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 2014

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

DECLARATION,

We, the undersigned, in our capacity of administrators of Banca Comerciala Romana S.A., and in accordance with Art. 30 of the Accounting Law no. 82/1991 republished, undertake full responsibility for the preparation of the annual financial statements as at 31.12.2014 and declare the following:

a) The accounting policies used for the preparation of the financial statements for 2014 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 by the NBR's Order no. 26/2011 and Order no.29/2011;

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,

TOMAS SPURNY

BANCA COMERCIALA ROMANA

BCR

Chief Financial Officer,

ADRIANA JANKOVICOVA

No. Cabinet of the President 8/23.03.2015
Supervisory Board

ADMINISTRATORS' REPORT
Romanian Commercial Bank

Regarding the Financial year 2014

A. Macroeconomic environment in 2014

Real GDP growth was 2.9% in the first three quarters of 2014, with positive contribution of households' consumption and deep contraction of gross fixed capital formation due to very low public investments in infrastructure ahead of November presidential elections and private sector deleveraging on the FX side of its balance sheet. Investments fell for the eighth straight quarter in 3Q 2014 and this development is worrisome for Romania's potential GDP which is already constrained by the slow recovery of the labor market and limited progress in improving productivity in state-owned companies. Exports continued to perform well with the industrial production being an important driver. The European Union continued to represent the main export destination with 70% share. Services' exports jumped by more than 30.0% y/y in 3Q 2014 in line with ongoing acceleration of the gross value added in IT&C sector, which came almost on a par with the gross value added in agriculture, signaling an encouraging structural improvement in the Romanian economy. Exports of goods lost some speed towards the end of the year due to feeble external demand from non-EU countries. Government's propensity towards social and personnel expenditure, very low inflation and modest improvement of the private segment of the labor market helped households' consumption advance by 3.5% on average in real terms in the first three quarters of 2014.

Labor market improved slightly in 2014 and unemployment rate (International Labor Office definition) fell to 6.4% in December from 7.0% at the beginning of the year. Real wage growth strengthened to around 4.0% at the end of 2014 due to the falling inflation rate but nominal wages continued to display different trends among economic sectors, with stronger growth in export-oriented areas and disappointing evolution in sectors that offer goods and services to the domestic market.

Inflation rate decreased below 1.0% in 2014 and stood below the lower bound of the Central Bank target of 2.5%±1pp due to very low inflation in Eurozone, Romania's main trading partner, higher supply of fresh agricultural products on the local market due to economic sanctions against Russia and steep fall of oil price in the second half of the year. Households' consumption has not strengthened to levels which would endanger price stability and negative output gap was yet another reason for very low inflation.

The NBR eased monetary policy significantly throughout 2014, taking advantage of record low inflation and stable FX market in spite of the conflict in Ukraine. S&P decision to upgrade Romania to investment grade in May was yet another element that boosted investors' confidence, enabling ambitious monetary easing. Key rate was cut by a cumulative 125bp in 2014 to 2.75%, while minimum reserves were reduced by 5pp for RON liabilities to 10.0% and 6pp for FX liabilities to 14.0%.

Gradual monetary easing was transmitted in the local banking sector in the form of lower interest rates for new loans in local currency and lending in RON gained speed to 8.5% y/y in December 2014 from 0.7% in December 2013. Retail loans in RON accelerated to double-digit annual levels helped by mortgage loans, while corporate loans in RON were slower. FX loans contracted sharply in 2014 (-10.5% y/y in December based on outstanding amounts) due to NBR's restrictions, local banks' strategy to reduce their dependency on external funding lines and lower demand from clients due to the increasingly attractive rates for RON loans. Deposits in RON maintained an annual growth rate of around 9.0% during the entire year due to households' cautious behavior and a lack of viable new investment projects developed by local entrepreneurs. Share of FX loans in total non-government loans in the Romanian banking sector fell to 56.2% in December 2014, the lowest level since the autumn of 2008, a development seen as positive by the central bank. Loan to deposit ratio (RON+FX) decreased below 100% in mid-2014, a level last seen before the lending boom of 2006-08.

Abundant liquidity on global financial markets due to accommodative monetary policy in the US, Europe and Japan and government's adherence to budget deficit targets agreed with the IMF reinforced foreign investors' confidence in the Romanian economy and enabled the Ministry of Finance to cover the budget deficit at low costs. Local currency bonds rallied as investors seemed to overlook the political risk incurred by November presidential elections and weak structure of budget execution, with disappointing revenue collection, very low capital expenditure and a tendency towards social and personnel expenditure. Yields fell by a whopping 200bp for five-year local currency government bonds between January and December and five-year CDS spreads shrank by around 50bp during the same interval.

RON traded within a narrow range of 4.4-4.5 most of the time and the NBR's maintained its managed floating FX regime, with interventions aimed at reducing excessive fluctuations of the local currency. The NBR continued thus to favor a strategy of keeping the RON as stable as possible with the cost of frequent decoupling episodes between the key rate and short-term money market rates. While this strategy worked to some extent in a period of falling interest rates, we think it should be avoided in the future because any episode of sudden increase in short-term money market rates coupled with weak signal sent by the future trajectory of the key rate would hurt lending in local currency.

Consolidated state budget ended 2014 with a deficit of 1.9% of GDP, within the target agreed with the IMF of 2.2% of GDP. Similar to previous years, budget execution was poor, with huge liquidity injections in the economy in December alone, reduction of capital expenditure and no major results in terms of improving revenue collection. Personnel expenditure increased at the end of 2014 after the payment of overdue salaries in the public sector for employers who obtained favorable courts' decisions. While this remains a one-off budgetary item, it could be read in a wider context of strong focus of the government on current spending at the expense of public investments.

Absorption of EU structural funds (annual inflows) rose to EUR 3.5 billion in 2014 from EUR 2.9 billion in 2013, which corresponds to an absorption rate of 45.0% at the end of the year (based on stock values). Transport, environment, regional development and increase of economic competitiveness operational programs saw the largest inflows of EU structural and cohesion funds in 2014. The government took action for strengthening the absorption of structural and cohesion funds through the extension of Treasury loans for making payments to the beneficiaries of EU funds and simplification of absorption procedures, but more needs to be done in the following years to avoid losing money allotted within the European financial framework 2014-2020.

The relation between Romania and the International Monetary Fund (IMF) seemed different from the previous years, with the government being more inclined to follow fiscal policies without the consent of the IMF and the IMF being no longer in a position to press for deep structural reforms. Talks between the government and experts from the IMF and the European Commission from June ended with no formal agreement and international financial institutions agreed to visit Bucharest later in the year for additional discussions. Government's economic agenda was oriented more towards social issues in the context of November presidential elections and restructuring of loss-making state-owned enterprises lagged behind.

B. Important events since the end of 2014

2015 started with a continuation of the monetary easing cycle against the backdrop of a very low inflationary environment and economy's need for further strengthening of RON lending. After disappointing results in terms of infrastructure spending in 2014, the Romanian government presented a new version of the Transport Master Plan with ambitious targets in building new highways until 2030. For the moment, the contribution of the construction sector to real GDP growth remains modest and no strong acceleration of economic growth is foreseen for 2015, households' consumption being again a key driver of the growth.

The NBR cut the key rate twice in the first two months of 2015, bringing it to a fresh-low of 2.25%. At the same time, it kept the wording "adequate liquidity management in the banking system" in both press releases issued after monetary policy decisions, suggesting that short-term money market rates would continue to decouple from the key rate. The governor left the door open for further monetary easing in 2015 through prudent cuts in minimum reserves.

At the beginning of February, the Prime Minister announced that the Romanian government and a joint team of the IMF and EU reached no agreement for another review of the precautionary stand-by arrangement. Liberalization of natural gas price for households and thermo stations and restructuring of state-owned energy companies were two major issues where the Romanian government and external partners had different opinions. The government is behind the agreed schedule in these two areas and the IMF asked for an enforcement of the previously agreed action plan. Regarding the deep restructuring of energy companies, fearing the social impact that a bold restructuring would have, the government presented an alternative view, with additional investments for environment protection, better management and additional talks with unions for delaying wage growth which endanger the financial stability of these companies. PM Ponta added that current precautionary stand-by arrangement remains in place but no letter of agreement has been signed and negotiations would continue in April.

