON thousands								2015		Bank
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI
Net interest income	1,925,963	1,265,499	184,824	127,646	24,922	59,762	153,215	103,865	1,057	5,173
Net fee and commission income	695,461	532,936	70,170	64,249	21,616	7,687	9,746	(34,498)	2,317	21,238
Dividend income	31,295	-	-	-	-	-	-	31,295	-	-
Net trading and fair value result	303,988	104,690	45,125	15,437	6,218	6,738	26,645	2,806	87,973	8,356
Rental income from investment properties and other operating lease	1,406	-	-	-	-	-	-	1,406	-	-
General Administrative expenses	**(1,530,824)**	**(1,187,774)**	**(163,309)**	**(83,219)**	**(29,973)**	**(8,172)**	**(16,881)**	**(23,778)**	**(12,908)**	**(4,810)**
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)	27,893	180,059	(2,513)	46,524	(16,829)	(5,378)	(53)	4,448
Other operating result	(429,876)	(468,467)	(3,696)	(36,728)	5,494	(25,686)	(14,068)	113,860	(202)	(383)
Pre-tax profit from continuing operations	**1,055,703**	**71,033**	**161,007**	**267,444**	**25,764**	**86,853**	**141,828**	**189,568**	**78,184**	**34,022**
Taxes on income	(92,276)	(11,365)	(25,761)	(39,734)	(7,179)	(13,897)	(22,692)	46,305	(12,509)	(5,444)
Post-tax profit from continuing operations	**963,427**	**59,668**	**135,246**	**227,710**	**18,585**	**72,956**	**119,136**	**235,873**	**65,675**	**28,578**
NET PROFIT OF THE YEAR	**963,427**	**59,668**	**135,246**	**227,710**	**18,585**	**72,956**	**119,136**	**235,873**	**65,675**	**28,578**
Attributable to non-controlling interests	-	-		-	-			-		-
Attributable to owners of the parent	**963,427**	**235,866**		**(442,316)**	**(64,214)**			**396,035**		**210,156**
Operating Income	2,958,113	1,903,125	300,119	207,332	52,756	74,187	189,606	104,874	91,347	34,767
Operating Expenses	(1,530,824)	(1,187,774)	(163,309)	(83,219)	(29,973)	(8,172)	(16,881)	(23,778)	(12,908)	(4,810)
Operating Result	**1,427,289**	**715,351**	**136,810**	**124,113**	**22,783**	**66,015**	**172,725**	**81,096**	**78,439**	**29,957**
Cost Income Ratio	51.75%	62.41%	54.41%	40.14%	56.81%	11.02%	8.90%	22.67%	14.13%	13.83%

in RON thousands								2015		Bank
	Bank	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI
ASSETS										
Cash and cash balances	9,255,487	2,142,409	-	-	-	-	-	6,883,968	150,245	78,865
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	-	5,553	-	-	-	229,371	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	3,058,949	2,853,485	1,273,545	1,402,812	4,754,581	1,562,871	2,737	(2,624)
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**	**3,064,502**	**2,853,485**	**1,273,545**	**1,402,812**	**5,000,474**	**25,575,527**	**429,550**	**76,241**
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	2,955,031	1,259,336	3,143,168	298,524	2,681,787	12,176,150	68,052	1,300,324
Deposits from banks	10,837,456	7	-	-	-	-	-	10,581,836	63,220	192,393
Deposits from customers	39,973,916	28,332,297	2,950,648	1,251,685	3,134,589	298,524	2,681,690	216,552	-	1,107,931
Debt securities issued	912,236	-	-	-	-	-	-	912,236	-	-
Other financial liabilities	518,376	27,308	4,383	7,651	8,579	-	97	465,526	4,832	-
Provisions	795,869	8,116	29,326	127,661	61,545	726	15,335	553,160	-	-
Other Liabilities	244,969	-	-	-	-	-	-	244,969	-	-
Total equity	6,142,989	1,788,386	382,577	490,881	164,489	177,356	504,304	2,585,091	48,563	1,342
TOTAL LIABILITIES AND EQUITY	**59,460,913**	**30,156,114**	**3,366,934**	**1,877,878**	**3,369,202**	**476,606**	**3,201,426**	**15,594,472**	**116,615**	**1,301,666**

in RON thousands 2016 Bank	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center*	GMT	GMFI
Net interest income	1,726,463	1,179,666	155,974	92,024	46,092	59,617	171,801	15,782	1,620	3,887
Net fee and commission income	672,086	509,049	65,843	37,833	56,443	5,440	12,947	(44,105)	2,914	25,722
Dividend income	5,004	-	-	-	-	-	-	5,004	-	-
Net trading and fair value result	309,098	108,660	40,372	11,590	5,661	4,864	19,490	20,276	90,299	7,886
Net result from equity method investments	-	-	-	-	-	-	-	-	-	-
Rental income from investment properties and other operating lease	1,014	-	-	-	-	-	-	1,014	-	-
General Administrative expenses	**(1,567,739)**	**(1,199,721)**	**(150,973)**	**(44,787)**	**(71,514)**	**(11,809)**	**(22,941)**	**(44,410)**	**(11,657)**	**(9,927)**
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	111,754	-	-	-	-		-	111,754		-
Net impairment loss on financial assets not measured at fair value through profit or loss	217,288	(40,864)	(5,063)	126,238	(5,814)	147,451	9,752	(11,640)	(2,445)	(327)
Other operating result	(468,927)	(318,217)	330	14,307	(8,845)	(43,250)	12,779	(124,986)	(64)	(981)
Pre-tax profit from continuing operations	**1,006,041**	**238,573**	**106,483**	**237,205**	**22,023**	**162,313**	**203,828**	**(71,311)**	**80,667**	**26,260**
Taxes on income	(119,955)	(38,171)	(17,037)	(37,953)	(3,524)	(25,970)	(32,612)	52,421	(12,907)	(4,202)
Post-tax profit from continuing operations	**886,086**	**200,402**	**89,446**	**199,252**	**18,499**	**136,343**	**171,216**	**(18,890)**	**67,760**	**22,058**
NET PROFIT OF THE YEAR	**886,086**	**200,402**	**89,446**	**199,252**	**18,499**	**136,343**	**171,216**	**(18,890)**	**67,760**	**22,058**
Operating Income	2,713,665	1,797,375	262,189	141,447	108,196	69,921	204,238	(2,029)	94,833	37,495
Operating Expenses	(1,567,739)	(1,199,721)	(150,973)	(44,787)	(71,514)	(11,809)	(22,941)	(44,410)	(11,657)	(9,927)
Operating Result	**1,145,926**	**597,654**	**111,216**	**96,660**	**36,682**	**58,112**	**181,297**	**(46,439)**	**83,176**	**27,568**
Cost Income Ratio	57.77%	66.75%	57.58%	31.66%	66.10%	16.89%	11.23%	-2188.76%	12.29%	26.48%

in RON thousands 2016 Bank	Bank	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI
ASSETS										
Cash and cash balances	11,648,878	4,100,081	-		-	-	-	7,468,827	20,005	59,965
Financial assets - held for trading	633,199	-	-		-	-	-	73,486	559,713	
Derivatives	73,486	-	-		-	-	-	73,486		-
Other trading assets	559,713	-	-		-	-	-	-	559,713	
Financial assets designated at fair value through profit or loss	15,319	-	-	-	-	-	15,319	-		-
Financial assets - available for sale	4,845,303	-	4,444	-	-	-	237,919	4,602,940		-
Financial assets - held to maturity	12,386,197	-	-	-	-	-	(3,460)	12,389,657	-	-
Loans and receivables to credit institutions	651,414	-	-		-	-	-	153,905	485,293	12,216
Loans and receivables to customers	31,162,509	17,870,369	2,695,762	2,722,456	1,567,194	1,421,983	4,292,146	570,570	8,237	13,792
Property and equipment	1,158,548							1,158,548		
Intangible assets	280,699							280,699		
Investments in associates	7,509							7,509		
Current tax assets	159,029							159,029		
Deferred tax assets	310,554							310,554		
Non-current assets and disposal groups classified as held for sale	2,292							2,292		
Other assets	806,775							806,775		
TOTAL ASSETS	**64,068,225**	**21,970,450**	**2,700,206**	**2,722,456**	**1,567,194**	**1,421,983**	**4,541,924**	**27,984,791**	**1,073,248**	**85,973**
LIABILITIES										
Financial liabilities held for trading	38,391	-	-		-	-	-	38,391		-
Derivatives	38,391	-	-		-	-	-	38,391		-
Financial liabilities measured at amortised costs	55,825,328	30,308,312	2,714,426	1,614,807	4,209,543	395,208	4,586,350	10,360,407	20,678	1,615,597
Deposits from banks	9,125,095	-	-	-	-	-	-	8,941,146	8,201	175,748
Deposits from customers	45,354,909	30,253,056	2,711,512	1,602,321	4,201,043	395,208	4,582,212	174,176	-	1,435,381
Debt securities issued	637,192	-	-	-	-	-	-	637,192	-	-
Other financial liabilities	708,132	55,256	2,914	12,486	8,500	-	4,138	607,893	12,477	4,468
Derivatives - hedge accounting	-									
Provisions	1,069,547	310,455	26,331	108,254	77,382	520	933	545,661	-	11
Other Liabilities	242,726	-	-		-	-	-	242,726		-
Total equity	6,892,233	1,939,816	356,365	413,500	222,933	126,848	422,636	3,362,178	40,022	7,935
TOTAL LIABILITIES AND EQUITY	**64,068,225**	**32,558,583**	**3,097,122**	**2,136,561**	**4,509,858**	**522,576**	**5,009,919**	**14,549,363**	**60,700**	**1,623,543**

34. RETURN ON ASSETS

Return on assets (net profit for the year divided by average total assets) was:

	Group		Bank	
	31.12.2015	31.12.2016	31.12.2015	31.12.2016
Return on assets	1.47%	1.60%	1.61%	1.43%

35. 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:

	2015	2016
Outstanding minimum lease payments	1,041,596	1,291,629
Gross investment	**1,041,596**	**1,291,629**
Unrealised financial income	(90,285)	(76,540)
Net investment	**951,310**	**1,215,089**
Present value of minimum lease payments	**951,310**	**1,215,089**

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	
	2015	2016
< 1 year	332,813	426,251
1-5 years	680,233	854,513
> 5 years	28,549	10,865
Total	**1,041,595**	**1,291,629**

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	
	2015	2016	2015	2016
< 1 year	41,014	101,906	287	1,041
1-5 years	125,327	305,827	287	781
> 5 years	280	225,653	-	585
Total	**166,621**	**633,386**	**574**	**2,406**

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

	Group		Bank	
	2015	2016	2015	2016
< 1 year	6,365	8,972	96,678	6,400
1-5 years	7,525	26,493	286,532	22,312
> 5 years	12,985	32,682	4,186	32,682
Total	**26,875**	**68,146**	**387,396**	**61,394**

Lease payments from operating leases recognized as expense in the period amounted to RON 57,710 thousands (2015: RON 56,462 thousands) for Group and RON 163,083 thousands (2015: RON 166,839 thousands) for Bank, in line with the previous year.

36. 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 2016 and 2015 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.

These transactions were carried out on commercial terms and conditions and at market rates.
Remuneration paid related to key management personnel is presented in note 8.

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

	2015				2016			
in RON thousands	Parent	Associates	Key management personnel	Other related parties	Parent	Associates	Key management personnel	Other related parties
Financial assets	**180,920**	**-**	**7,940**	**96,226**	**177,579**	**-**	**9,713**	**76,282**
Cash and cash equivalents	82,113	-	-	-	97,558	-	-	-
Derivative financial instruments	59,655	-	-	-	47,270	-	-	-
Equity instruments	-	-	-	-	-	-	-	-
Loans and advances	**39,152**	**-**	**7,940**	**96,226**	**32,751**	**-**	**9,713**	**76,282**
Loans and advances with credit institutions	39,152	-	-	-	32,751	-	-	-
Loans and advances with customers	-	-	7,940	96,226	-	-	9,713	76,282
Other assets				**26,414**	**-**	**-**	**-**	**26,380**
Financial liabilities	**9,840,104**	**37,120**	**7,012**	**78,024**	**8,483,833**	**45,528**	**7,283**	**170,349**
Deposits	**9,806,765**	**37,120**	**7,012**	**78,024**	**8,447,898**	**45,528**	**7,283**	**170,349**
Deposits by banks	9,806,765	-	-	5,795	8,447,898	-	-	2,936
Deposits by customers	-	37,120	7,012	72,229	-	45,528	7,283	167,414
Derivative financial instruments	33,339	-	-	-	35,935	-	-	-
Other liabilities	**16,004**	**-**	**-**	**34,723**	**11,143**			**47,287**
Loans commitments, financial guarantees and other commitments given - Irrevocable [notional amount]	**4,906**	**-**	**569**	**24,285**	**8,955**	**-**	**-**	**684**
Loans commitments, financial guarantees and other commitments given - Revocabile [notional amount]	**-**	**-**	**-**	**40,738**	**-**	**-**	**590**	**41,186**
Loan commitments, financial guarantees and other commitments received	**226,956**	**-**	**-**	**-**	**233,738**	**-**	**-**	**-**
Derivatives [notional amount]	**5,901,556**	**-**	**-**	**-**	**6,181,824**	**-**	**-**	**-**

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

	2015				2016			
in RON thousands	Parent	Associates	Key management personnel	Other related parties	Parent	Associates	Key management personnel	Other related parties
Interest income	82,653	-	311	1,594	60,018	-	395	1,160
Interest expenses	350,101	268	34	663	294,324	639	26	523
Dividend income	-	-	-	4,158	-	-	-	1,662
Fee and commission income	8,975	3	12	63,036	3,838	3	25	4,010
Fee and commission expenses	18,517	-	-	-	7,183	-	0	119
Net trading results (income)/expense	(36,629)	-	-	-	(47,487)	-	-	-
Operating income	1,818	-	-	239	-	-	-	724
Operating expense	14,900	-	-	68,500	18,866	-	-	70,245

Balances and off-balace exposures with related parties — Bank

in RON thousands	2015 Parent	2015 Subsidiaries	2015 Associates	2015 Key management personnel	2015 Other related parties	2016 Parent	2016 Subsidiaries	2016 Associates	2016 Key management personnel	2016 Other related parties
Financial assets	145,144	1,399,741	-	7,940	96,226	102,725	467,045	-	9,713	76,282
Cash and cash equivalents	46,338	190	-	-	-	22,712	617	-	-	-
Derivative financial instruments	59,655	-	-	-	-	47,270	-	-	-	-
Equity instruments	-	-	-	-	-	-	-	-	-	-
Loans and advances	39,151	1,399,550	-	7,940	96,226	32,743	466,428	-	9,713	76,282
Loans and advances with credit institutions	39,151	28,210	-	-	-	32,743	105,735	-	-	-
Loans and advances with customers	-	1,371,340	-	7,940	96,226	-	360,693	-	9,713	76,282
of which: Impaired financial assets	-	-	-	-	-	-	-	-	-	-
Other assets	-	875,459	-	-	26,414	-	628,250	-	-	26,380
Financial liabilities	9,097,673	861,872	37,120	7,012	78,024	7,514,034	809,916	45,528	7,283	170,349
Deposits	9,064,333	861,872	37,120	7,012	78,024	7,478,099	809,916	45,528	7,283	170,349
Deposits by banks	9,064,333	536,966	-	-	5,795	7,478,099	639,974	-	-	2,936
Deposits by customers	-	324,906	37,120	7,012	72,229	-	169,942	45,528	7,283	167,414
Derivative financial instruments	33,339	-	-	-	-	35,935	-	-	-	-
Other liabilities	16,004	8,406	-	-	34,479	11,123	9,013	-	-	47,010
Loans commitments, financial guarantees and other commitments given - Irrevocable [notional amount]	4,906	37,681	-	569	24,285	8,955	26,238	-	590	684
Loans commitments, financial guarantees and other commitments given - Revocabile [notional amount]	-	240,904	-	-	40,738	-	560,153	-	-	41,186
Loan commitments, financial guarantees and other commitments received	226,956	-	-	-	-	233,738	-	-	-	-
Derivatives [notional amount]	5,901,556	-	-	-	-	6,181,824	-	-	-	-

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

in RON thousands	2015 Parent	2015 Subsidiaries	2015 Associates	2015 Key management personnel	2015 Other related parties	2016 Parent	2016 Subsidiaries	2016 Associates	2016 Key management personnel	2016 Other related parties
Interest income	82,635	43,902	-	311	1,594	59,987	34,755	-	395	1,160
Interest expenses	338,734	7,112	268	34	663	282,681	4,890	639	26	523
Dividend income	-	23,719	1,845	-	4,158	-	705	1,420	-	1,662
Fee and commission income	8,970	30,967	3	12	63,036	3,826	6,828	3	25	4,010
Fee and commission expenses	13,405	1	-	-	-	4,006	3	-	-	119
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	-	-	3	-	-	1,070
Increase or (-) decrease during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	-	(144,834)	-	-	-	-	48,855	-	-	-
Net trading results (income)/expense	(36,629)	-	-	-	-	(47,487)	-	-	-	-
Operating income	1,818	-	-	-	-	-	(11,811)	-	-	195
Operating expense	14,611	206,197	-	-	68,163	18,576	203,442	-	-	69,945

For the purpose of the merger, as of 31 December 2016, the following inter-company balances between BCR, REM and BFP were eliminated:

Absorbed entity	Short descriptions	RON thousands
BFP	Deposits from customers	36,552
BFP	Loans and advances to customers	133,788
REM	Deposits from customers	999
REM	Other Liabilities	559
REM	Loans and advances to customers	642,770
REM	Other assets	48

37. PLEDGED COLLATERAL

in RON thousands	Group 2015	Group 2016	Bank 2015	Bank 2016
Financial assets - available for sale	-	-	224,026	461,222
Financial assets - held to maturity	853,233	780,155	1,118,199	881,003
Total - repurchase agreements	**853,233**	**780,155**	**1,342,225**	**1,342,225**

On 31 December 2016, government bonds with a total nominal value of RON 802,130 thousands (31 December 2015: RON 823,170 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.

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

38.1. REPURCHASE TRANSACTIONS AND SECURITIES LENDING

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

Bank

in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
	2015		2016	
Repurchase agreements				
Financial assets - available for sale	224,026	212,553	461,222	438,166
Financial assets - held to maturity	264,966	264,277	100,848	99,796
Total - repurchase agreements	**488,992**	**476,830**	**562,070**	**537,962**

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

The total amount RON 562,070 thousands (RON 488,992 thousands at 31 December 2015) 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 537,962 thousands (RON 476,830 thousands at 31 December 2015), 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

in RON thousands	Fair value of transferred assets	Fair value of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
	2015		2016	
Financial assets - available for sale	224,026	212,476	461,222	438,008
Financial assets - held to maturity	279,314	264,182	104,974	99,760
Total	**503,340**	**476,658**	**566,196**	**537,768**

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 37.

As at 31 December 2016, The Bank concluded reverse repurchase transactions in amount of 8,237 RON thousands, with maturities between 26.06.2017 and 21.07.2017. The Bank received as collateral financial assets consisting in government bonds issued by Romania having a fair value of RON 9,700 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 2016, the collateral was repledged by the Bank. Associated liabilities for collateral repledged are in amount of RON 8,201 thousands.

38.2. TRANSFERRED FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY BUT WHERE THE BANK HAS CONTINUING INVOLVEMENT

The following table summarizes the impact on the Group's and Bank's statement of financial position and maximum exposure to risk as a result its continuous involvement:

	Group		
in RON thousands	Carrying value	Fair value	Maximum exposure to loss
Transfer of loans	34,006	31,313	48,926

	Bank		
	Carrying value	Fair value	Maximum exposure to loss
Transfer of loans	28,624	25,666	40,520

The following table summarizes the impact on the income statement at the time of the transactions and as a result of its continuous involvement:

	Group	
in RON thousands	Year to date profit / (loss)	Cumulative profit/ (loss)
Transfer of loans	(34,006)	(34,006)

	Bank	
	Year to date profit / (loss)	Cumulative profit/ (loss)
Transfer of loans	(28,624)	(28,624)

In 2016, the Group sold two portfolios of loans to an unrelated third party. The transaction resulted in full derecognition of the financial assets from statement of financial position. Following this transfer, the Group only continuing involvement in the transferred assets is as follows:

- for the first portfolio, the buyer can exercise a put back clause within 6 months from the transaction closing for the loans which do not meet the representations and warranties set out in the loan sale agreement; the transaction was closed in June
- for the second portfolio:
  - an indemnity is paid back to the buyer based on a Qualified Court Ruling establishing that the respective amounts were illegally paid to and received by the Assignor prior to Closing.
  - an upside sharing is received after a certain level of profitability/collections would be realized by the buyer monthly.

39. 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 program of internal control and audit, and ensures that clear responsibility exists for the management of each area of risk.

39.1. RISK POLICY AND RISK STRATEGY

The Risk Strategy forms an essential part of the 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.
The Risk Strategy also includes the formulation of the risk appetite and the risk profile for all identified risks in the context of its overall business strategy and defines, for each main risk type, the current and targeted risk profile.
The core function of the Bank is to take risks in a conscious and selective manner and to manage the risks professionally. The Group's proactive risk policy and risk strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity.
The Group uses a risk management and control system that is forward-looking and tailored to its business and risk profile. This system is based on a clear risk strategy that is consistent with the 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, The Group's risk management and control system has been developed to fulfill external and, in particular, regulatory requirements.
Given the Group's business strategy, the key risks for the Group are credit risk, market risk, operational and non-financial risks, and liquidity risk. In addition, a risk materiality assessment is undertaken on an annual basis. It is ensured that all relevant material risks are covered by the Group's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the 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 the group. The Bank always seeks to enhance and complement existing methods and processes in all areas of risk management.
In 2016, the management has continued to steer critical portfolios, including active management and sales of non-performing exposures, and further strengthening of the risk profile. This has been particularly demonstrated by the continuous improvement of the credit quality and the ongoing decrease of non-performing loans and risk costs. Management actions resulted in improved profitability, asset quality, lending and capital levels. In addition, emphasis was put on strengthening risk governance and ensuring compliance with regulatory requirements.
The Group uses the Internet as the medium for publishing its disclosures under NBR Regulation no. 5 / 2013 regarding prudential requirements for credit institutions and to Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR). Details are available in the Disclosure Report on the website of the Group.

39.2. RISK GOVERNANCE STRUCTURE

The Bank has developed a governance model based on a framework which ensures efficiently organized corporate governance. It also helps ensuring the Bank's stability and maintains the corporate governance standards and of business conduct.

The Risk Governance structure is presented below:

Supervisory Board

The Supervisory Board secures the supervision of 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 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 and litigations.

Management Board

The Management Board ensures the current steering of the Bank, performs its activities under the supervision of the Supervisory Board, has its responsibilities established by the Applicable Legislation, the Bank's Charter and the resolutions of the Supervisory Board and shall act in accordance with the Management Board 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.

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, operational risk). On the other hand, it represents a forum for discussions of issues related to risk together with the representatives of the business lines.

39.3. RISK MANAGEMENT ORGANIZATION

Risk control and risk steering within the Group are performed based on the business strategy and risk appetite approved by the Supervisory Board. Risk monitoring and control are 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. The Compliance Division (in charge with compliance risk) and Financial Crime Prevention Division (in charge with fraud risk management) are reporting under Executive VP Risk 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 Risk Management function is a central organizational function, structured so it can implement risk policies and control the risk management framework.

The main roles of the Risk Management function are:

- Ensures that all material risks are identified, measured and properly reported;
- Implements the Enterprise Risk Management principles and ensures that adequate and consistent risk management policies are developed and implemented for all material risks; and
- Ensures that the Bank has effective risk management processes in place by being involved the elaboration and review of the strategies, in the decision-making process, as well as in the risk monitoring process.

The Risk Management function performs regular reports both at individual material risk level and at bank-wide risk exposure level (i.e. complete view of the whole range of risks) to the Management Board, the Risk Committee of the Management Board, the Risk Management Committee of the Supervisory Board and the Supervisory Board of the risk aspects that are considered within the decision making process of the Bank.

Reports include information on aspects such as:

- Risk exposures and their development;
- Key risk indicators evolution and specific limits;
- Results of the stress testing exercises; and
- Internal capital adequacy (i.e. risk bearing capacity).

The Risk Management function is consolidated under the Risk Functional Line, coordinated by the Chief Risk Officer (Vice-President) to which the following organizational units performing the risk management function are subordinated:

Figure : Organizational structure of Risk Management Function as of end 2016

39.4. GROUP-WIDE RISK AND CAPITAL MANAGEMENT

The main purposes of the Group's capital management policies and practices are to support its business strategy and to ensure that it is sufficiently capitalised to withstand even severe macroeconomic downturns.

The Group considers the management of risk and capital to be among its core responsibilities and a key factor in providing a stable, high return to shareholders. The Group's capital management aims to ensure efficient use of capital to meet the Group's overall capital targets.

Enterprise-wide Risk Management (ERM) enables an increased focus on holistic risk management and ensures comprehensive, cross-risk Group-wide risk portfolio steering.

ERM drives key strategic cross-risk initiatives to establish greater cohesion between the risk strategy including the risk appetite and limit steering. ERM involves all risk functions and key divisions to strengthen risk oversight group-wide, covering capital (RWA and ICAAP), credit, liquidity (ILAAP), market, operational and business risk.

At the Bank level, Strategic Risk Management / Risk Controlling Division is responsible for the group's Internal Capital Adequacy Assessment

Process (ICAAP) including the stress testing framework, and furthermore for the proper calculation of risk-weighted assets (RWA), risk portfolio steering with respect to material risks, risk planning and risk input into capital planning, risk appetite and limit management, as well as liquidity & market risk / operational risk steering.

As in prior years, the 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 II of the Basel framework.

The ERM framework is designed to support the bank's management in managing the risk portfolios as well as the coverage potential to ensure that the bank holds at all times adequate capital for the nature and magnitude of the bank's risk profile. ERM is tailored to the Group's business and risk profile, and it reflects the strategic goal of protecting shareholders while ensuring the sustainability of the organization.

ERM is a modular and comprehensive management and steering system within the Group and is an essential part of the overall steering and management instruments. The ERM 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.

39.4.1. Risk Management Principles

The Group aims at achieving balanced risk and return in order to generate a sustainable growth and adequate return on equity. Hence, the scope of this strategy is to ensure that risks are assumed in the context of its business, recognized at an early stage and properly managed. This is achieved by fully integrating risk management into daily business activities, strategic planning and developing the business consistently with the defined risk appetite.

The relevant risk management principles are presented below:

- 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 the Group's risk profile;
- Risk strategy based on Risk Appetite and Strategic Guidelines to ensure full alignment of risk, capital and performance targets;
- Stress testing and concentration risk analysis conducted to ensure sound risk management in line with risk strategy & RAS and holistic risk awareness;
- All material risks managed and reported in coordinated manner via risk management processes;
- Modeling and measurement approaches for quantifying risk and, where applicable, capital demand as well as regular validation;

- Data, effective systems, processes and policies as critical components of the risk management capability; and
- Policy framework clearly defines key requirements related to creating, classifying, approving, implementing and maintaining policies across the Group;
- An integrated and institution-wide risk culture, based on a full understanding of the risks taken and how they are managed, taking into account BCR risk appetite / tolerance;
- The Bank has a risk management function independent from the operational functions and which must 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 is actively involved in elaborating the institution's risk strategy and in all material risk management decisions and that it can deliver a complete view of the whole range of risks of the institution;
- The Bank has robust governance arrangements, which include a clear organizational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks they are or might be exposed to, adequate internal control mechanisms;
- All major risk classes are managed in a coordinated manner via risk management process, including credit, market, operational, liquidity, reputational and strategic risk;
- Appropriate monitoring, stress testing tools and escalation process in place for key capital and liquidity thresholds and metrics;
- Effective systems, processes and policies are a critical component of the risk management capability;
- The Bank's operational structure is consistent with the approved business strategy and risk profile;
- The management body is responsible for the approval of sound strategies and policies for establishment of new structures;
- The management body establishes, maintains and reviews, on an on-going mode, adequate strategies, policies and procedures for approval and maintenance of such structures and activities, to provide that they remain consistent with their declared scope.

39.4.2. Proportionality Principles

The principle of proportionality is an important part of Pillar II requirements. The organizational requirements depend on nature, scale and complexity of the Bank and its activities.