C. <u>Romanian Commercial Bank's Supervisory Board, Management Board, and Assets and Liabilities Committee structure during 01.01 - 31.12.2014</u>

I. Supervisory Board

Period 01.01 – 30.11.2014

- **Manfred Wimmer** - Chairman
- **Andreas Treichl** - Deputy Chairman
- **Herbert Juranek** - member
- **Gernot Mittendorfer** - member
- **Florin Pogonaru** - member (resigned starting on 1.12.2014)
- **Brian O'Neill** - member
- **Tudor Ciurezu** - member

Period 01.12 – 31.12.2014

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

II. Management Board

Period 1.01 – 30.06.2014

- **Tomas Spurny** - CEO
- **Bernd Mittermair** - executive vice – president
- **Michael Beitz** - executive vice – president (his mandate ended starting on 06/30/2014)
- **Martin Skopek** - executive vice – president (his mandate ended starting on 30/09/2014)
- **Sergiu Manea** - executive vice – president
- **Paul Ursaciuc** - executive vice – president

- **Jonathan Locke** - executive vice – president (appointed by SB on 1.10.2013 and granted approval by NBR on 17.01.2014)
- **Adriana Jankovicova** - executive vice – president (appointed by SB on 31.01.2014 and granted approval by NBR on 11.07.2014)

Period 1.07 – 30.09.2014

- **Tomas Spurny** - CEO
- **Bernd Mittermair** - executive vice – president
- **Martin Skopek** - executive vice – president (his mandate ended starting on 30/09/2014)
- **Sergiu Manea** - executive vice – president
- **Paul Ursaciuc** - executive vice – president
- **Jonathan Locke** - executive vice – president (appointed by SB on 1.10.2013 and granted approval by NBR on 17.01.2014)
- **Adriana Jankovicova** - executive vice – president (appointed by SB on 31.01.2014 and granted approval by NBR on 11.07.2014)

Period 1.10 – 31.12.2014

- **Tomas Spurny** - CEO
- **Bernd Mittermair** - executive vice – president
- **Sergiu Manea** - executive vice – president
- **Paul Ursaciuc** - executive vice – president
- **Jonathan Locke** - executive vice – president (appointed by SB on 1.10.2013 and granted approval by NBR on 17.01.2014)
- **Adriana Jankovicova** - executive vice – president (appointed by SB on 31.01.2014 and granted approval by NBR on 11.07.2014)
- **Dana Demetrian** - executive vice – president (appointed by SB on 24.10.2014 and granted approval by NBR on 05.01.2015)

III. Assets and Liabilities Management Committee

Period 01.01 – 11.07.2014

• **Bernd Mittermair**	- ALCO chairman
• **Tomas Spurny**	- ALCO deputy chairman
• **Michael Beitz**	- member (he ended mandate starting on 06/30/2014)
• **Martin Skopek**	- member (his mandate ended starting on 30/09/2014)
• **Sergiu Manea**	- member
• **Paul Ursaciuc**	- member
• **Jonathan Locke**	- member (appointed by SB on 1.10.2013 and granted approval by NBR on 17.01.2014)

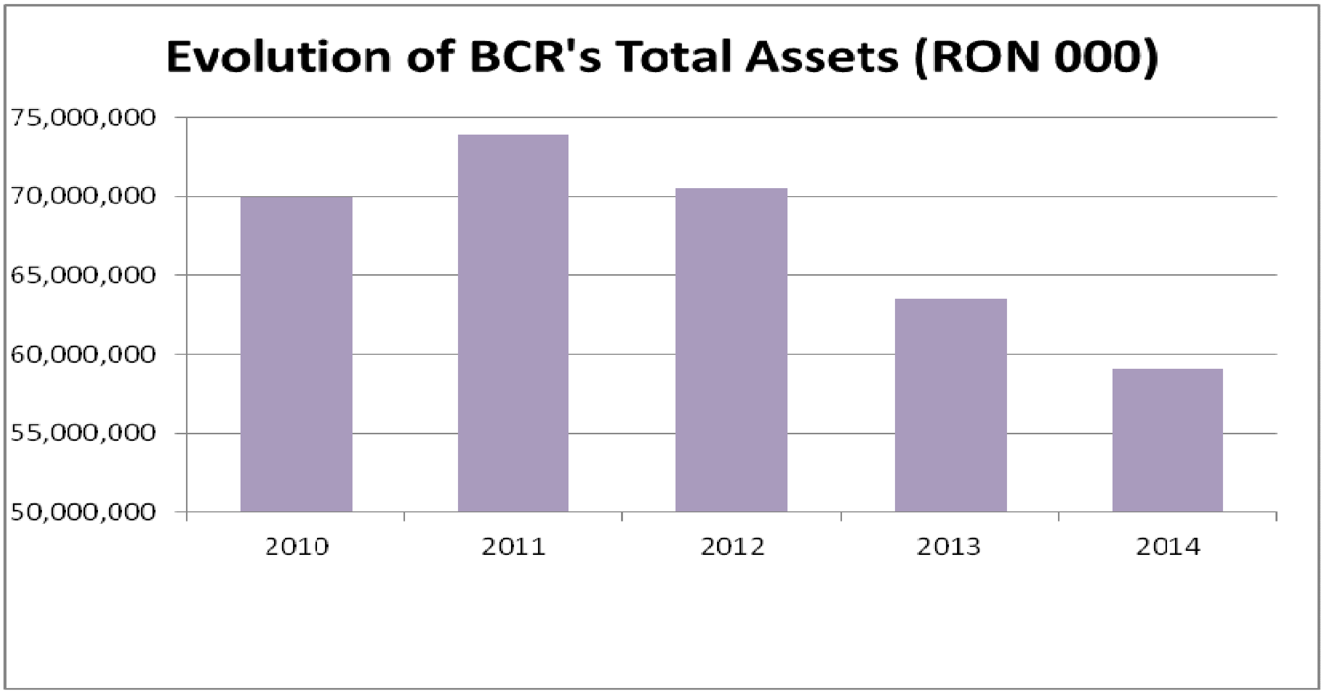
Period 12.07 – 31.12.2014

• **Adriana Jankovicova**	- ALCO chairman
• **Tomas Spurny**	- ALCO deputy chairman
• **Bernd Mittermair**	- member
• **Martin Skopek**	- member (his mandate ended starting on 30/09/2014)
• **Sergiu Manea**	- member
• **Paul Ursaciuc**	- member
• **Jonathan Locke**	- member (appointed by SB on 1.10.2013 and granted approval by NBR on 17.01.2014)
• **Dana Demetrian**	- member (appointed by SB on 24.10.2014 and granted approval by NBR on 05.01.2015)

D. Patrimony of the Romanian Commercial Bank

As of 31 December 2014, the Romanian Commercial Bank prepared its financial statements for the year ended on that date, in compliance with the Accounting law no. 82/1991, with its subsequent amendments and supplements and with the National Bank of Romania Order no. 27/2012 for approval of Accounting Regulations compliant with International Financial Reporting Standards applicable to credit institutions, amended and supplemented through the National Bank of Romania Order no. 26/2011 and 29/2011.

Total assets at 31 December 2014 amounted to RON 59,037,134 thousand, decreasing by 7.0% compared to 31 December 2013.

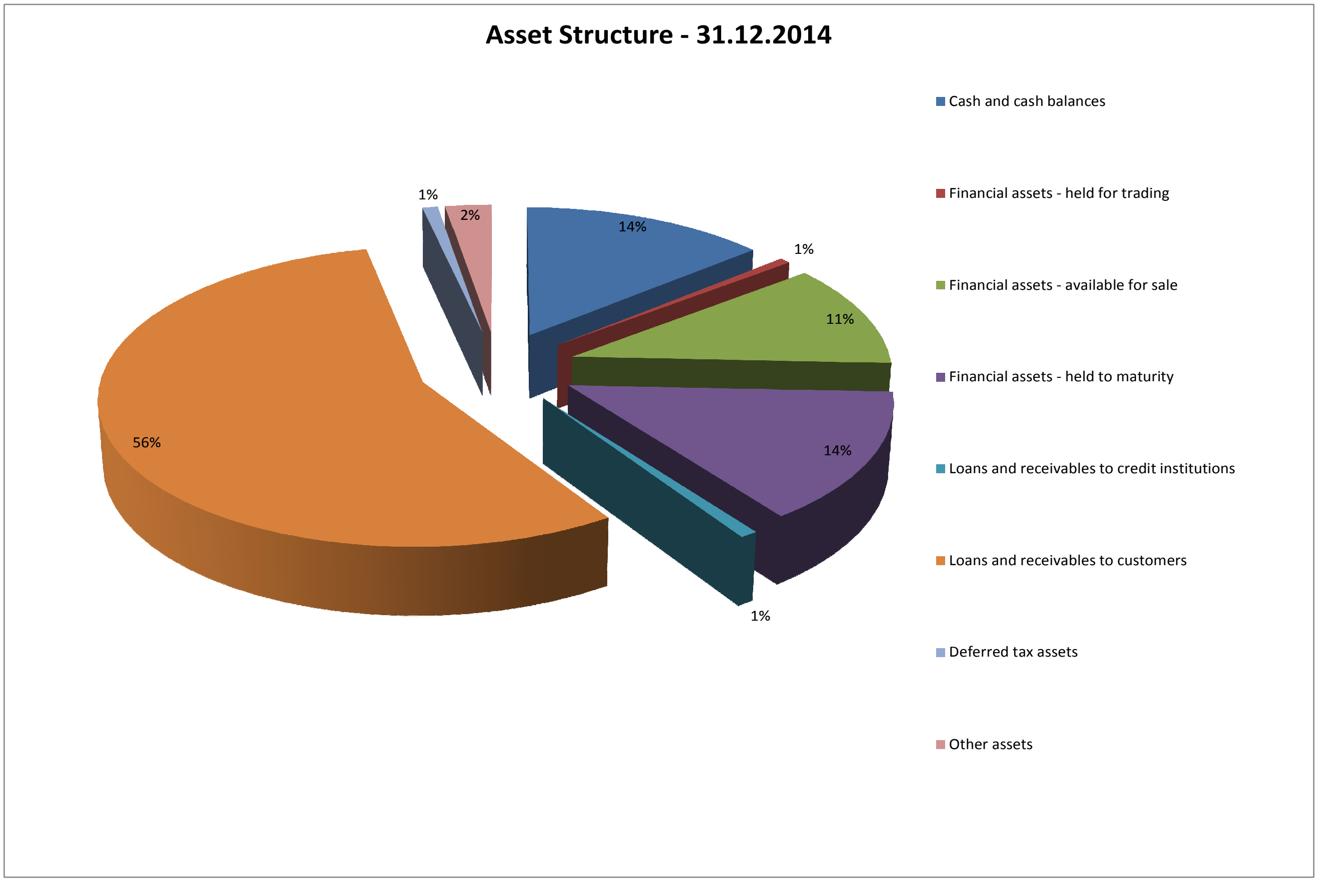


In EUR equivalent, total assets at 31 December 2014 represent 13,171.8 million, compared to EUR 14,161.5 million as at 31 December 2013 (converted at the exchange rates at the end of each corresponding financial year).

Assets in the balance sheet have the following structure:

ASSETS

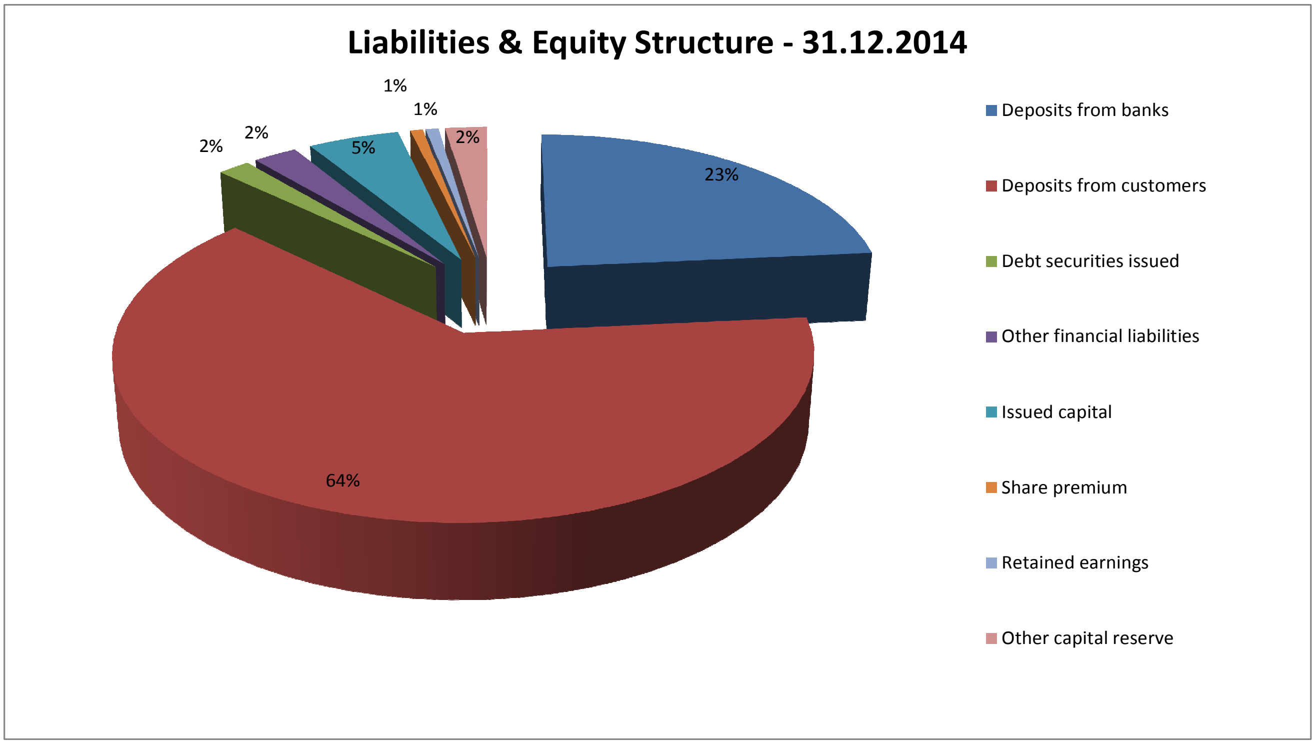
Nr		31.12.2013	31.12.2014	Percentage Change 2014/2013
	in RON thou			
1	Cash and cash balances	9,545,662	8,158,441	-14.5%
2	Financial assets - held for trading	371,763	370,829	-0.3%
3	*Derivatives*	40,946	154,976	278.5%
4	*Other trading assets*	330,817	215,853	-34.8%
5	Financial assets designated at fair value through profit or loss	34,351	24,587	-28.4%
6	Financial assets - available for sale	4,453,260	6,635,423	49.0%
7	Financial assets - held to maturity	9,009,939	8,429,417	-6.4%
8	Loans and receivables to credit institutions	483,262	480,666	-0.5%
9	Loans and receivables to customers	37,960,217	32,937,273	-13.2%
10	Derivatives Hedge Accounting	39,233	0	-100.0%
11	Property,plant,equipment	314,334	222,539	-29.2%
12	Intangible assets	206,146	206,874	0.4%
13	Investments in associates	7,509	7,509	0.0%
14	Current tax assets	89,042	89,042	0.0%
15	Deferred tax assets	314,563	503,888	60.2%
16	Non-current assets and disposal groups classified as held for sale	0	37,678	NA
17	Other assets	680,682	932,968	37.1%
	TOTAL	**63,509,963**	**59,037,134**	**-7.0%**



Liabilities and Equity in the balance sheet as at 31 December 2014, amounting to RON 59,037,134 thousand, have the following structure:

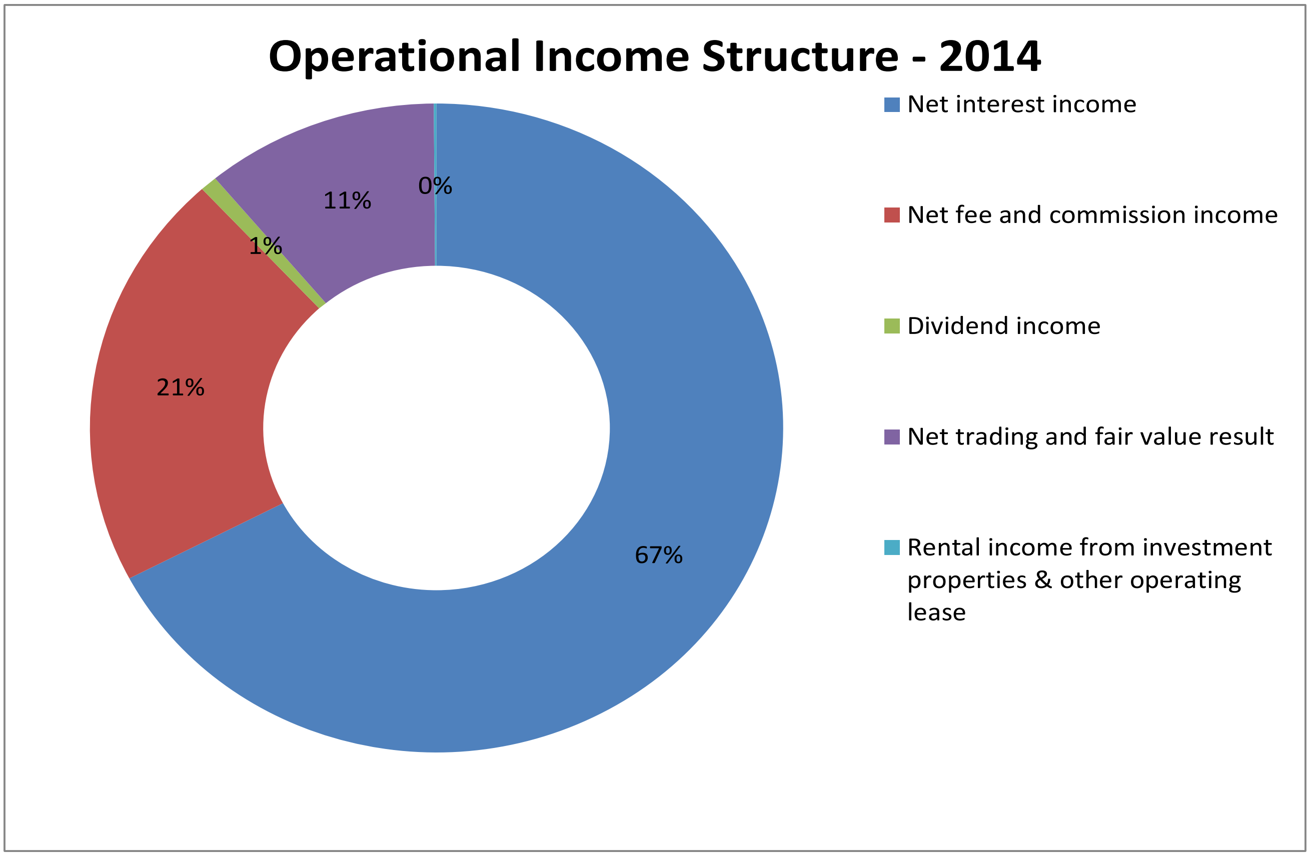
LIABILITIES AND EQUITY

Nr		31.12.2013	31.12.2014	Percentage Change 2014/2013
	in RON thou			
1	Financial liabilities held for trading (derivatives)	66,061	70,127	6.2%
2	Financial liabilities measured at amortised costs	54,358,870	52,872,441	-2.7%
3	*Deposits from banks*	16,778,413	13,864,122	-17.4%
4	*Deposits from customers*	35,746,864	37,592,461	5.2%
5	*Debt securities issued*	1,393,386	1,044,208	-25.1%
6	*Other financial liabilities*	440,207	371,650	-15.6%
7	Derivatives Hedge Accounting	1,087,266	554,005	-49.0%
8	Provisions	395,953	342,694	-13.5%
9	Other Liabilities	121,963	86,970	-28.7%
10	**TOTAL EQUITY**	7,479,850	5,110,897	-31.7%
11	Issued capital	2,952,565	2,952,565	0.0%
12	Share premium	395,483	395,483	0.0%
13	Retained earnings	3,038,648	410,475	-86.5%
14	Other capital reserve	1,093,154	1,352,374	23.7%
	TOTAL	**63,509,963**	**59,037,134**	**-7.0%**



E. Income statement for the year ended 31 December 2014

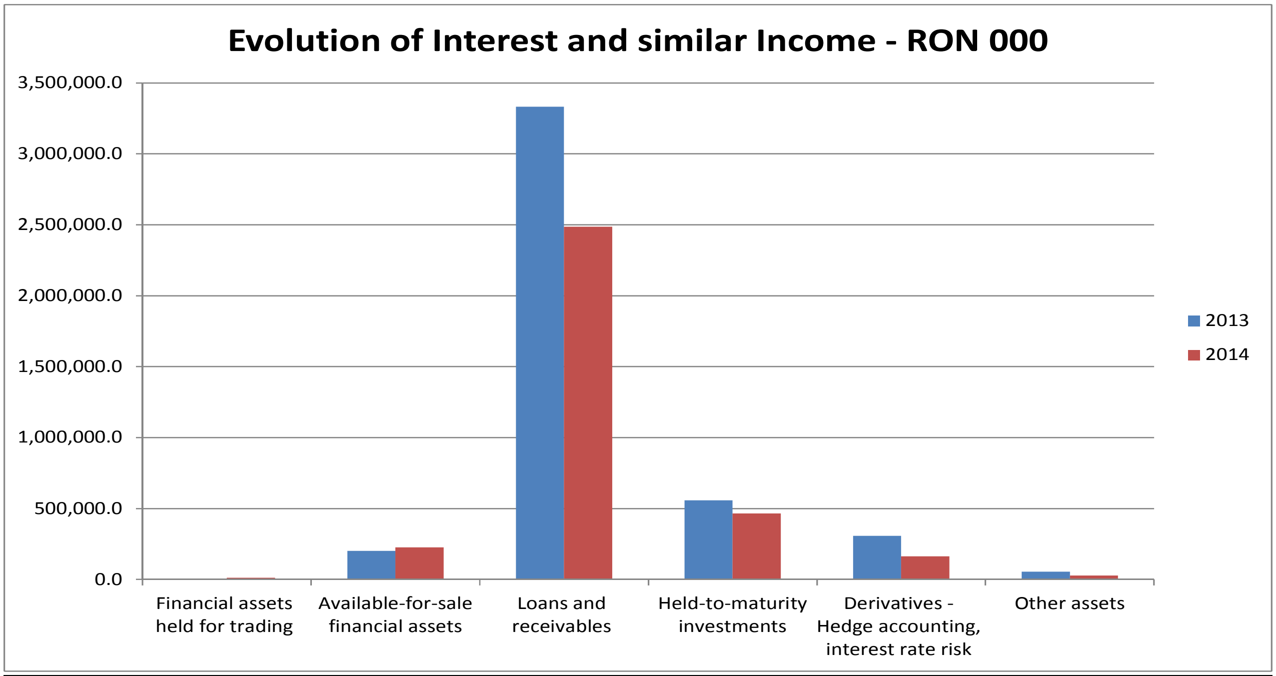
Nr		31.12.2013	31.12.2014	Percentage Change 2014/2013
	in RON thou			
1	Net interest income	2,694,877	2,215,176	-17.8%
2	Net fee and commission income	718,250	685,825	-4.5%
3	Dividend income	10,385	26,134	151.7%
4	Net trading and fair value result	440,757	358,568	-18.6%
5	Rental income from investment properties & other operating lease	7,601	4,280	-43.7%
6	Personnel expenses	-691,638	-597,183	-13.7%
7	Other administrative expenses	-815,516	-776,880	-4.7%
8	Depreciation and amortisation	-164,902	-119,737	-27.4%
9	Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	14,067	8,058	-42.7%
10	Net impairment loss on financial assets not measured at fair value through profit or loss	-1,925,526	-3,815,146	98.1%
11	Other operating result	-512,645	-857,625	67.3%
12	**Pre-tax profit from continuing operations**	**-224,290**	**-2,868,530**	**1178.9%**
13	Taxes on income	559,817	238,962	-57.3%
14	**Post-tax profit from continuing operations**	**335,527**	**-2,629,568**	**-883.7%**
15	Profit from discontinued operations net of tax	0	0	NA
16	**NET PROFIT OF THE YEAR**	**335,527.0**	**-2,629,568.0**	**-883.7%**



Net interest income declined by 17.8 % compared with December 31, 2013.