Risk management principles, concepts and processes are generally designed, developed and implemented to address over-arching organizational needs across the Group reflecting a high degree of granularity and detail. The proportionality principle is an integral part of the Group's overall risk framework and strategy. The Risk Strategy is presented both on an individual basis (for BCR, hereinafter the Bank) and on a consolidated basis (the Group).

The subsidiaries set their own governance responsibilities and evaluate any the Group decisions or practices to ensure that they do not put the subsidiary in breach of regulatory provisions or prudential rules applicable on a solo basis in Romania and in other countries where they activate.

39.4.3. Risk appetite

The Group defines its Risk Strategy and Risk Appetite Statement (RAS) through the annual strategic planning process to ensure appropriate alignment of risk, capital and performance targets. The Group RAS represents a strategic statement expressing the maximum level of risk that the Group is prepared to accept in order to achieve its business objectives. It consists of a set of core metrics providing quantitative direction for risk steering and qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks. The key objective of the RAS is to:

- ensure that the Group has sufficient resources to support its business at any given point in time and absorb stress events;
- set boundaries for the Group's risk-return target setting;
- preserve and promote the market's perception of the Group's financial strength and the robustness of its systems and controls.

The setting of the Group risk appetite is forward-looking in order to foster risk return steering and ensure proactive management of the risk profile. External constraints such as regulatory requirements set the ceiling for the RAS and the amount of risk Group is willing to accept. In order to ensure that the Group remains within the targeted risk profile a Red Amber Green system was established and assigned to the core metrics. This approach allows a timely delivery of information to the respective governance and the implementation of effective remediation measures. A pre-defined threshold describes a level or event which triggers an escalation to the designated governance and the discussion of potential remediation actions. The breaching of a pre-defined limit, initiates an immediate escalation to the designated governance and a prompt implementation of remediation actions.

Moreover, stress triggers are defined for selected core metrics and integrated into the assessment of the stress test results. They are reported as early warning signals to the Management Board to support proactive management of the risk and capital profile.

In addition, strategic risk limits and principles are defined based on the Group RAS in Group Risk Strategy. These limits and principles support the implementation of the mid to long term risk strategy. Risk management governance ensures full oversight over all risk decisions and the proper execution of the risk strategies. Risk mitigating actions are undertaken as part of the regular risk management process to ensure that the Group remains within its defined RAS.

The RAS horizon covers 5 years to ensure a stronger interplay with the other strategic processes such as long-term planning, budgeting. The remuneration program was also directly linked to the Group RAS to reinforce the risk culture and risk awareness within the Group. In that light, the determination of the annual bonus pool must consider if the relevant core metrics are within the Group RAS. The Group RAS 2016 was pre-approved by both Management Board and the Risk Committee of the Management Board and approved by the Supervisory Board, as part of the increased role of the Supervisory Board in RAS setting and monitoring. The Group also developed an aggregated and consolidated risk appetite dashboard (RAS Monitor) illustrating the Groups' risk profile developments by comparing the risk exposure and risk limits.

The Group RAS framework streamlines core capital, liquidity, and risk/earnings metrics as well as reinforces key risk principles that form part of guidelines for managing risks. In addition, the Group RAS strengthens internal governance responsible for oversight of the risk profile development, embeds RAS into strategic planning and budgeting processes as well as day-to-day management, and ensures timely management actions in case of adverse developments.

39.4.4. Portfolio and risk analytics

The 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.

39.4.4.1. Risk materiality assessment

The Bank has implemented and continuously develops its risk materiality framework. This process is not limited to the risk function and therefore various bank entities are involved in order to ensure the comprehensiveness of the assessment. Such broad involvement of the Bank improves the understanding of the sources of risk, clarifies how risks relate to specific business activities, and provides the best chances of identifying newly emerging risks.

The risk materiality assessment is an annual process with the purpose of systematically identifying new and assessing existing material risks for the Group. The process uses a combination of quantitative and qualitative factors in the assessment of each risk type.

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 the group. The assessment also serves as an input for the design and definition of the Group's Risk Strategy and Risk Appetite Statement.

39.4.4.2. Risk Profile

The risk profile is represented by the aggregated actual and potential risk exposures of the Bank. As part of its risk strategy, the Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework. The risk profile is a key input in setting the business objectives, policies, risk appetite and the internal control environment in the Bank.

39.4.4.3. Risk concentration analysis

The BCR concentration risk framework outlines the standards needed to identify, measure, monitor, and mitigate concentration risks, whose implementation is essential to ensure the long-term viability of any financial institution, especially in the case of stressed economic conditions. Concentration risk is addressed through the banks' comprehensive limit framework and specific concentration analyses.

39.4.4.4. Stress testing

Stress testing is a key risk management tool which supports the Bank in taking a forward-looking view in risk management as well as in strategic, business, risk, capital and liquidity planning. In this sense, stress testing is a vital element of the bank's Enterprise Risk Management (ERM) framework.

Stress testing the Bank's vulnerability to severe but plausible future deteriorations of the economic environment provides key insight in the sustainability and robustness of the bank and helps regarding timely preparation and execution of contingency plans and mitigating actions.

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 or the Risk-bearing Capacity Calculation.

Based on forward – looking hypothetical severe macroeconomic scenarios, BCR performs a yearly comprehensive stress testing exercise which seeks to identify any potential vulnerabilities of the bank and provide further robustness to the measuring, steering and management system.

Reverse stress testing, which assesses scenarios and circumstances that would jeopardize the bank's solvability, earnings and economic capital adequacy, complements the bank's stress testing program. Unlike the comprehensive stress testing, reverse stress testing starts from an outcome of business failure and identifies under what circumstances this might occur, for the purpose of identifying possible combinations of risk events / concentrations.

Under the comprehensive stress test exercise, 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 impact, amongst other elements, the default rate and recovery rate of the institution.

Under the stress scenario at an increase in the default rate by 16 basis points for the Bank and 21 basis points for the Group, coupled with a reduced recovery capacity, the loss experience increased compared to the business as usual forecast by RON 142,029 thousands for the Bank and RON 207,123 thousands for the Group respectively.

Similarly under the worst scenario, the loss experience increased compared to the forecasted values by RON 161,942 thousands for the Bank and RON 241,352 thousands for the Group, driven by an increase of 27 basis points in the default rate of the Bank and 32 basis points for the Group.

	Group	Bank
In RON thousands	31.12. 2016	31.12. 2016
Change in loss experience (abs)		
Increase budget vs stress scenario by	207,123	142,029
Increase budget vs worst scenario by	241,352	161,942

39.4.4.5. Risk Capacity

Risk capacity (also known as risk-bearing capacity) represents the Bank's overall ability to absorb potential losses. Risk capacity can be measured in terms of cash and cash equivalents to meet liquidity demands and in terms of capital and reserves to cover potential losses.

The Bank defines the Risk-bearing capacity as a prospective view of risk that is useful in establishing allocations of risk, capital or both to drive value for the shareholders and the organization as a whole.

The risk-bearing capacity of the Group represents a measure of the total risk exposure for Pillar II purposes. Risk Capacity is the maximum amount of risk which the Bank is technically able to assume before breaching one or more of its capital base, liquidity, and borrowing capacity, reputational and regulatory constraints. The risk capacity represents the upper limit beyond which a breach is likely to result in failure. The Bank defines the risk capacity of the organization prior to framing strategy and setting risk appetite.

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.

Based on the Group business and risk profile, the three main types of banking risks – credit risk, market risk and operational risk – are considered directly in the Risk-bearing Capacity Calculation. Besides the Pillar I risk types (credit, market and operational risks), in the context of Pillar II, there are additional risks that the Bank explicitly considered within the required economic capital via internal models.

39.4.4.6. 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 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.

39.4.4.7. Risk-weighted asset management

As risk-weighted assets (RWA) determine the actual regulatory capital requirement of the bank and influence the capital ratio as a key performance indicator, particular emphasis is devoted to meet targets and to the planning and forecasting capacity for this parameter. Insights from RWA analyses are used to improve the calculation infrastructure and the quality of input parameters and data as well as the most efficient application of the Basel framework.

39.4.4.8. Risk monitoring

Risks will constantly change and will therefore need to be reviewed in a timely and appropriate manner.

Risks and the progress in implementing recommendations to reduce risks are kept under review and any new practices are evaluated. This enables the Bank to monitor if the actions have had the desired effect of reducing risk, and creating a more stable environment for its activity.

Monitoring and review is a planned part of the risk management process and involves regular checking or surveillance. The results are recorded and reported externally and internally, as appropriate. The results are also an input to the review and continuous improvement of the Bank's risk management framework.

Monitoring and review of risks is required, to evaluate any changes in the risk or control environment. Risk management also requires regular monitoring of risks in light of new developments, providing early warning if risk levels change.

39.4.4.9. 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 long-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.

39.4.4.10. Recovery plan

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.

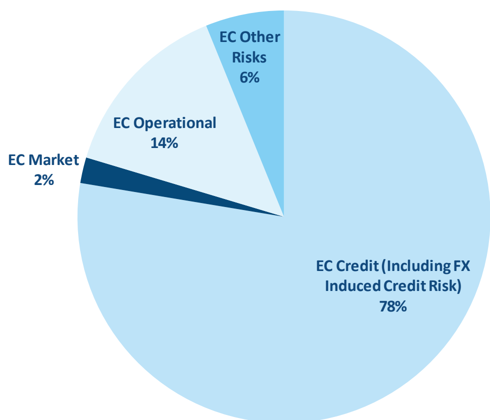
The BCR Recovery Plan sets a governance framework for the drawing up and the implementation of the plan as a main pillar of strengthening the financial resilience of BCR and restoring its financial position following a significant deterioration.

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.

39.4.5 The 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 2016:

Economic Capital allocation in % , 31.12.2016



39.5. 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

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

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.

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 the customer meets any of the default event criteria defined in the Group internal default definition, the account will be classified as non-performing.
If for 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 account has more than 30 day past due during the monitoring period, or
- the customer meets any of the default event criteria defined in the 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-banking) and PI customers, the portfolio monitoring and management is based on an automated early warning system and MIS (Management Integrated System) Group standards. 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 share with sub-investment rating grade on the portfolio

Credit portfolio reports for asset classes and business lines are prepared on a regular basis. Watch-list 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 the Group increased by 2% or RON 1,481,186 thousand, from almost RON 70,189,066 thousands as of 31 December 2015 to approximately RON 71,670,252 thousands as of 31 December 2016.

39.5.1 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			2015			2016
	Gross carrying amount	Allowances	Carrying amount	Gross carrying amount	Allowances	Carrying amount
Cash balances at central banks and other demand deposits	7,172,321	-	7,172,321	7,578,709	-	7,578,709
Loans and receivables to credit institutions	205,743	1,340	204,403	557,466	4,636	552,830
Loans and receivables to customers	38,441,948	5,991,191	32,450,757	35,884,582	3,593,448	32,291,134
- Retail	20,138,372	2,131,694	18,006,679	19,619,845	1,553,390	18,066,455
- Corporate	18,303,576	3,859,498	14,444,078	16,264,737	2,040,058	14,224,679
Financial assets - held to maturity - Debt Securities	10,155,865	1,445	10,154,420	13,907,661	3,460	13,904,201
Financial assets - held for trading - Derivatives	78,814	-	78,814	73,486	-	73,486
Financial assets - held for trading - Debt Securities	166,878	-	166,878	559,176	-	559,176
Financial assets - at fair value through profit or loss - Debt Securities	17,967	-	17,967	15,319	-	15,319
Financial assets - available for sale - Debt Securities	6,937,001	-	6,937,001	5,376,652	-	5,376,652
Total on balance	**63,176,537**	**5,993,977**	**57,182,561**	63,953,050	3,601,544	60,351,506
Commitments, financial and performance guarantees*	7,012,529	242,720	6,769,809	7,717,203	225,341	7,491,861
- Commitments	4,331,977	40,357	4,291,620	4,972,097	23,710	4,948,388
- Financial and performance guarantees	2,680,552	202,363	2,478,189	2,745,106	201,632	2,543,474
Total off balance	**7,012,529**	**242,720**	**6,769,809**	7,717,203	225,341	7,491,861
Total on balance and off-balance	**70,189,066**	**6,236,697**	**63,952,370**	71,670,252	3,826,885	67,843,368

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

in RON thousand	2015 Gross carrying amount	2015 Allowances	2015 Carrying amount	2016 Gross carrying amount	2016 Allowances	2016 Carrying amount
						Bank
Cash balances at central banks and other demand deposits	6,997,828	-	6,997,828	7,326,244	-	7,326,244
Loans and receivables to credit institutions	185,972	1,340	184,631	656,050	4,636	651,414
Loans and receivables to customers	38,118,547	5,569,824	32,548,724	34,539,486	3,376,977	31,162,509
- Retail	19,548,558	1,784,122	17,764,436	19,306,201	1,429,249	17,876,952
- Corporate	18,569,989	3,785,701	14,784,288	15,233,284	1,947,728	13,285,557
Financial assets - held to maturity - Debt Securities	8,820,105	1,445	8,818,660	12,389,657	3,460	12,386,197
Financial assets - held for trading - Derivatives	78,814	-	78,814	73,486	-	73,486
Financial assets - held for trading - Debt Securities	166,878	-	166,878	559,176	-	559,176
Financial assets - at fair value through profit or loss - Debt Securities	17,967	-	17,967	15,319	-	15,319
Financial assets - available for sale - Debt Securities	5,990,202	-	5,990,202	4,648,089	-	4,648,089
Total on balance	**60,376,313**	**5,572,609**	**54,803,703**	60,207,506	3,385,073	56,822,434
Commitments, financial and performance guarantees*	7,040,669	242,709	6,797,961	7,708,249	225,314	7,482,935
- Commitments	4,332,142	40,346	4,291,796	4,941,010	23,682	4,917,328
- Financial and performance guarantees	2,708,527	202,363	2,506,165	2,767,239	201,632	2,565,608
Total off balance	**7,040,669**	**242,709**	**6,797,961**	7,708,249	225,314	7,482,935
Total on balance and off-balance	**67,416,982**	**5,815,318**	**61,601,664**	67,915,756	3,610,386	64,305,369

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

39.5.2 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.