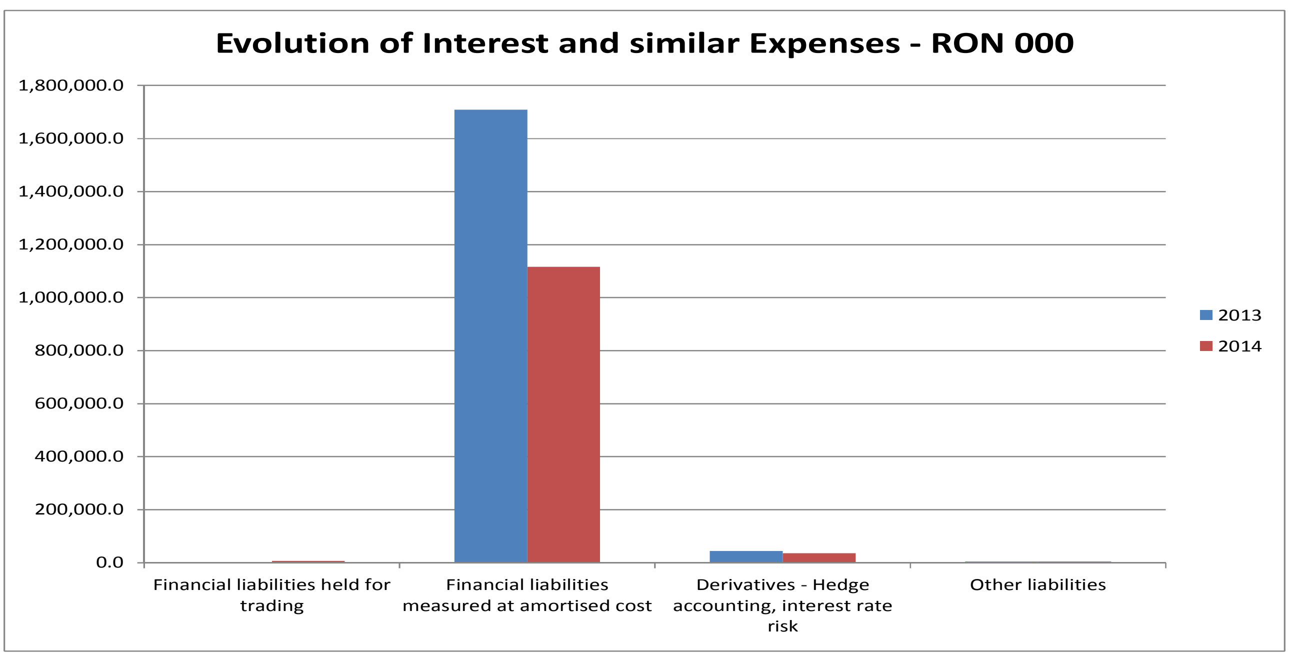
INTEREST AND SIMILAR INCOME

Nr		31.12.2013	31.12.2014	Percentage Change 2014/2013
	in RON thou			
1	Financial assets held for trading	0	11,037	NA
2	Available-for-sale financial assets	202,350	226,237	11.8%
3	Loans and receivables	3,330,484	2,485,257	-25.4%
4	Held-to-maturity investments	558,534	465,133	-16.7%
5	Derivatives - Hedge accounting, interest rate risk	307,586	163,119	-47.0%
6	Other assets	54,257	27,487	-49.3%
7	**Total Interest Income**	**4,453,211**	**3,378,270**	**-24.1%**



INTEREST AND SIMILAR EXPENSE

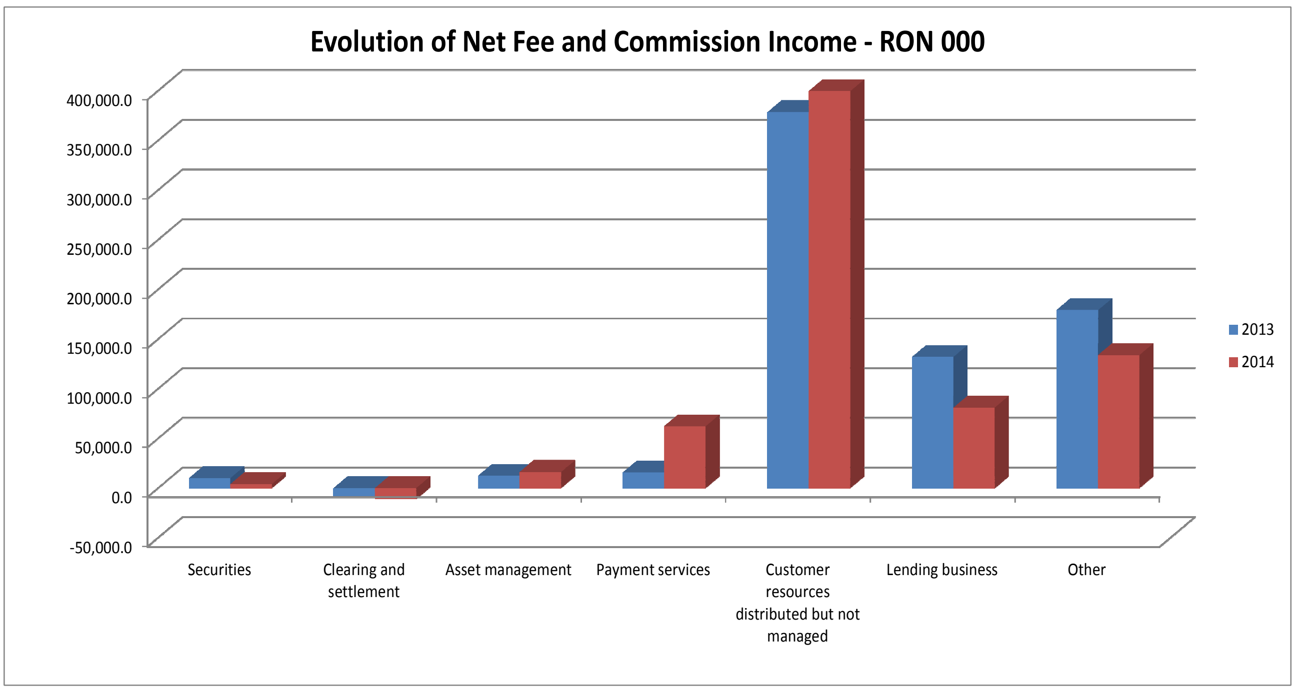
Nr		31.12.2013	31.12.2014	Percentage Change 2014/2013
	in RON thou			
1	Financial liabilities held for trading	0	6,790	NA
2	Financial liabilities measured at amortised cost	1,709,626	1,115,904	-34.7%
3	Derivatives - Hedge accounting, interest rate risk	44,155	35,558	-19.5%
4	Other liabilities	4,553	4,842	6.3%
5	**Total Interest Expense**	**1,758,334**	**1,163,094**	**-33.9%**



Net commission income in amount of RON 685,825 thousand (as of December 2014) compared to RON 718,250 thousand (as of December 2013), show a decrease of 4.5%, as follows:

NET FEES AND COMMISSION INCOME

Nr		31.12.2013	31.12.2014	Percentage Change 2014/2013
	in RON thou			
1	Securities	9,956	4,016	-59.7%
2	Clearing and settlement	-9,443	-10,944	15.9%
3	Asset management	12,444	16,185	30.1%
4	Payment services	15,683	62,160	296.4%
5	Customer resources distributed but not managed	378,361	399,584	5.6%
6	Lending business	131,950	80,939	-38.7%
7	Other	179,299	133,885	-25.3%
8	**Net Commission Income**	**718,250**	**685,825**	**-4.5%**



The net result of 2014, calculated as the difference between revenues and their related expenses represents a loss of RON 2,629,568 thousand.