in RON thousand	2015 Loans and receivables to customers	2015 Commitments, financial and performance guarantees*	2016 Loans and receivables to customers	2016 Commitments, financial and performance guarantees*
				Group
Agriculture, forestry and fishing	746,839	50,653	587,281	67,555
Mining and quarrying	167,654	1,273,646	312,441	1,275,934
Manufacturing	4,572,695	552,012	4,049,915	602,368
Electricity, gas, steam and air conditioning supply	766,902	53,780	738,461	46,565
Water supply	259,482	34,828	232,205	14,062
Construction	2,694,900	1,755,331	1,536,611	1,596,862
out of which: Development of building projects	1,501,726	345,245	688,632	172,924
Wholesale and retail trade	2,209,770	1,400,209	2,043,955	1,873,616
Transport and storage	775,009	84,755	1,063,188	113,846
Accommodation and food service activities	184,934	2,126	99,026	977
Information and communication	343,553	53,929	287,646	27,620
Financial and insurance services	434,889	62,397	497,626	71,284
out of which: Holding companies	210,736	25,577	182,947	50,407
Real estate activities	719,299	1,204	785,347	14,451
Professional, scientific and technical activities	281,429	89,395	189,389	79,999
Administrative and support service activities	101,812	46,780	116,574	4,202
Public administration and defence, compulsory social security	4,548,818	173,501	3,922,794	459,339
Education	9,352	20,215	3,155	9,690
Human health services and social work activities	195,727	9,908	114,248	19,843
Arts, entertainment and recreation	8,493	2,711	3,350	2,595
Other services	51,285	7,238	43,175	10,968
Private households	19,369,095	1,337,911	19,258,182	1,425,376
Others	11	-	12	52
Total	**38,441,948**	**7,012,529**	**35,884,582**	**7,717,203**

* Irrevocable financial guarantees and undrawn irrevocable credit commitments

	2015		2016 Bank	
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	612,914	55,686	453,315	57,141
Mining and quarrying	164,656	1,273,544	306,464	1,275,849
Manufacturing	4,441,630	543,868	3,892,196	591,091
Electricity, gas, steam and air conditioning supply	765,292	53,780	737,020	46,565
Water supply	231,318	33,293	199,625	14,062
Construction	2,577,079	1,753,213	1,421,665	1,594,573
out of which: Development of building projects	1,488,435	345,245	688,632	172,924
Wholesale and retail trade	2,001,871	1,385,813	1,766,135	1,841,808
Transport and storage	434,072	85,792	602,711	116,486
Accommodation and food service activities	145,292	1,856	62,542	977
Information and communication	314,120	66,661	255,316	47,508
Financial and insurance services	817,247	98,223	812,616	96,323
out of which: Holding companies	210,736	25,577	182,947	50,407
Real estate activities	1,659,575	907	794,454	14,030
Professional, scientific and technical activities	249,931	89,481	152,813	81,258
Administrative and support service activities	63,192	48,437	86,576	5,344
Public administration and defence, compulsory social security	4,548,516	173,501	3,922,392	459,339
Education	8,587	20,215	1,947	9,690
Human health services and social work activities	182,131	9,780	102,894	19,843
Arts, entertainment and recreation	6,928	2,711	498	2,595
Other services	47,818	7,199	38,996	10,968
Private households	18,846,367	1,336,711	18,929,298	1,422,802
Others	11	-	12	-
Total	**38,118,547**	**7,040,669**	**34,539,486**	**7,708,249**

* Irrevocable financial guarantees and undrawn irrevocable credit commitments.

39.5.3 Loan Portfolio on time bands

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

			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

			2016	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	507,261	463,334	13,155	30,773
II. Retail Clients	2,125,421	1,808,646	276,215	40,561
Total Loans (I+II)	2,632,683	2,271,980	289,369	71,333

			2015	Bank
in RON thousands	TOTAL	Exposure past due, but not impaired		
	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

			2016	Bank
in RON thousands	TOTAL	Exposure past due, but not impaired		
	LOANS	1 - 30 days	31- 90 days	More than 90 days
I. Corporate Clients	369,722	328,793	10,894	30,036
II. Retail Clients	2,082,222	1,800,324	242,248	39,650
Total Loans (I+II)	2,451,945	2,129,117	253,142	69,686

39.5.4 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;

BCR has developed a methodology for assessing the expected loss of the "Datio in solutum" eligible performing portfolio of the Bank and collective provisions were booked. Specific allowances are booked for all loans where notifications were received based on low's provisions (77/2016). Until December 31st 2016, the total number of notifications received based on law 77/2016 provisions were related to 1119 accounts (out of which 400 are active accounts at 31st December 2016).

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 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 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 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.

						2015	Group
	Neither past due nor impaired				Past due but not impaired	Individually Impaired **	Total
in RON thousands	Low Risk	Management Attention	Substandard	Non-performing			
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**
Financial assets held for trading	**166,878**	**-**	**-**	**-**	**-**	**-**	**166,878**
Listed debt instruments	64,391	-	-	-	-	-	64,391
Unlisted debt instruments	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 instruments	5,315,860	385	1,698	1,980	1,148	-	5,321,071
Unlisted debt instruments	1,615,612	-	-	-	318	-	1,615,930
Financial investments - held to maturity	**10,155,865**	**-**	**-**	**-**	**-**	**-**	**10,155,865**
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.

						2016	Group
	Neither past due nor impaired				Past due but not impaired	Individually Impaired **	Total
in RON thousands	Low Risk	Management Attention	Substandard	Non-performing			
Cash balances at central banks and other demand deposits	**2,373,961**	**5,203,452**	**1,296**	**-**	**-**	**-**	**7,578,709**
Loans and receivables to credit institutions	**512,642**	**44,824**	**-**	**-**	**-**	**-**	**557,466**
Financial assets designated at fair value through profit or loss	**15,319**	**-**	**-**	**-**	**-**	**-**	**15,319**
Derivative financial instruments	**66,734**	**3,118**	**3,634**	**-**	**-**	**-**	**73,486**
Financial assets held for trading	**559,176**	**-**	**-**	**-**	**-**	**-**	**559,176**
Listed debt instruments	300,178	-	-	-	-	-	300,178
Unlisted debt instruments	258,998	-	-	-	-	-	258,998
Loans and receivables to customers	**23,122,923**	**5,806,124**	**181,312**	**12,386**	**2,632,683**	**4,129,155**	**35,884,582**
Financial investments - available for sale	**5,374,205**	**-**	**117**	**-**	**2,331**	**-**	**5,376,652**
Listed debt instruments	3,989,464	-	117	-	2,184	-	3,991,765
Unlisted debt instruments	1,384,740	-	-	-	147	-	1,384,888
Financial investments - held to maturity	**13,907,661**	**-**	**-**	**-**	**-**	**-**	**13,907,661**
Commitments, financial and performance guarantees	**5,817,108**	**1,531,187**	**41,752**	**371,331**	**10,190**	**-**	**7,717,202**
TOTAL	**51,749,728**	**12,588,704**	**228,111**	**383,717**	**2,645,203**	**4,129,155**	**71,670,252**

* Irrevocable financial guarantees and undrawn irrevocable credit commitments

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

2015 Bank

in RON thousands	Neither past due nor impaired: 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 instruments	64,391	-	-	-	-	-	64,391
Unlisted debt instruments	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 instruments	4,392,382	385	1,698	1,980	1,148	-	4,397,593
Unlisted debt instruments	1,592,291	-	-	-	318	-	1,592,609
Financial investments - held to maturity	8,820,105	-	-	-	-	-	8,820,105
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.

2016 Bank

in RON thousands	Neither past due nor impaired: Low Risk	Management Attention	Substandard	Non-performing	Past due but not impaired	Individually Impaired **	Total
Cash balances at central banks and other demand deposits	2,122,176	5,204,069	-	-	-	-	7,326,244
Loans and receivables to credit institutions	583,095	72,955	-	-	-	-	656,050
Financial assets designated at fair value through profit or loss	15,319	-	-	-	-	-	15,319
Derivative financial instruments	66,734	3,118	3,634	-	-	-	73,486
Financial assets held for trading	559,176	-	-	-	-	-	559,176
Listed debt instruments	300,178	-	-	-	-	-	300,178
Unlisted debt instruments	258,998	-	-	-	-	-	258,998
Loans and receivables to customers	22,278,712	5,785,448	171,767	12,144	2,451,945	3,839,470	34,539,486
Financial investments - available for sale	4,645,642	-	117	-	2,331	-	4,648,089
Listed debt instruments	3,260,901	-	117	-	2,184	-	3,263,202
Unlisted debt instruments	1,384,740	-	-	-	147	-	1,384,888
Financial investments - held to maturity	12,389,657	-	-	-	-	-	12,389,657
Commitments, financial and performance guarantees	5,786,959	1,508,207	41,752	371,331	-	-	7,708,249
TOTAL	48,447,469	12,573,796	217,270	383,475	2,454,275	3,839,470	67,915,756

* Irrevocable financial guarantees and undrawn irrevocable credit commitments.

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

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

	Group		'Bank	
	2015	2016	2015	2016
in RON thousand	Impaired loans			
Agriculture, forestry and fishing	227,017	75,380	206,730	46,943
Mining and quarrying	103,154	199,333	102,859	199,082
Manufacturing	1,746,553	1,136,911	1,704,301	1,102,948
Electricity, gas, steam and air conditioning supply	108,233	78,435	107,138	77,586
Water supply	60,318	33,743	39,837	16,550
Construction	1,285,040	303,248	1,235,369	287,191
Development of building projects	545,804	99,768	532,751	99,768
Wholesale and retail trade	810,228	400,948	766,623	374,776
Transport and storage	97,298	67,384	86,835	39,178
Accommodation and food service activities	116,621	34,675	112,664	30,997
Information and communication	67,885	38,285	57,131	37,912
Financial and insurance services	54,633	54,304	50,793	44,562
Holding companies	63	34	63	34
Real estate activities	296,498	135,194.06	286,670	140,265
Professional, scientific and technical activities	36,430	16,440	35,840	13,762
Administrative and support service activities	23,959	3,470	23,314	3,463
Public administration and defence, compulsory social security	40,769	36,622	40,769	36,622
Education	147	290	147	290
Human health services and social work activities	43,897	11,907	42,280	10,240
Arts, entertainment and recreation	6,648	226	6,420	226
Other services	5,021	1,188	4,982	902
Private households	2,131,616	1,501,161	1,819,531	1,375,964
Others	-	12	-	12
Total	**7,261,965**	**4,129,155**	**6,730,230**	**3,839,470**

39.5.5. 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

	2015		2016	
in RON thousands	Over-collateralized	Under-collateralized	Over-collateralized	Under-collateralized
Neither past due nor impaired				
Gross exposure	4,394,523	24,033,884	2,268,288	26,854,456
Collaterals	6,670,561	8,792,092	5,472,837	6,421,944
Past due but not impaired				
Gross exposure	490,118	2,261,459	405,914	2,226,769
Collaterals	1,008,746	1,138,032	661,708	845,562
Individually impaired				
Gross exposure	499,901	6,762,065	325,705	3,803,450
Collaterals	943,146	1,879,066	670,090	896,490

Bank

	2015		2016	
in RON thousands	Over-collateralized	Under-collateralized	Over-collateralized	Under-collateralized
Neither past due nor impaired				
Gross exposure	4,974,830	23,811,073	2,455,859	25,792,211
Collaterals	8,472,816	8,758,479	5,768,372	6,376,388
Past due but not impaired			-	-
Gross exposure	453,701	2,148,713	391,068	2,060,877
Collaterals	992,299	1,113,963	634,106	827,157
Individually impaired			-	-
Gross exposure	470,913	6,259,318	319,998	3,519,472
Collaterals	899,533	1,732,751	634,764	827,157

39.6. 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 Risk Appetite 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 2016 and 31 December 2015 respectively at the 99% confidence level using equally weighted market data and with a holding period of one day:

in thousands RON

	FX position	Fixed Income	Money Market	Equity	Total Trading Book
As of 31 December 2016	0.0	439.0	101.1	86.7	**463.3**
As of 31 December 2015	5.1	65.4	508.8	65.8	**505.1**

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

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 2016 and 31 December 2015. 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 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)**

December 2016

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%	295,837	237	3,568,728	2,855	-13,447	-11
> 1 m, ≤ 3 m	0.32%	-1,836,687	-5,877	-128,006	-410	-152,878	-489
> 3 m, ≤ 6 m	0.72%	456,256	3,285	-575,139	-4,141	-317,065	-2,283
> 6 m, ≤ 12 m	1.43%	-446,780	-6,389	-1,395,207	-19,951	-489,295	-6,997
> 1 y, ≤ 2 y	2.77%	1,101,229	30,504	-47,166	-1,306	-115,226	-3,192
> 2 y, ≤ 3 y	4.49%	723,134	32,469	475,766	21,362	-106,619	-4,787
> 3 y, ≤ 4 y	6.14%	1,774,478	108,953	2,214,492	135,970	-102,233	-6,277
> 4 y, ≤ 5 y	7.71%	2,335,627	180,077	946,770	72,996	-106,925	-8,244
> 5 y, ≤ 7 y	10.15%	679,887	69,009	-828,905	-84,134	-214,221	-21,743
> 7 y, ≤ 10 y	13.26%	691,025	91,630	77,900	10,329	-173,672	-23,029
> 10 y, ≤ 15 y	17.84%	502,622	89,668	53,369	9,521	-138	-25
> 15 y, ≤ 20 y	22.43%	413	93	5,622	1,261	81	18
> 20 y	26.03%	-1,273	-331	-50,926	-13,256	-100	-26
Total			**593,326**		**131,096**		**-77,084**

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 and internal limit for this impact as a percentage from own funds is 20%, while the warning level is 17%.

Bank

December 2015 (RON thousands)			
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%**

Bank

December 2016 (RON thousands)			
Own Funds			7,655,941
The Potential Decrease in the Market Value of Equity	in absolute value	RON	593,326
		EUR	131,096
		USD	77,084
		Total	**801,506**
	% of Own Funds		**10.47%**

Group

December 2015 (RON thousands)			
Own Funds			6,902,085
The Potential Decrease in the Market Value of Equity	in absolute value	RON	347,634
		EUR	131,285
		USD	51,248
		Total	**530,167**
	% of Own Funds		**7.68%**

Group

December 2016 (RON thousands)			
Own Funds			7,777,782
The Potential Decrease in the Market Value of Equity	in absolute value	RON	650,659
		EUR	123,524
		USD	76,573
		Total	**850,756**
	% of Own Funds		**10.94%**

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.

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

2016 — RON thousands

Shift	Sensitivity of Net Interest Income	Sensitivity of AFS reserve (equity)
+ 2%	(53,636)	(268,862)
+ 1%	(17,946)	(137,738)
- 1%	(65,451)	144,801
- 2%	(159,240)	297,658

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 Profit or loss and AFS reserves of a (+/-) 5% shock in EUR/RON and USD/RON rates on FX positions as of December 2016 compared to December 2015.