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

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

In order to lower the credit risk profile of the Bank the **credit risk strategy** targets the following directions:

- **Protecting the credit portfolio quality** and **maintaining a diversified portfolio**, with moderate concentration risk on industries, groups and clients;
- Focus on a better rating distribution of customers across all products and segments via new lending and the reduction of exposures to worse rated customers;
- **Increasing the efficiency of the selection process of the industries/sub-industries/client segments** towards which the bank was exposed itself;
- Maintaining and selectively increasing credit exposure to existing BCR customers with good historical relations (e.g. current account active, turnover, loans) in order to reduce the credit risk and increase volumes within the investment grades;
- Maintaining **appropriate levels of collateralization**. The Bank has reviewed and improved its collateral management policy such that it is aligned with its commercial and risk objectives;
- **Improving the monitoring process of the credit portfolio** through the enhancement of the early warning policies and processes within a centralized team;
- **Reducing NPL volumes by improved workout processes and capabilities.**

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

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

- The FX trading activity of BCR was transferred to Erste Group Bank;
- BCR has a trading book (especially for equities and fixed income (FI)) and established budgets (profitability targets) for the Group Capital Markets Division;
- BCR has market risk limits for the trading book and banking book portfolios;
- Within ICAAP, among others, BCR performs yearly stress tests on the interest rate risk in the banking book.

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

- **Survival period analysis (SPA).** The survival period analysis (SPA) is the key tool in Erste Group Bank for measuring insolvency risk due to liquidity problems, thus it focuses on the short-term horizon – up to 1 year – and uses ‘dynamic’ stress testing methodology.

- **Liquidity coverage ratio (LCR)** ensures that a bank maintains an adequate level of high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors.

Due to its complexity and dimension, the bank is exposed to **operational risk** from various angles. In order to lower the operational risk profile, the bank is focusing its activities on several mitigation actions like:

- permanent development and improvement of control environment using:
    - implementation and review of internal procedures/ norms/ work instructions;
    - development and regular monitoring of the key risk indicators (KRI) defined at the level of specific businesses;
    - the RCSA (Risk Control Self Assessment) mitigating measures follow up/ reporting process;
    - risk assessments in case of outsourced material activities;
    - increase the operational risk culture;
- improvement of loss data collection framework by assuring reporting completeness and operational risk data quality;
- escalating the major operational risk issues at the level of the Operational Risk Management Committee;
- decrease of the number of overdue internal audit points;
- significant progress made in respect of the safe storage and archiving project;
- developing means/ criteria for the fraud identification and prevention;
- concluding insurance policies against operational risks;
- the regular review of the plans drawn up for the re-running of activity and for unforeseen situations.

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

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.

The bank allocates high importance to **legal risk**, various measures being undertaken for maintaining an acceptable risk profile:

- ensures the establishment of an efficient legal function and an adequate monitoring of the Bank’s exposure to the legal risk;
- periodically reviews the internal regulation framework and the legal acts templates used in the current activity (e.g. credit agreements and deposit agreements), and analyses their adequacy as well as their alignment to the Bank’s activity, the banking practices and the applicable legal framework;

- develops and implements processes and control mechanisms for complying with the internal and external regulatory framework;
- monitors the course of the litigation portfolio and assesses the causes having led to the litigation, for the purpose of improving the business practice and the legal documents attached to its products and services; and
- provides adequate and high quality internal legal assistance to its staff and the management of the Bank.

For an adequate **reputational risk** management and in order to enhance its reputation in the eyes of its clients, business partners, banking industry and regulatory and supervisory/ oversight bodies, the Bank:

- ensures the reputational risk management in a shared responsibility between communication, internal control and risk management functions, aiming mainly at removal of resident risks inconsistencies and contradictions;
- promotes and enforces clear corporate values, social responsibility and business practices, non-discriminatory and fair to all parties, including by defining and enforcement of standards and codes of conduct on the manner in which bank staff should interact with customers and third parties so that the bank's public image to be represented in accordance with its vision and values;
- aims at a good knowledge and understanding of its customers and partner's needs, of their opinions about products and services, as well as the achievement of a high degree of customer satisfaction in respect of his products and services, staff behavior and the working environment in his operational units;
- collects, analyzes and uses information related to customer and banking industry perception and opinion, in order to improve its operations, products and services;
- aims at ensuring compliance with regulations in force and at selecting customers and business partners so that his public image not to be negatively impacted by being involved in acts or illegal activities;
- engages in social responsibility and environmental protection projects in the interest of community where it is pursuing affairs.

G. Risk management

BCR has continued to take all necessary actions to correlate its principles to the standards of Erste Bank Group, Basel Accord and NBR requirements.

Risk Appetite Statement

Risk Appetite Statement (RAS) serves to define the level of risks the group is willing to take from a strategic point of view. RAS sets boundaries and defines limits which are relevant for the group's daily operations, in accordance with those developed for the Bank itself.

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

BCR Group has defined its **Risk Appetite for 2014** based on a set of risk **limits / targets / principles**.

Management of significant risks

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

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

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

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

- A system of responsibilities, policies, norms and procedures on **internal control** at the bank level

- A policy for the administration of **outsourced activities**

- A system for the management of **judicial (legal) risk** and **compliance risk**

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

- Personnel training programs

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

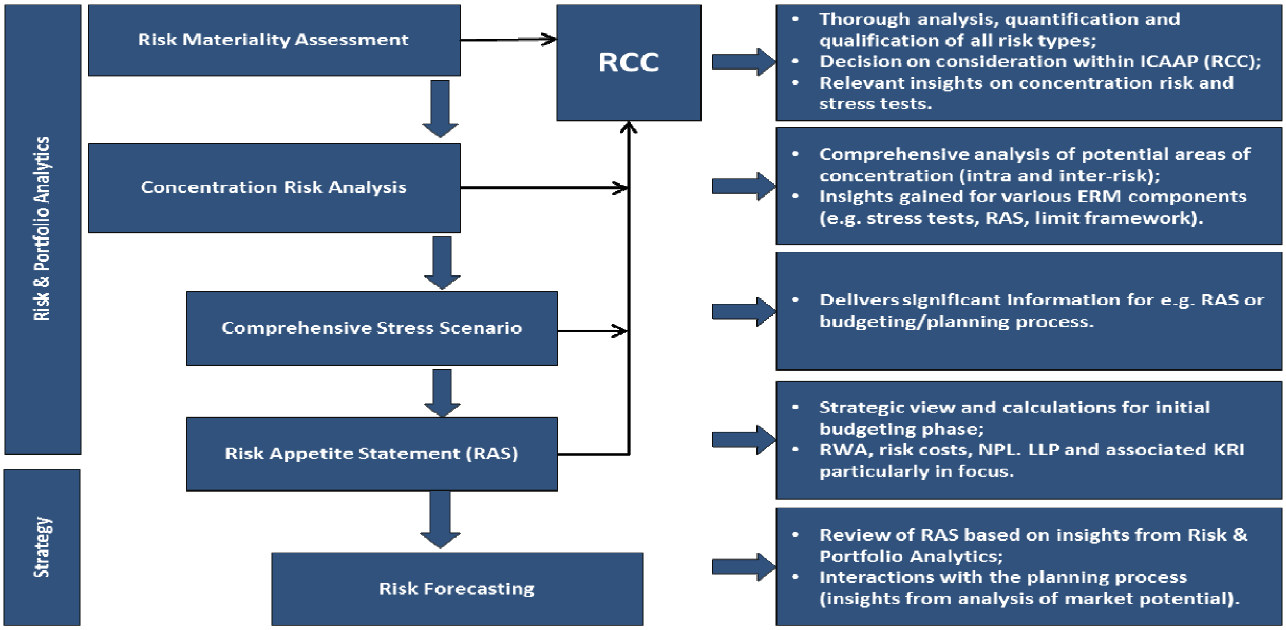
- The bank properly assigns **responsibilities to all its organizational levels**, making sure that the personnel does not have responsibilities which might lead to **conflicts of interest** (e.g. dual responsibilities for one individual, such as: performing both front-office and back-office activities,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

Internal Capital Adequacy Assessment Process (ICAAP)

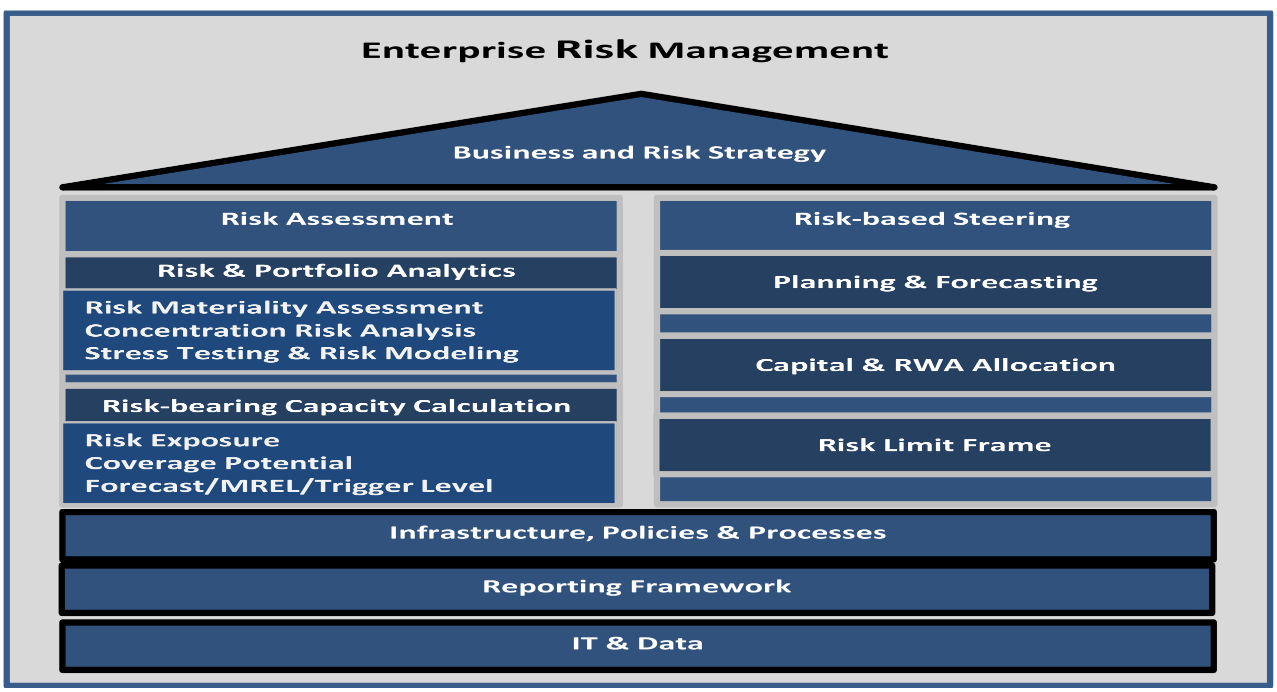
Starting with 2010, BCR uses the Internal Capital Adequacy Assessment Process (ICAAP), in compliance with the Group's standards and NBR regulations, to determine on a regular basis the amount, constitution and the distribution of capital necessary for the quantitative and qualitative coverage of all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

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

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



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



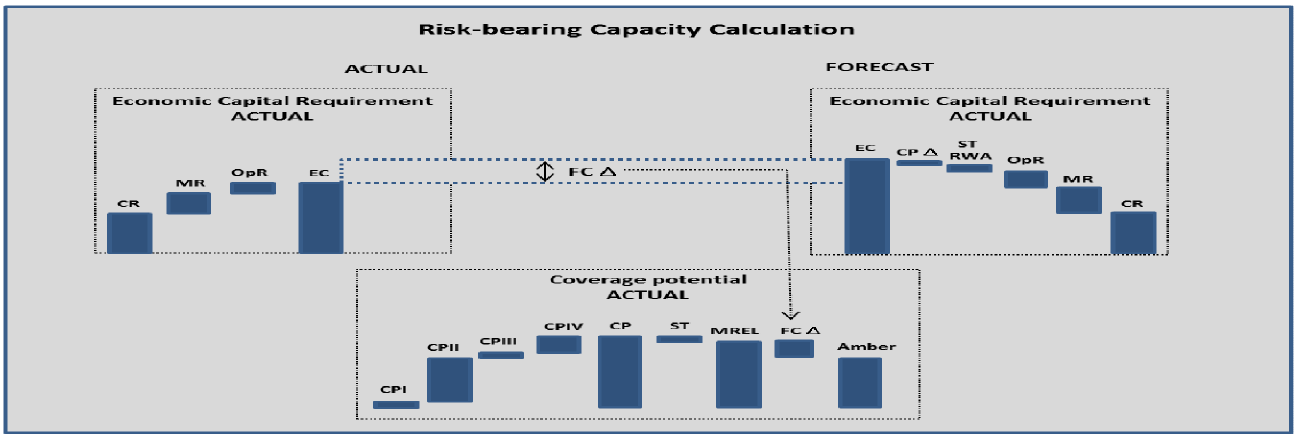
Risk-bearing Capacity Calculation (RCC)

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

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

Within the RCC, all material risks, as defined in the Risk Materiality Assessment, are summed up to provide the basis for Economic Capital.

The RCC module calculation is presented in the chart below:



Risk Materiality Assessment Process

BCR Risk Materiality Assessment (RiskMAT) delivers the risk types which have to be covered by capital. Insights and results from other analysis and calculations, e.g. concentration risk analysis, stress testing, are considered in the RCC in order to guarantee an all-encompassing risk sensitive portfolio view of the bank.

Stress tests

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

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

H. BCR policy regarding environmental issues

Romanian Commercial Bank

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

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

In 2014, work on the environment was held in accordance with the requirements of environmental procedures that apply to all lending businesses. Analysis of environmental issues is part of the lending process is mandatory for every transaction.

In Romanian Commercial Bank, environmental work is coordinated by the Department of Credit Analysis and Sabine.

CHAIRMAN
OF THE SUPERVISORY BOARD
MANFRED WIMMER

CONSILIUL DE SUPRAVEGHERE BCR PREȘEDINTE

DECLARATION,

We, the undersigned, in our capacity of administrators of Banca Comerciala Romana S.A., and in accordance with Art. 31 of the Accounting Law no. 82/1991 republished, undertake full responsibility for the preparation of the consolidated annual financial statements as at 31.12.2014 and declare the following:

a) The accounting policies used for the preparation of the annual consolidated financial statements for 2014 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 by the NBR's Order no. 26/2011 and Order no.29/2011;

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,

TOMAS SPURNY

Chief Financial Officer,

ADRIANA JANKOVICOVA

BCR

No. Cabinet of the Chairman
Supervisory Board
8/23.03.2015

CONSOLIDATED ADMINISTRATORS' REPORT
Banca Comerciala Romana Group
Year ended 31 December 2014

1. General information

During 2014, Banca Comerciala Romana Group ("BCR Group" or "the Group") comprised the parent bank, Banca Comerciala Romana S.A. and its subsidiaries, presented in the following table:

			Shareholding	
Company's Name	**Country of incorporation**	**Nature of the business**	**31 December 2014**	**31 December 2013**
BCR Chisinau SA	Moldova	Banking	100%	100%
Financiara SA (under liquidation)	Romania	Financial	97.46%	97.46%
BCR Leasing IFN SA	Romania	Financial leasing	99.96%	99.93%
Bucharest Financial Plazza SRL	Romania	Real Estate	99.99%	99.99%
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%
BCR Banca pentru Locuinte SA	Romania	Housing loans	80.00%	80.00%
BCR Finance BV	The Netherlands	*liquidated*	0.00%	100%
Suport Colect SRL	Romania	Workout	100%	100%
BCR Procesare SRL	Romania	Cash processing and storing	99.99%	99.99%
BCR Real Estate Management SRL	Romania	Real estate	99.99%	99.99%
BCR Fleet Management SRL	Romania	Operational leasing	99.96%	99.93%
Good-Bee Service SRL	Romania	*liquidated*	0.00%	99.99%
BCR Payments SPV	Romania	Payments transactions	99.99%	99.99%

2. The consolidated financial statements of the BCR Group for the year ended 31 December 2014

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 2014 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 2014 while Appendix 2 presents the consolidated balance sheet at 31 December 2014.