Bank

RON thousands		P/L Sensitivity				Sensitivity of AFS reserves			
		EUR		USD		EUR		USD	
	Change in foreign exchange currencies	Adjusted exposure	Impact for FX exposure	Adjusted exposure	Impact for FX exposure	Exposure	Impact for FX exposure	Exposure	Impact for FX exposure
2015	5%	2,919	660.44	(31,975)	(6,631.19)	22,248	5,033.02	31,494	6,531.38
	-5%		(660.44)		6,631.19		(5,033.02)		(6,531.38)
2016	5%	(45,144)	(10,250.17)	(36,155)	(7,779.29)	130	29.52	38,791	8,346.47
	-5%		10,250.17		7,779.29		(29.52)		(8,346.47)

Group

RON thousands		P/L Sensitivity				Sensitivity of AFS reserves			
	Change in foreign exchange currencies	EUR		USD		EUR		USD	
		Adjusted exposure	Impact in FX exposure	Adjusted exposure	Impact in FX exposure	Exposure	Impact in FX exposure	Exposure	Impact in FX exposure
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)
2016	5%	(173,939)	(39,494)	(36,590)	(7,873)	130	30	38,791	8,346
	-5%		39,494		7,873		(30)		(8,346)

39.7. LIQUIDITY RISK

Definition and overview

The liquidity risk is defined in the 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 the 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 portfolio in the case of the 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, the 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. The 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 the 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 the Group.

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 the Group.

Analysis of liquidity risk

Liquidity Coverage Ratio (LCR)

The ratio of the 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-15	Dec-16
High Quality Liquid Assets	20,456,064	25,758,362
Total Net Cash Outflows	6,866,839	6,597,753
LIQUIDITY COVERAGE RATIO	298%	390%

LCR Bank in RON thousand	Dec-15	Dec-16
High Quality Liquid Assets	17,699,175	23,146,123
Total Net Cash Outflows	7,042,938	6,427,546
LIQUIDITY COVERAGE RATIO	251%	360%

Compared to December 2015, Liquidity Coverage Ratio as of December 2016 on both group and bank level has registered an increase due to higher liquid assets. The volume of high liquid assets has increased by 30.8% on solo level and by 25.9% on group level. The variability in the loans to and deposits from financial customers with residual maturity up to 1 month were the main drivers for the LCR volatility during the year.

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2016 and 31 December 2015 respectively for the Bank were as follows:

Bank	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 2016, in thousands RON								
Non-derivative liabilities	**55,117,196**	**56,201,869**	**28,276,443**	**8,708,547**	**4,595,939**	**5,545,292**	**7,120,743**	**1,954,905**
Deposits by banks	6,780,316	7,266,022	875,571	333,713	741,126	1,061,340	3,024,163	1,230,109
Customer deposits	45,354,909	45,446,903	27,363,372	8,294,522	3,831,290	4,389,299	1,409,509	158,911
Debt securities in issue	637,192	726,551	33,050	52,869	10,318	44,914	585,400	0
Subordinated liabilities	2,344,779	2,762,393	4,450	27,443	13,205	49,739	2,101,671	565,885
Contingent liabilities	**7,708,249**	**7,708,249**	**7,708,249**	**0**	**0**	**0**	**0**	**0**
Financial guarantees	2,767,239	2,767,239	2,767,239	0	0	0	0	0
Irrevocable commitments	4,941,010	4,941,010	4,941,010	0	0	0	0	0
Derivatives	**38,391**	**7,691,473**	**2,797,823**	**156,444**	**404,657**	**995,378**	**3,092,429**	**244,742**

Bank	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, in thousands RON								
Non-derivative liabilities	**51,723,608**	**53,806,677**	**24,261,208**	**8,638,723**	**3,853,541**	**4,434,663**	**8,737,172**	**3,881,370**
Deposits by banks	8,495,481	9,852,468	252,321	69,420	664,552	1,245,227	5,047,396	2,573,552
Customer deposits	39,973,916	40,045,605	23,902,874	8,531,227	3,151,804	3,042,555	1,275,012	142,133
Debt securities in issue	912,236	1,049,307	101,601	230	138	96,986	817,509	32,843
Subordinated liabilities	2,341,975	2,859,297	4,412	37,846	37,047	49,895	1,597,255	1,132,842
Contingent liabilities	**7,040,669**	**7,040,669**	**7,040,669**	**0**	**0**	**0**	**0**	**0**
Financial guarantees	2,708,527	2,708,527	2,708,527	0	0	0	0	0
Irrevocable commitments	4,332,142	4,332,142	4,332,142	0	0	0	0	0
Derivatives	**35,102**	**7,032,529**	**2,558,128**	**143,041**	**369,989**	**910,102**	**2,827,495**	**223,774**

Compared to 2015, the volume of deposits (customers and banks) for the Bank as of 31 December 2016 increased from RON 48,469,397 thousands to RON 52,135,225 thousands.
As of year-end 2016, the currency composition of the deposits consisted of approximately 57.69% RON (53.62% as of year-end 2015), 36.65% EUR (41% as of year-end 2015), 5% USD (4% as of year-end 2015) and the rest 1% in other currencies.

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2016 and 31 December 2015 respectively for the Group, were as follows:

Group	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 2016, in thousands RON								
Non-derivative liabilities	**58,527,063**	**59,379,133**	**28,729,800**	**8,821,797**	**4,831,423**	**5,874,900**	**9,166,308**	**1,954,905**
Deposits by banks	7,309,894	7,377,079	880,734	362,071	741,126	1,061,340	3,101,699	1,230,109
Customer deposits	48,235,198	48,513,110	27,811,566	8,379,414	4,066,774	4,718,907	3,377,538	158,911
Debt securities in issue	637,192	726,551	33,050	52,869	10,318	44,914	585,400	0
Subordinated liabilities	2,344,779	2,762,393	4,450	27,443	13,205	49,739	2,101,671	565,885
Contingent liabilities	**7,717,203**	**7,717,203**	**7,717,203**	**0**	**0**	**0**	**0**	**0**
Financial guarantees	2,745,106	2,745,106	2,745,106	0	0	0	0	0
Irrevocable commitments	4,972,097	4,972,097	4,972,097	0	0	0	0	0
Derivatives	**38,391**	**7,691,473**	**2,797,823**	**156,444**	**404,657**	**995,378**	**3,092,429**	**244,742**

Group	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, in thousands RON								
Non-derivative liabilities	**54,785,481**	**56,758,813**	**24,438,035**	**8,707,067**	**3,948,218**	**4,766,519**	**10,925,258**	**3,973,716**
Deposits by banks	8,905,248	9,893,218	254,037	103,842	664,587	1,249,804	5,047,396	2,573,552
Customer deposits	42,626,022	42,956,991	24,077,985	8,565,149	3,246,446	3,369,834	3,463,098	234,479
Debt securities in issue	912,236	1,049,307	101,601	230	138	96,986	817,509	32,843
Subordinated liabilities	2,341,975	2,859,297	4,412	37,846	37,047	49,895	1,597,255	1,132,842
Contingent liabilities	**7,012,529**	**7,012,529**	**7,012,529**	**0**	**0**	**0**	**0**	**0**
Financial guarantees	2,680,552	2,680,552	2,680,552	0	0	0	0	0
Irrevocable commitments	4,331,977	4,331,977	4,331,977	0	0	0	0	0
Derivatives	**35,102**	**7,032,529**	**2,558,128**	**143,041**	**369,989**	**910,102**	**2,827,495**	**223,774**

Compared to 2015, the volume of deposits (customers and banks) for the Group as of 31 December 2016 increased from RON 51,531,270 thousands to RON 55,545,092 thousands.

39.8. OPERATIONAL RISK

Definition and overview

In line with Article 4 Section 52 regulation (EU) 575/2013 (CRR), the 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, 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 assessments. The 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 the 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

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.

40. 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 2016 and 2015.

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 over-the-counter (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.

40.1. 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:

										2015
	Group					Bank				
	Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
in RON thousands			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
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										
Financial liabilities measured 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

2016

in RON thousands	Group Carrying amount	Group Fair value	Group Fair value hierarchy Level 1	Group Level 2	Group Level 3	Bank Carrying amount	Bank Fair value	Bank Fair value hierarchy Level 1	Bank Level 2	Bank Level 3
ASSETS										
Loans and advances	**32,843,964**	**33,337,739**	**-**	**-**	**33,337,739**	**31,813,923**	**32,501,236**	**-**	**-**	**32,501,236**
with credit institutions	552,830	553,406	-	-	553,406	651,414	650,926	-	-	650,926
Romania	552,830	553,406	-	-	553,406	651,414	650,926	-	-	650,926
with customers	32,291,134	32,784,333	-	-	32,784,333	31,162,509	31,850,310	-	-	31,850,310
Held-to-maturity investments	**13,904,200**	**14,264,287**	**14,244,497**	**14,624**	**5,166**	**12,386,197**	**12,721,270**	**12,721,270**	**-**	**-**
Securities listed, quoted on active markets	13,884,895	14,244,497	14,244,497	-	-	12,386,197	12,721,270	12,721,270	-	-
Securities listed, quoted on inactive markets	14,139	14,624	-	14,624	-	-	-	-	-	-
Securities unlisted	5,166	5,166	-	-	5,166	-	-	-	-	-
LIABILITIES										
Financial liabilities measured at amortised cost	**59,236,059**	**57,841,473**	**-**	**706,840**	**57,134,633**	**55,825,328**	**56,045,787**	**-**	**707,632**	**55,338,155**
Deposits	**57,889,871**	**56,455,738**	**-**	**-**	**56,455,738**	**54,480,004**	**54,656,735**	**-**	**-**	**54,656,735**
from banks	9,654,673	9,683,969	-	-	9,683,969	9,125,095	9,382,330	-	-	9,382,330
from customers	48,235,198	46,771,769	-	-	46,771,769	45,354,909	45,274,405	-	-	45,274,405
Debt securities issued	637,192	706,840	-	706,840	-	637,192	707,632	-	707,632	-
Other financial liabilities	708,996	678,895	-	-	678,895	708,132	681,420	-	-	681,420

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.

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

Group

in RON thousands	Quoted market prices in active markets Level 1 2015	2016	Marked to model based on observable market data Level 2 2015	2016	Marked to model based on non-observable inputs Level 3 2015	2016	Total 2015	2016
ASSETS								
Financial assets held for trading	167,851	554,228	75,827	74,800	4,430	4,171	248,108	633,199
Derivatives held for trading	-	-	74,883	69,853	3,931	3,633	78,814	73,486
Other trading assets	167,851	554,228	944	4,947	499	538	169,294	559,713
Financial assets designated at FV through profit or loss	4,279	-	-	-	17,967	15,319	22,246	15,319
Financial assets available for sale	6,808,185	5,216,738	32,284	76,507	362,791	280,842	7,203,260	5,574,087
Total Assets	**6,980,315**	**5,770,966**	**108,111**	**151,307**	**385,188**	**300,332**	**7,473,614**	**6,222,605**
LIABILITIES								
Financial liabilities held for trading	-	-	35,102	38,391	-	-	35,102	38,391
Derivatives held for trading	-	-	35,102	38,391	-	-	35,102	38,391
Derivatives - Hedge accounting	-	-	-	-	-	-	-	-
Total Liabilities	**-**	**-**	**35,102**	**38,391**	**-**	**-**	**35,102**	**38,391**

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	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
ASSETS								
Financial assets held for trading	167,851	554,228	75,827	74,800	4,430	4,171	248,108	633,199
Derivatives held for trading	-	-	74,883	69,853	3,931	3,633	78,814	73,486
Other trading assets	167,851	554,228	944	4,947	499	538	169,294	559,713
Financial assets designated at FV through profit or loss	4,279	-	-	-	17,967	15,319	22,246	15,319
Financial assets available for sale	5,884,706	4,540,624	8,963	24,057	362,569	280,622	6,256,238	4,845,303
Total Assets	**6,056,836**	**5,094,852**	**84,790**	**98,857**	**384,966**	**300,112**	**6,526,592**	**5,493,821**
LIABILITIES								
Financial liabilities held for trading	-	-	35,102	38,391	-	-	35,102	38,391
Derivatives held for trading	-	-	35,102	38,391	-	-	35,102	38,391
Derivatives - Hedge accounting	-	-	-	-	-	-	-	-
Total Liabilities	**-**	**-**	**35,102**	**38,391**	**-**	**-**	**35,102**	**38,391**

During 2016, BCR Bank has reclassified BVB share (ROBVBAACNOR) from level from level 1 to level 2 due to the fact that prices were not quoted on the market for more than 1 week.

Also, during 2016, the Bank has reclassified a bond issued by Ministry of Finance (RO1517DBP010) which is not actively traded from level 3 to level 2 but the theoretical pricing uses observable parameters in the market: contractual cash flows and the RON sovereign yield curve.

The market prices (dirty) reclassified are in amount of RON 3,314,294, respectively RON 3,202,601 as of December 2016.

40.3. 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 internally (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%.

In 2016, most of the financial assets classified according to fair value hierarchy as Level 3 were municipal bonds. The outstanding volume of municipal bonds held by BCR as of 31 December 2016 was RON 243,396 thousands while at year-end 2015 was RON 253,757 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 PD’s used as vary from 0.059 to 26.146. Assumed LGD was 25%.

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	(12,314)
-100	13,277
+50	(6,272)
-50	6,513

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 2016 have total book value of RON 26,380 thousands (31 December 2015: RON 26,395 thousands).

As of 31st December 2016, the fair valuation of VISA Inc preferred shares was based on reasonable assumptions and estimations and was consequently classified in level 3. The shares cannot be sold before a minimum holding period of 12 years and are limited to certain conditions which may restrict the conversion of preferred shares into tradable VISA Inc shares. Due to these limiting conditions the fair value of the preferred shares was capped based on assumptions compared to free tradable VISA Inc. class A common shares. The price of class C common shares was determined based on the conversion ratio of 1:13,952 and an additional haircut of 15%.

40.4 Movements in Level 3 of financial instruments carried at fair value

						2015	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**

						2016	Group
in RON thousands	2015	Gains /(Losses) in profit or loss	Gains /(Losses) in other comprehensive income	Purchase	Sales/Settlements	Transfer into Level 3	2016
ASSETS							
Financial assets held for trading	4,430	(259)	-	-	-	-	4,171
Derivatives held for trading	3,931	(298)	-	-	-	-	3,633
Other trading assets	499	39	-	-	-		538
Financial assets designated at fair value through Profit & Loss	17,967	(743)	-	-	(1,905)	-	15,319
Financial assets available for sale	362,791	4,463	(1,586)	46,507	(131,333)	-	280,842
Total Assets	**385,188**	**3,461**	**(1,586)**	**46,507**	**(133,238)**	**-**	**300,332**

						2015	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**

						2016	Bank
in RON thousands	2015	Gains /(Losses) in profit or loss	Gains /(Losses) in other comprehensive income	Purchase	Sales/Settlements	Transfer into Level 3	2016
ASSETS							
Financial assets held for trading	4,430	(259)	-	-	-	-	4,171
Derivatives held for trading	3,931	(298)	-	-	-	-	3,633
Other trading assets	499	39	-	-	-		538
Financial assets designated at fair value through Profit & Loss	17,967	(743)	-	-	(1,905)	-	15,319
Financial assets available for sale	362,569	4,463	(1,586)	46,507	(131,331)	-	280,622
Total Assets	**384,966**	**3,461**	**(1,586)**	**46,507**	**(133,236)**	**-**	**300,112**

The acquisition of shares in VISA Europe by VISA Inc. was effectuated according to plan in the second quarter of 2016. The initial offer of VISA Inc. from November 2015 included a cash payment, VISA Inc preferred shares and a potential Earn-out-payment in the year 2020. In the course of the fair valuation of the VISA shares as of 31st December 2015, all parts of the offer were taken into account. In May 2016 the offer was adjusted, whereas the earn-out-payments was replaced by a future payments 3 years after closing. This adjustment resulted in an additional increase of the fair value via other comprehensive income. The sales price of RON 110,228 thousands comprising cash payment, VISA Inc preferred shares and future payments was considered as a Level 3 sale.

41. 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 and 2016:

				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)	301,900	343,701	-	-	343,701

				2016	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)	2,292	4,646	-	-	4,646

				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

				2016	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)	2,292	4,646	-	-	4,646

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 recognized 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.

42. FINANCIAL INSTRUMENTS PER CATEGORY ACCORDING TO IAS 39

									2015	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	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)

									2016	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	7,578,709	-	-	-	-	-	4,333,186	-	-	11,911,895
Loans and advances to credit institutions	552,830	-	-	-	-	-	-	-	-	552,830
Loans and advances to customers	31,305,667	-	-	-	-	-	-	-	985,467	32,291,134
Financial assets- held for trading	-	-	633,199	-	-	-	-	-	-	633,199
Financial assets - at fair value through profit or loss		-	-	15,319	-	-	-	-	-	15,319
Financial assets - available for sale		-	-	-	5,574,087	-	-	-	-	5,574,087
Financial assets - held to maturity	-	13,904,201	-	-	-	-	-	-	-	13,904,201
Total financial assets	**39,437,206**	**13,904,201**	**633,199**	**15,319**	**5,574,087**		**4,333,186**		**985,467**	**64,882,665**
Net gains / losses recognized through profit or loss	(282,003)	(109,734)	72,296	(1,148)	111,747	-	-	-	-	(208,842)
Net gains / losses recognized through OCI	-	-	-	-	133,728	-	-	-	-	133,728
LIABILITIES										
Financial liabilities - held for trading	-	-	(38,391)	-	-	-	-	-	-	(38,391)
Financial liabilities -measured at amortized cost	-	-	-	-	-	(59,236,059)	-	-	-	(59,236,059)
Total financial liabilities	**-**	**-**	**(38,391)**	**-**	**-**	**(59,236,059)**	**-**	**-**	**-**	**(59,274,450)**
Net gains / losses recognized through profit or loss	-	-	240,724	-	-	-	-	-	-	240,724

								2015	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
Derivative - hedge accounting	-	-	-	-	-	-	-	-	-
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)

								2016	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	7,326,244	-	-	-	-	-	4,322,634	-	11,648,878
Loans and advances to credit institutions	651,414	-	-	-	-	-	-	-	651,414
Loans and advances to customers	31,162,509	-	-	-	-	-	-	-	31,162,509
Financial assets- held for trading	-	-	633,199	-	-	-	-	-	633,199
Financial assets - at fair value through profit or loss	-	-	-	15,319	-	-	-	-	15,319
Financial assets - available for sale	-	-	-	-	4,845,303	-	-	-	4,845,303
Financial assets - held to maturity	-	12,386,197	-	-	-	-	-	-	12,386,197
Total financial assets	**39,140,167**	**12,386,197**	**633,199**	**15,319**	**4,845,303**		**4,322,634**		**61,342,819**
Net gains / losses recognized through profit or loss	(219,301)	(109,741)	72,343	(1,148)	111,754	-	-	-	(146,093)
Net gains / losses recognized through OCI	-	-	-	-	115,741	-	-	-	115,741
LIABILITIES									
Financial liabilities - held for trading	-	-	(38,391)	-	-	-	-	-	(38,391)
Financial liabilities -measured at amortized cost	-	-	-	-	-	(55,825,328)	-	-	(55,825,328)
Derivative - hedge accounting	-	-	-	-	-	-	-	-	
Total financial liabilities			**(38,391)**			**(55,825,328)**			**(55,863,719)**
Net gains / losses recognized through profit or loss	-	-	240,724	-	-	-	-	-	240,724

43. 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 2016 and 2015:

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Fees for the audit of the financial statements and the consolidated financial statements	4,750	4,226	4,051	3,885
Other services involving the issuance of a report	20	-	-	-
Other services (i)	747	884	747	453
TOTAL	5,517	5,145	4,798	4,338

(i) Other services include fees for non-audit services (consultancy, tax)

44. CONTINGENT LIABILITIES

	Group		Bank	
in RON thousands	2015	2016	2015	2016
Commitments	7,106,946	8,254,369	7,348,015	8,702,985
Revocable	2,774,969	3,282,272	3,015,873	3,761,975
Irevocable	4,331,977	4,972,097	4,332,142	4,941,010
Financial guaranteed	1,586,875	1,642,794	1,612,937	1,664,927
Performance guarantees	1,093,677	1,102,312	1,095,590	1,102,312
Total	9,787,498	10,999,475	10,056,542	11,470,224

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.

Contingent liabilities include performance guarantees in amount of RON 1,102,312 thousands (December 2015: RON 1,095,590 thousands).

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e.: the failure to perform the contractual obligation by another party) occurs.

in RON thousands	2015	2016
Performance guarantees at 1 January	1,012,684	1,095,590
Amounts paid for claims settlement	(27,678)	(1,066)
New guarantees issued during the period	141,551	393,456
Guarantees expired during the period	(30,967)	(385,668)
Performance guarantees at 31 December	1,095,590	1,102,312

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.

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 2013, the Bank requested to MFP the increasing of guarantee ceiling with EUR 402,760,385 and RON 10,791,084 resulted from Bancorex's litigation. After that, the bank's request were updated, respectively the amount was diminished until RON 1.414.605, following the favorable solutions obtained in the cases. On December 22, 2016 the bank received a final answer from Ministry of Finance through which the authority rejected the bank's claim for guarantee ceiling increasing, considering that the payment was a legal obligation of the bank and not a damage resulted from a litigation.

As at December 2016 the bank was not involved as defendant in any case resulted from Bancorex's activity.

Other litigations

As at 31 December 2016, the Bank was involved in the normal course of its business in a number of 4,620 other litigation as defendant.
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 2016.

Contingent liabilities on 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. 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.

Currently, BCR is involved in a number of litigations with ANPC (National Consumer Protection Agency - 10 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 10, the bank has won two in first court. There is no relevant precedent in the market with respect to similar cases. In 2016, following the assessment of the bank's experts on this topic, a contingent liability disclosure was included in the notes to the financial statements.

The audit mission of the Romanian Court of Accounts – BCR Banca pentru Locuinte (BpL)

In 2015 the Romanian Court of Accounts (hereinafter referred to as "the CoA") conducted a control at the 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.
On 15 December 2015, the CoA issued the Decision no. 17, maintaining all the claims included in their initial report and requested BpL to establish exactly the amount of the prejudice. On December 23, 2015, BpL appealed the Decision no. 17 of the CoA, appeal that was rejected by the Commission for Solving Claims of the CoA through Decision No 2/29 February 2016, maintaining as such the Decision no. 17.
Two actions were submitted to the Court of Appeal, Section VIII Administrative and Fiscal, as follows:

- Request of suspension of Decision no. 17/2015– approved by Bucharest Court of Appeal – therefore the effects of the Decision no. 17/2015 are currently suspended. CoA appealed this decision. No hearing date was established yet.
- An action for annulment of the decision of CoA – first hearing was set for 23 June 2016 and subsequently, several postponements of the hearings were made until 1st February 2017 when the Court postponed the decision 2 times until March 1st 2017.

On 1st of March 2017, the Court of Appeal decided in favor of BpL for 5 out of 8 claims. The 3 claims maintained have a disputed amount on closed or assigned contracts estimated by the Bank at RON 10 million (principal). Considering the likelihood of winning the respective litigation BpL did not book any related provisions as at 31 December 2015 and neither as at 31 December 2016, considering that no motivation of the Court of Appeal was issued at the date of the Financial Statements and BpL chances to win the litigation on all counts remained unchanged.

Given the complexity and uncertainties related to the result of possible scenarios deriving from the final Court decision, the outcome and amounts involved may differ from the current estimates.

The litigation is not expected to be finally concluded during 2017.

Non-performing loan portfolio sale

In 2016 Group sold a part of non-performing loan portfolio in several transactions. Some of them include features for contingent liabilities:

Sale contract/September 2016 with December 2016 closing includes a call option of BCR to take back selected sold loans, in exchange of the original price repayment (adjusted by collections). The call option is assessed as at 31.12.2016 to be highly improbable to be exercised, having a nil estimated value.

One of the sales resulted in contingent liabilities as at 31 December 2016 due to put-back contractual clause (in case it is demonstrated Group failure to meeting its representations and warranties made to the buyer, and assumed thought the contract, regarding the sold assets as at sale date, for example over the existence of the asset, related guarantee, accurate description of enforcement status).

BFP Litigation

On 23 December 2016, the BFP has received a request made by City Hall Bucharest to International Court of Arbitration of the International Chamber of Commerce, consisting of amounts due under the joint venture contract for the period from 2001 to 2013. The dispute shall be settled by a court of arbitration consisting of three arbitrators: one arbitrator appointed by each party and the third by the International Court of Arbitration. The lawyers' assessment according to which the chances of being handed a favorable arbitration award for BFP are over 50%.

45. 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 2015		December 2016	
in RON thousands	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	9,441,833	-	11,911,895	-
Financial assets - held for trading	195,075	53,033	502,952	130,247
Derivatives	25,781	53,033	9,431	64,055
Other trading assets	169,294	-	493,521	66,192
Financial assets - designated at fair value through profit or loss	-	22,246	-	15,319
Financial assets - available-for-sale	3,283,229	3,920,031	721,617	4,852,470
Financial assets - held to maturity	2,054,612	8,099,808	1,745,142	12,159,059
Loans and receivables to credit institutions	173,007	31,396	524,200	28,630
Loans and receivables to customers	10,332,078	22,118,679	7,214,238	25,076,896
Derivatives - hedge accounting	-	-	-	-
Property and equipment	-	1,098,757	-	1,472,604
Investment properties	-	486	-	422
Intangible assets	-	234,265	-	289,304
Investments in associates and joint ventures	-	16,193	-	16,568
Tax assets	133,192	-	162,480	-
Deferred tax assets	-	426,363	-	322,704
Non-current assets and disposal groups classified as held for sale	301,900	-	2,292	-
Other assets	202,874	220,959	194,539	171,191
TOTAL ASSETS	**26,117,800**	**36,242,216**	**22,979,355**	**44,535,414**
Finanacial liabilities - held for trading	32,859	2,243	9,470	28,921
Derivatives	32,859	2,243	9,470	28,921
Other trading liabilities	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Deposits from banks	-	-	-	-
Deposits from customers	-	-	-	-
Debt securities issued	-	-	-	-
Other financial liabilities	-	-	-	-
Financial liabilities measured at amortised cost	40,310,606	15,011,082	46,108,822	13,127,237
Deposits from banks	2,566,302	8,680,921	3,112,574	6,542,099
Deposits from customers	36,950,958	5,675,064	42,165,551	6,069,647
Debt securities issued	257,139	655,097	121,701	515,491
Other financial liabilities	536,207	-	708,996	-
Derivatives - hedge accounting	-	-	-	-
Changes in fair value of portfolio hedged items	-	-	-	-
Provisions	16,020	796,697	32,063	1,072,039
Current tax liabilities	1,350	-	1,262	-
Deferred tax liabilities	-	6,282	-	3,966
Liabilities associated with assets held for sale	-	-	-	-
Other liabilities	307,326	266	325,475	929
TOTAL LIABILITIES	**40,668,161**	**15,816,570**	**46,477,092**	**14,233,092**

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.

Bank

in RON thousands	December 2015 < 1 year	December 2015 > 1 year	December 2016 < 1 year	December 2016 > 1 year
Cash and cash balances	9,255,487	-	11,648,878	-
Repurchase receivables	-	-	-	-
Financial assets - held for trading	195,075	53,033	502,952	130,247
Derivatives	25,781	53,033	9,431	64,055
Other trading assets	169,294	-	493,521	66,192
Financial assets designated at fair value through profit or loss	-	22,246	-	15,319
Financial assets - available for sale	3,035,753	3,220,485	288,443	4,556,860
Financial assets - held to maturity	1,764,581	7,054,079	1,587,333	10,798,864
Loans and receivables to credit institutions	153,235	31,396	545,284	106,130
Loans and receivables to customers	9,763,146	22,785,578	7,221,104	23,941,405
Derivatives - hedge accounting	-	-	-	-
Property and equipment	-	235,921	-	1,158,548
Investment properties	-	-	-	-
Intangible assets	-	224,239	-	280,699
Investments in associates	-	7,509	-	7,509
Tax assets	131,826	-	159,029	-
Deferred tax assets	-	398,530	-	310,554
Non-current assets and disposal groups classified as held for sale	38,037	-	2,292	-
Other assets	41,625	1,049,132	45,484	761,291
TOTAL ASSETS	**24,378,765**	**35,082,148**	**22,000,799**	**42,067,426**
Financial liabilities held for trading	32,859	2,243	9,470	28,921
Derivatives	32,859	2,243	9,470	28,921
Other trading liabilities	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Deposits from banks	-	-	-	-
Deposits from customers	-	-	-	-
Debt securities issued	-	-	-	-
Other financial liabilities	-	-	-	-
Financial liabilities measured at amortised costs	40,086,418	12,155,566	45,388,337	10,436,991
Deposits from banks	2,765,548	8,071,908	3,336,893	5,788,202
Deposits from customers	36,545,355	3,428,561	41,221,611	4,133,298
Debt securities issued	257,139	655,097	121,701	515,491
Other financial liabilities	518,376	-	708,132	-
Derivatives - hedge accounting	-	-	-	-
Changes in fair value of portfolio hedged items	-	-	-	-
Provisions	1,054	794,815	-	1,069,547
Current tax liabilities	-	-	-	-
Deferred tax liabilities	-	-	-	-
Liabilities associated with disposal groups held for sale	-	-	-	-
Other Liabilities	244,969	-	242,726	-
TOTAL LIABILITIES	**40,365,300**	**12,952,624**	**45,640,533**	**11,535,459**

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 2015 < 1 year	December 2015 > 1 year	December 2016 < 1 year	December 2016 > 1 year
Financial guaranteed	2,415,497	265,055	2,570,828	174,277
Commitments	5,527,018	1,579,928	5,572,597	2,681,772
Total	**7,942,515**	**1,844,983**	**8,143,425**	**2,856,049**

Bank

in RON thousands	December 2015 < 1 year	December 2015 > 1 year	December 2016 < 1 year	December 2016 > 1 year
Financial guaranteed	2,443,656	264,871	2,593,419	173,821
Commitments	5,782,398	1,565,617	6,049,853	2,653,132
Total	**8,226,054**	**1,830,488**	**8,643,272**	**2,826,953**

46. OWN FUNDS AND CAPITAL REQUIREMENTS

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 2016. According to Romanian transitional provisions, 40% of the non-eligible minorities have to be excluded from consolidated own funds in 2016. 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 2016. 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	3	1	3	1
Ancillary service undertakings, investment firms	3	0	3	0

The number of companies consolidated pursuant to IFRS and to regulatory capital requirements were 9 as of 31 December 2016.

Changes within the fully consolidated entities within the regulatory scope of consolidation in 2016 in accordance with Art. 436 (b) CRR

During 2016 the changes to the regulatory scope of consolidation of fully consolidated companies : Financiara was liquidated and BFP and REM were absorbed by BCR Bank.

Group 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 and 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 31.12.2016 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 2016 (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 below in the Group own funds template.

Total equity for the Group					Dec-16
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	936,100	936,100		936,100	
Profit/loss in the period	1,041,846	1,041,846		1,041,846	
Retained earnings	**1,977,946**	**1,977,946**		**1,977,946**	**b**
Other comprehensive income (OCI)	**322,326**	**322,326**		**322,326**	**c1**
Available for sale reserve net of tax	280,922	280,922		280,922	
unrealized gains acc. to Art. 35 CRR	-	-		319,945	d
unrealized loss acc. to Art. 35 CRR	-	-		(39,023)	
Currency translation	(23,541)	(23,541)		(23,541)	
Remeasurement of net liability of defined benefit obligation	77,316	77,316		77,316	
Deferred tax	(12,371)	(12,371)		(12,371)	
Other reserves	1,130,670	1,130,670		1,130,670	c2
Equity attributable to the owners of the parent	**6,778,990**	**6,778,990**		**6,778,990**	
Equity attributable to non-controlling interest	25,397	25,397	(16,056)	9,341	e
Total equity	**6,804,387**	**6,804,387**	**(16,056)**	**6,788,331**	

Further details regarding the development of IFRS equity are disclosed in the Group Consolidated Financial Statements 2016 (IFRS) under “Statement of Changes in Equity”.

Intangible assets for the Group					Dec-16
in RON thousands	**IFRS (audited)**	**CRR**	**Regulatory adjustments**	**Own funds**	**Own funds disclosure table - Reference**
Intangible assets	289,304	289,304	-	289,304	f
Intangible assets	**289,304**	**289,304**	**-**	**289,304**	

Details regarding the development of intangible assets are disclosed in the Group Consolidated Financial Statements 2016 (IFRS) under Note 25 “Intangible assets”.

Deferred Taxes for the Group			Dec-16
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	5,648	5,648	h
related DTA allocated on or after 1 January 2014 for which 60% deduction is required according to CRR transitional provisions	5,648	5,648	
Deferred tax assets that rely on future profitability and arise from temporary differences net of associated tax liabilities *	329,589	329,589	k
Deferred tax assets that do not rely on future profitability	927	927	
Other deferred tax liabilities	(13,656)	(13,656)	
out of which deferred tax liabilities associated to other intangible assets	(13,973)	(13,973)	g
Deferred tax assets	**322,508**	**322,508**	

* 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 2016. 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-16
in RON thousands	IFRS (audited)	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - Reference
Subordinated issues and deposits and supplementary capital	2,473,969	2,473,969	(1,016,305)	1,457,664	j
Subordinated liabilities	**2,473,969**	**2,473,969**	**(1,016,305)**	**1,457,664**	

Details regarding subordinated liabilities are disclosed in the Group Consolidated Financial Statements 2016 (IFRS) under Note 29 "Financial liabilities measured at amortised costs".
In accordance with NBR Regulation 5/2013, the subordinated liabilities with less than 5 years maturity, are amortised.

Threshold calculations according to Articles 46 and 48 CRR

Group treshold calculations according to Articles 46 and 48 of (EU) Regulation no.575/2013	Dec-16
Non significant investments in financial sector entities	**in RON thousands**
Threshold (10% of CET1)	643,650
Holdings in CET 1	(28,732)
Holdings in AT 1	
Holdings in T 2	
Distance to threshold	**614,918**
Significant investments in financial sector entities	
Threshold (10% of CET1)	643,650
Holdings in CET 1	(16,568)
Distance to threshold	**627,082**
Deferred tax assets	
Threshold (10% of CET1)	643,650
Deferred tax assets that are dependent on future profitability and arise from temporary differences	(329,589)
Distance to threshold	**314,061**
Combined threshold for deferred tax assets and significant investments	
Threshold (17.65% of CET1)	1,136,041
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	(346,157)
Distance to threshold	**789,884**

Transitional Provisions based on CRR- from the NBR Regulation 5/2013 used in 2016 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	40%
Prudential Filters		
Unrealised losses AFS reserve	467 (2) CRR	100%
Unrealised gains AFS reserve	468 (2) CRR	60%
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	60%
Direct holdings in CET1 capital instruments of financial sector entities where the institution does not have a significant investment	36 (1) h) CRR	60%
Deferred tax assets that rely on future profitability and do not arise from temporary differences booked before 2014	36 (1) c) CRR	20%
Deferred tax assets that rely on future profitability and do not arise from temporary differences booked in 2014 or afterwards	36 (1) c) CRR	60%
Direct holdings in CET1 capital instruments of financial sector entities where the institution has a significant investment	36 (1) i) CRR	60%
c) Transitional Provisions concerning AT1		
Minority interests		
Minority interests	480 (1) CRR	40%
Regulatory Deductions		
Direct holdings in AT1 capital instruments of financial sector entities where the institution does not have a significant investment	56 c) CRR	60%
Direct holdings in AT1 capital instruments of financial sector entities where the institution has a significant investment	56 d) CRR	60%
Difference between prudential adjustments and adjustments for impairment according to IFRS		20%
d) Transitional Provisions concerning T2		
Minority interests		
Minority interests	480 (1) CRR	40%
Regulatory Deductions		
Difference between prudential adjustments and adjustments for impairment according to IFRS		20%
e) Deduction of remaining amounts		
Remaining amounts out of CET1 deducted from AT1		
Intangible assets	472 (4) CRR	40%
Direct holdings in CET1 capital instruments of financial sector entities where the institution does not have a significant investment	472 (10) CRR	60%
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

Group 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. Additional capital buffers were required for the year end 2016:

- 0.625% - capital conservation buffer
- 1% - other systemically important institutions (O-SIIs)

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) Dec 2016	(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	3,348,048	26 (1), 27, 28, 29, EBA list 26 (3)	-	
	of which: ordinary shares	3,348,048	26 (1) (c)	-	a
2	Retained earnings	1,977,946	26 (1)	-	b
3	Accumulated other comprehensive income (and any other reserves)	1,452,996	26 (1) (f)	-	c1+c2
5	Minority interests (amount allowed in consolidated CET1)	9,341	26 (2)	-	e
	Common Equity Tier 1 (CET1) capital before regulatory adjustments	**6,788,331**		-	
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(18,036)	34, 105	-	
8	Intangible assets (net of related tax liability) (negative amount)	(275,331)	36 (1) (b), 37, 472 (4)	-	-(f+g)
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)	(5,648)	36 (1) (c), 38, 472 (5)	2,259	-h
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(571)	33 (1) (b) (c)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(82)	36 (1) (f), 42, 472 (8)	-	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	(42,828)	36 (1) (l)	-	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	(15,587)		-	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(127,978)		-	
	of which unrealised gains	(127,978)	468	-	-d*0.4
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	112,391	481	-	
	of which Intangible assets (net of related tax liability)	110,132		-	
	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)	2,259		-	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	(110,132)	36 (1) (j)	-	-(f+g)*0.4
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(468,215)**		-	

in RON thousands		(A) Dec 2016	(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
29	**Common Equity Tier 1 (CET1) capital**	**6,320,116**		-	
Additional Tier 1 (AT1) capital: instruments					
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**		-	
Additional Tier 1 (AT1) capital: regulatory adjustments					
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)	(110,132)		-	
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	(110,132)	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)	(110,132)		-	-(f+g)*0.4
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	(110,132)		-	
	Excess of deduction from AT1 items over AT1	110,132			
44	**Additional Tier 1 (AT1) capital**	-		-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**6,320,116**		-	
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	1,457,664	62, 63	-	j
51	**Tier 2 (T2) capital before regulatory adjustment**	**1,457,664**		-	
Tier 2 (T2) capital: regulatory adjustments					
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**		-	
58	**Tier 2 (T2) capital**	**1,457,664**		-	
59	**Total capital (TC = T1 + T2)**	**7,777,780**		-	
60	**Total risk-weighted assets**	**32,761,777**		-	
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	15.45%	92 (2) (a), 465	-	
62	Tier 1 (as a percentage of total risk exposure amount	15.45%	92 (2) (b), 465	-	
63	Total capital (as a percentage of total risk exposure amount	19.90%	92 (2) (c)	-	
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)	28,732	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)	16,568	36 (1) (i), 45, 48, 470, 472 (11)	-	

	in RON thousands	(A) Dec 2016	(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
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)	329,589	36 (1) (c), 38, 48, 470, 472 (5)	-	k

Own funds development for the Group

	in RON thousands
CET1 as of 1 Jan 2016	**5,149,342**
Release of share premium (shift to retained earnings)	-
Dividends declared	-
Increase retained earnings	1,037,170
net profit	122,897
shift from share premium	-
Increase accumulated other comprehensive income	(108,390)
Increase minority interest	-
Increase prudential filters	(11,806)
Changes in regulatory deductions	(55,054)
goodwill	-
other intangibles	(55,054)
Other	308,854
Changes in CET1	1,170,774
CET1 as of 31 Dec 2016	**6,320,116**
Additional Tier 1 development, phase in	-
AT1 as of 1 Jan 2016	-
Net increase / decrease in AT1	-
Changes in regulatory deduction	-
Other	-
Changes in AT1	-
AT1 as of 31 Dec 2016	-
Tier 2 development, phase in	
T2 as of 1 Jan 2016	**1,752,743**
Net decrease in T2	(295,079)
Changes in regulatory deduction	-
IRB Excess and SA credit risk adjustments	-
Changes in Tier 2	(295,079)
T2 as of 31 Dec 2016	**1,457,664**
Total own funds	**7,777,780**

Bank 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 below in the Bank own funds template.

Bank Total Equity — Dec 16

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	1,197,903	1,197,903	-	1,197,903	
Profit/loss in the period	886,086	886,086	-	886,086	
Retained earnings	**2,083,989**	**2,083,989**	**-**	**2,083,989**	**b**
Other comprehensive income (OCI)	329,526	329,526	-	329,526	c1
Available for sale reserve	264,513	264,513	-	264,513	
unrealised gains according to Art.35 CRR			-	298,980	
unrealised losses according to Art.35 CRR			-	(34,467)	
Remeasurement of net liability of defined benefit obligation	65,013	65,013	-	65,013	
Other reserves	1,130,670	1,130,670	(960)	1,129,710	c2
Total Equity	**6,892,233**	**6,892,233**	**(960)**	**6,891,273**	

Bank Intangible assets					Dec 16
in RON thousands	IFRS (audited)	CRR	Regulatory Adjustments	Own Funds	Own funds disclosure table - reference
Intangible assets	280,699	280,699	-	280,699	d
Intangible assets	**280,699**	**280,699**	**-**	**280,699**	

Bank Deferred taxes			Dec 16
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	5,648	5,648	e
related DTA allocated on or after 1 January 2014 for which 60% deduction is required according to CRR transitional provisions	5,648	5,648	
Deferred tax assets that rely on future profitability and arise from temporary differences net of associated tax liabilities	318,775	318,775	f
Other deferred tax liabilities	(13,869)	(13,869)	
out of which deferred tax liabilities associated to other intangible assets	(13,869)	(13,869)	g
Deferred tax assets	**310,554**	**310,554**	

Bank Subordinated liabilities					Dec 16
in RON thousands	IFRS (audited)	CRR	Regulatory Adjustments	Own Funds	Own funds disclosure table - reference
Subordinated issues and deposits	2,473,969	2,473,969	(1,016,305)	1,457,664	h
Subordinated liabilities	**2,473,969**	**2,473,969**	**(1,016,305)**	**1,457,664**	

Details regarding subordinated liabilities are disclosed in the Group Consolidated Financial Statements 2016 (IFRS) under Note 29 "Financial liabilities measured at amortised costs".

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

Threshold calculations according to Articles 46 and 48 CRR

Bank 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)	655,814
Holdings in CET 1	(28,732)
Holdings in AT 1	
Holdings in T 2	
Distance to treshold	**627,082**
Significant investments in financial sector entities	
Treshold (10% of CET 1)	655,814
Holdings in CET 1	(7,509)
Distance to treshold	**648,305**
Deffered tax assets	
Treshold (10% of CET 1)	655,814
Deffered tax assets that are dependent on future profitability and arise from temporary differences	(318,775)
Distance to treshold	**337,039**
Combined treshold for deffered tax assets and significant investments	
Treshold (17,65% of CET 1)	1,157,512
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	(326,285)
Distance to treshold	**831,227**

Bank 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 2016	(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	Capital instruments and the related share premium accounts	3,348,048	26 (1), 27, 28, 29, EBA list 26 (3)	-	a
	of which: ordinary shares	3,348,048	26 (1) (c)	-	
2	Retained earnings	2,083,989	26 (1)	-	b
3	Accumulated other comprehensive income (and any other reserves)	1,459,236	26 (1) (f)	-	c1+c2
	Common Equity Tier 1 (CET1) capital before regulatory adjustments	**6,891,273**		-	
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(17,170)	34, 105	-	
8	Intangible assets (net of related tax liability) (negative amount)	(266,831)	36 (1) (b), 37, 472 (4)	-	d+g
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)	(5,648)	36 (1) (c), 38, 472 (5)	2,259	e
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(571)	33 (1) (b) (c)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(82)	36 (1) (f), 42, 472 (8)	-	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	(42,828)	36 (1) (l)	-	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	(10,601)		-	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(119,592)		-	
	of which unrealised losses	-	467	-	
	of which unrealised gains	(119,592)	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	108,991	481	-	
	of which Intangible assets (net of related tax liability)	106,732		-	(d+g) * 40%
	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)	2,259		-	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	(230,736)	36 (1) (j)	-	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(574,467)**		-	
29	**Common Equity Tier 1 (CET1) capital**	**6,316,806**		-	
Additional Tier 1 (AT1) capital: instruments					
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**		-	
Additional Tier 1 (AT1) capital: regulatory adjustments					
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)	(230,737)		-	
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	(106,732)	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)	(106,732)		-	(d+g) *40%
41c	Amounts to be deducted from/added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	(124,005)	467, 468, 481	-	
	of which Local prudential filter - difference between prudential adjustments and adjustments for impairment according to IFRS	(118,530)		-	

		(A) 31 December 2016	(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 filter - exposure from loans granted to former employees in more favourable conditions than market	(5,475)		-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	(230,737)		-	
	Excess of deduction from AT1 items over AT1	230,737		-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**6,316,806**		-	
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	1,457,664	62, 63	-	h
51	**Tier 2 (T2) capital before regulatory adjustment**	**1,457,664**		-	
Tier 2 (T2) capital: regulatory adjustments					
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)	(118,529)		-	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	(118,529)	467, 468, 481	-	
	of which Local prudential filter - difference between prudential adjustments and adjustments for impairment according to IFRS	(118,529)		-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(118,529)**		-	
58	**Tier 2 (T2) capital**	**1,339,135**		-	
59	**Total capital (TC = T1 + T2)**	**7,655,941**		-	
60	**Total risk-weighted assets**	**30,297,234**		-	
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	17.38%	92 (2) (a), 465	-	
62	Tier 1 (as a percentage of total risk exposure amount	17.38%	92 (2) (b), 465	-	
63	Total capital (as a percentage of total risk exposure amount	21.80%	92 (2) (c)	-	
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)	28,732	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)	318,775	36 (1) (c), 38, 48, 470, 472 (5)	-	f

Bank Own funds development

	In RON thousand
in RON thousands	
CET1 as of 1 Jan 2016	**5,288,901**
Release of share premium (shift to retained earnings)*	
Dividends declared	-
Increase / Decrease retained earnings	840,808
net profit	(77,341)
Increase / Decrease accumulated other comprehensive income	(97,771)
Increase / Decrease minority interest	-
Increase / Decrease prudential filters	(10,941)
Changes in regulatory deductions	(56,464)
goodwill	-
other intangibles	(56,464)
Other	352,273
Changes in CET1	1,027,905
CET1 as of 31 Dec 2016	**6,316,806**
Additional Tier 1 development, phase in	
AT1 as of 1 Jan 2016	-
Net Increase / Decrease / decrease in AT1	-
Changes in regulatory deduction	-
Other	-
Changes in AT1	-
AT1 as of 31 Dec 2016	-
Tier 2 development, phase in	
T2 as of 1 Jan 2016	**1,586,652**
Net decrease in T2	(295,079)
Changes in regulatory deduction	47,562
IRB Excess and SA credit risk adjustments	-
Changes in Tier 2	(247,517)
T2 as of 31 Dec 2016	**1,339,135**
Total own funds	**7,655,941**

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 2015, 60% of the gap between prudential value adjustments and IFRS provisions was used for RWA and own funds computation in BCR solo reporting (332.182 th. RON). In December 2016 only 40% of the gap was used for RWA and own funds computation in BCR solo reporting (237.059 th. 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 40% in 2016 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.

Group Capital structure according to EU directive 575/2013 (CRR)

Group		Dec-15		Dec-16	
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	3,347,967	3,347,967
Own CET1 instruments	36 (1) (f), 42	-	-	-	-
Retained earnings	26 (1) (c), 26 (2)	21,826	21,826	936,099	936,099
Interim profit	26 (2)	918,950	918,950	1,041,847	1,041,847
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	430,716	430,716	322,326	322,326
Other reserves	Art. 4 (117), Art. 26 (1) (e)	953,876	953,876	1,087,842	1,087,842
Minority interest recognised in CET1	4 (1) (120) 84	-	-	-	-
Transitional adjustments due to additional minority interests	479, 480	14,587	-	9,341	-
Prudential filter: cash flow hedge reserve	33 (1) (a)	-	-	-	-
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	(1,174)	(1,174)	(571)	(571)
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	(5,626)	(5,626)	(18,036)	(18,036)
Regulatory adjustments relating to unrealised gains and losses	467, 468	(253,329)	-	(127,979)	-
Goodwill	4 (1) (113), 36 (1) (b), 37	-	-	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(220,277)	(220,277)	(275,331)	(275,331)
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	(240,548)	(240,548)	(5,648)	(5,648)
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	**314,458**	**-**	**112,391**	**-**
Goodwill		-	-	-	-
Other intangible assets		132,166	-	110,132	-
IRB shortfall of provisions to expected losses		-	-	-	-
Deferred tax assets that rely on future profitability and do not arise from temporary differences		182,292	-	2,259	-
Excess of deduction from AT1 items over AT1	36 (1) (j)	(132,166)	-	(110,132)	-
Common equity tier 1 capital (CET1)	50	**5,149,342**	**5,205,792**	**6,320,116**	**6,436,495**
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	**(132,166)**	**-**	**(110,132)**	**-**
Goodwill		-	-	-	-
Other intangible assets		(132,166)	-	(110,132)	-
IRB shortfall of provisions to expected losses		-	-	-	-
Excess of deduction from AT1 items over AT1	36 (1) (j)	132,166	-	110,132	-
Additional tier 1 capital (AT1)	61	**-**	**-**	**-**	**-**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	25	**5,149,342**	**5,205,792**	**6,320,116**	**6,436,495**
Tier 2 capital (T2)		1,752,743	1,752,743	1,457,664	1,457,664
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	**-**	**-**	**-**	**-**
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)		-	-	-	-
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**	**1,752,743**	**1,752,743**	**1,457,664**	**1,457,664**
Short-term subordinated capital (tier-3)		**-**	**-**	**-**	**-**
Total own funds	**4 (1) (118) and T2**	**6,902,085**	**6,958,535**	**7,777,780**	**7,894,159**

Bank Capital structure according to EU directive 575/2013 (CRR)

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2016 and 31 December 2015, including the effect of merger with REM and BFP. During both these periods, the Bank complied with the externally imposed capital requirements to which they are subject.

Bank		Dec-15		Dec-16	
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	3,347,967	3,347,967
Own CET1 instruments	36 (1) (f), 42	-	-	-	-
Retained earnings	26 (1) (c), 26 (2)	279,755	279,755	1,197,903	1,197,903
Interim profit	26 (2)	963,427	963,427	886,086	886,086
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	427,295	427,295	329,524	329,524
Other reserves	Art. 4 (117), Art. 26 (1) (	952,916	952,916	1,086,883	1,086,883
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)	-	-	-	-
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	(1,174)	(1,174)	(571)	(571)
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	(5,626)	(5,626)	(17,170)	(17,170)
Regulatory adjustments relating to unrealised gains and losses	467, 468	(231,343)	-	(119,592)	-
Goodwill	4 (1) (113), 36 (1) (b), 3	-	-	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(210,367)	(210,367)	(266,831)	(266,831)
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	(240,548)	(240,548)	(5,648)	(5,648)
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	**308,512**	**-**	**108,991**	**-**
Goodwill		-	-	-	-
Other intangible assets		126,220	-	106,732	-
IRB shortfall of provisions to expected losses		-	-	-	-
Deferred tax assets that rely on future profitability and do not arise from temporary differences		182,292	-	2,259	-
Excess of deduction from AT1 items over AT1	36 (1) (j)	(301,995)	-	(230,736)	-
Common equity tier 1 capital (CET1)	50	**5,288,901**	**5,513,727**	**6,316,806**	**6,558,143**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a),	-	-	-	-
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	**(301,995)**	**-**	**(230,736)**	**-**
Goodwill		-	-	-	-
Other intangible assets		(126,220)	-	(106,732)	-
Other items (Local prudential filter - difference between prudential adjustments and adjustments for impairment according to IFRS)		(166,091)	-	(118,529)	-
Other items (Local filter - exposure from loans granted to former employees in more favourable conditions than market)		(9,684)	-	(5,475)	-
IRB shortfall of provisions to expected losses		-	-	-	-
Excess of deduction from AT1 items over AT1	36 (1) (j)	301,995	-	230,736	-
Additional tier 1 capital (AT1)	61	**-**	**-**	**-**	**-**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	25	**5,288,901**	**5,513,727**	**6,316,806**	**6,558,143**
Tier 2 capital (T2)		1,752,743	1,752,743	1,457,664	1,457,664
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	**(166,091)**	**-**	**(118,529)**	**-**
Other items (Local prudential filter - difference between prudential adjustments and adjustments for impairment according to IFRS)		(166,091)	-	(118,529)	-
Other items (AFS gains recognised in Tier 2 capital)		-	-	-	-
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	**1,586,652**	**1,752,743**	**1,339,135**	**1,457,664**
Short-term subordinated capital (tier-3)		-	-	-	-
Total own funds	4 (1) (118) and T2	**6,875,553**	**7,266,470**	**7,655,941**	**8,015,807**

Group		Dec-15		Dec-16	
in RON thousands		**Basel 3**		**Basel 3**	
	Article pursuant to CRR	**Phased-in**	**Final**	**Phased-in**	**Final**
Capital requirement	**92 (3), 95, 96, 98**	**2,460,704**	**2,460,704**	**2,620,942**	**2,620,942**
CET1 capital ratio	**92 (2) (c)**	**16.04%**	**16.22%**	**15.45%**	**15.80%**
Tier 1 capital ratio	**92 (2) (c)**	**16.04%**	**16.22%**	**15.45%**	**15.80%**
Total capital ratio	**92 (2) (c)**	**21.74%**	**21.92%**	**19.90%**	**20.25%**

/*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 2016 profit included would be 18.64% and the total capital ratio computed with 2016 profit included would be 23.10%.

2. In order to compute the capital ratios, an additional regulatory prudential deduction is performed from the capital (CET1, Tlier 1 and Total own funds): 215.886 th.RON in 2016 and 216.485 th.RON in 2015.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-15		Dec-16	
in RON thousands		**Basel 3**		**Basel 3**	
	Article pursuant to CRR	**Phased-in**	**Final**	**Phased-in**	**Final**
Capital requirement	92 (3), 95, 96, 98	**2,311,747**	**2,311,747**	**2,423,779**	**2,423,779**
CET1 capital ratio	92 (2) (c)	**17.55%**	**18.33%**	**17.38%**	**18.17%**
Tier 1 capital ratio	92 (2) (c)	**17.55%**	**18.33%**	**17.38%**	**18.17%**
Total capital ratio	92 (2) (c)	**23.04%**	**24.40%**	**21.80%**	**22.98%**

/*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 2016 profit included would be 19.78% and the total capital ratio computed with 2016 profit included would be 24.12%.

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): 215.886 th.RON in 2016 and 216.485 th.RON in 2015.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)

Group		Dec-15		Dec-16	
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	30,758,799	2,460,704	32,761,777	2,620,942
Risk weighted assets (credit risk)	92 (3) (a) (f)	25,435,567	2,034,845	25,051,599	2,004,128
Standardised approach		25,435,567	2,034,845	25,051,599	2,004,128
IRB approach		-	-	-	-
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	-	-	-	-
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	117,034	9,363	238,716	19,097
Operational risk	92 (3) (e), 92 (4) (b)	5,163,437	413,075	7,462,066	596,965
Exposure for CVA	92 (3) (d)	42,760	3,421	9,396	752
Other exposure amounts incl. Basel 1floor	3, 458, 459, 500	28,192,743	2,255,419	28,559,887	2,284,791

Risk structure according to EU directive 575/2013 (CRR)

Bank		Dec-15		Dec-16	
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	28,896,833	2,311,747	30,297,234	2,423,779
Risk weighted assets (credit risk)	92 (3) (a) (f)	23,879,020	1,910,322	23,146,438	1,851,715
Standardised approach		23,879,020	1,910,322	23,146,438	1,851,715
IRB approach		-	-	-	-
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	-	-	-	-
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	142,904	11,432	109,916	8,793
Operational risk	92 (3) (e), 92 (4) (b)	4,832,149	386,572	7,031,484	562,519
Exposure for CVA	92 (3) (d)	42,760	3,421	9,396	752
Other exposure amounts incl. Basel 1floor	3, 458, 459, 500	26,387,674	2,111,014	26,587,026	2,126,962

47. COUNTRY BY COUNTRY REPORTING

			2015	Group
Country	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
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**

			2016	Group
Country	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Romania	2,842,993	1,161,861	(130,646)	36,846
Moldova	25,173	8,630	218	-
Total	**2,868,166**	**1,170,491**	**(130,428)**	**36,846**

48. EVENTS AFTER THE BALANCE SHEET DATE

No subsequent events occurred after the reporting period.