3. Financial highlights

Despite RON 1.9 billion operating result, **net result** of the year, **RON -2.8 billion** (EUR -627.4 million), was impacted by substantially higher risk provisions, in line with guidance provided at HY 2014 and Q3 2014 financial results, on the back of decision to accelerate resolution of troubled loans portfolio.

Risk provisions doubled to **RON 4.4 billion** in 2014, driven by ample efforts to reduce NPLs, including portfolio sales and write-offs. In 2014, BCR sold non-performing loans amounting to RON 2.0 billion, thus achieving guidance of overall NPL volume reduction by 24.0% yoy. NPL ratio decreased to 25.7%, NPL coverage ratio increased at 75.8%.

New bank **loans** totalled **RON 7.4 billion** in 2014, while the bank additionally invested RON 4.6 billion in state securities. Particular strong performance in retail franchise determined a threefold increase in volume of new mortgages and 61.0% in cash loans yoy.

Operating expenses were down by **9.4%** yoy, from RON 1.6 billion in 2013 to RON 1.5 billion in 2014 on the back of cost synergies, emphasis on productivity and focus on cost targets. BCR achieves 21.0% cumulated cost reduction in reference to 2011 base, before launching turnaround plan.

The solid capital position of the bank was able to absorb accelerated NPL reduction, while remaining strong to support good business growth. BCR's **solvency ratio** stood at **18.9%** in Dec 2014 (bank), while **Tier 1 + 2 capital** (group) remained very solid at **19.0%**.

Resolution of NPL stock

In line with guidance provided at HY 2014 and Q3 2014 financial results, BCR decided to seize regulatory recommendations as an opportunity to accelerate resolution concerning NPL legacy. BCR sold non-performing loans amounting to RON 2.0 billion, achieving guidance of overall NPL volume reduction by 24.0% yoy.

As such, net charge of impairments on financial assets not measured at fair value through profit and loss increased by 110.7% to **RON 4,440.0 million** (EUR 999.0 million) in 2014, versus RON 2,107.6 million (EUR 476.9 million) in 2013, on the back of portfolio sales, write-offs and implementation of new risk parameters, thus off-setting completely the operating result.

NPL ratio, at **25.7%** as of 31 December 2014, significantly decreased versus 29.2% as of 31 December 2013, despite overall decrease of the loan book, determined by recoveries, sales of selected NPL portfolios and write-offs. **NPL coverage ratio** stood at **75.8%**, significantly above 65.8% as of December 2013.

4. Business performance overview

The BCR Group achieved in 2014 an **operating result** of **RON 1,914.4 million** (EUR 430.8 million), 19.3% lower than the previous year at RON 2,372.9 (EUR 536.9), driven by weaker operating income and partly compensated by lower costs.

The net result came on the back of total bank **new lending** in 2014 amounting to **RON 7.4 billion,** underpinned by solid growth in retail and stabilization of the corporate book. Additionally the bank invested RON 4.6 billion in Romanian sovereign securities, the majority of which in RON denominated bonds. That new funding into the economy was commercially coupled with solid growth in deposits and successful distribution of subsidiary products including Erste Asset Management funds, BCR Banca pentru Locuinte and BCR Pensii.

In bank **retail business**, strong performance in new volume generation by the franchise (RON equivalent of 4.7 billion) resulted in a threefold increase versus the previous year concerning housing loans and 61.0% in cash loans, respectively. The retail performing loans balance stood at around **RON 16.6 billion**, on the back of new lending offsetting volumes of loans reimbursed or maturing. At RON 9.5 billion the total performing housing loans portfolio grew satisfactorily versus RON 8.6 billion at end of year 2013. Overall local currency performing loans portfolio encouragingly grew to RON 6.7 billion as compared to RON 5.5 billion at year end 2013.

In bank **corporate business**, performing loan portfolio stood at around **RON 11.8 billion**, with new lending equivalent of about RON 2.7 billion granted to corporate clients in sectors such as energy, agriculture, constructions, pharmacy & healthcare, industry, IT&C.

Net interest income, was down by 17.5%, to **RON 2,289.4 million** (EUR 515.1 million), from RON 2,775.6 million (EUR 628.0 million) in 2013, on the back of accelerated NPL portfolio resolution, a lower interest rate environment and efforts to price competitively in the market.

Net fee income was down by 4.9%, to **RON 711.3 million** (EUR 160.0 million), from RON 748.3 million (EUR 169.3 million) in 2013, on the back of lower fees from loan management and current accounts.

Net trading result decreased by 18.2%, to **RON 360.8 million** (EUR 81.2 million), from RON 441.3 million (EUR 99.9 million) in 2013 on the back of reduced hedging activity.

The **operating income** decreased by 15.3% to **RON 3,389.3 million** (EUR 762.6 million) from RON 4,000.6 million (EUR 905.2 million) in 2013.

General administrative expenses in 2014 reached **RON 1,474.9 million** (EUR 331.9 million), down by 9.4% in comparison to RON 1,627.7 million (EUR 368.3 million) in 2013. The fulfilment of cost targets, set forth in the 2012 turnaround plan, is enhanced by continuous emphasis and focus on productivity improvements. As such, over the last three years, BCR Group achieved a cumulated reduction of about 21.0% in its cost base in comparison with expense levels before launching its ambitious turnaround plan.

As such, **cost-income ratio** advanced to **43.5%** in 2014, versus 40.7% in 2013.

Capital position and funding

Solvency ratio under local standards (BCR standalone, IFRS with prudential filters) as of December 2014 stood at **18.9%**, well above the regulatory requirements of the National Bank of Romania (min 10.0%). Also, IFRS **Tier 1+2 capital ratio** of **19.0%** (BCR Group), as of December 2014, 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 solidly grew by 6.6% to **RON 39,922.6 million** (EUR 8,905.7 million) as of 31 December 2014, versus RON 37,448.2 million (EUR 8,375.8 million) as of end December 2013. 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 538 retail units located in most towns with more than 10,000 inhabitants, across the whole Romania, as well as 22 business centers 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. BCR Group had 7,054 own employees, as of December 2014.

Risk costs

The net charge with **risk provisions for loans and advances** (including commitments and guarantees given) reached **RON 4,457 million** (EUR 1,003 million) at YE 2014, leading to a **Risk Cost ratio** of **10.2%** (for comparison, the Risk Cost ratio at YE 2013 was **4.3%**).

The risk cost increased in 2014 on the back of accelerated non-performing loans sales strategy, a reassessment of current recoveries from collateral based on experience of loan portfolio sales, write-offs and implementation of new risk parameters.

5. 2014 Business performance overview and 2015 outlook for the subsidiaries

BCR owns at 31.12.2014 equity investments in 20 companies, 9 being subsidiaries, respective BCR has the power to govern their financial and operating policies in order to obtain benefits from their activities. BCR Group consist, directly or indirectly, of the following companies: Banca Comerciala Romana SA, BCR Chisinau SA, BCR Banca pentru Locuinte SA, BCR Leasing IFN SA, BCR Pensii-Societate de Administrare a Fondurilor de Pensii Private SA, BCR Fleet Management SRL, BCR Real Estate Management SRL, Bucharest Financial Plazza SRL, Suport Colect SRL, BCR Procesare SRL, BCR Payments Services SRL, Financiara SA, BCR Finance BV and BCR Partener Mobil SRL (the last two being liquidated during 2014).

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

The developments highlighted below are the most significant ones performed at the level of the companies members of BCR Group in 2014.

BCR Chisinau SA

The main achievement of BCR Chisinau in 2014 was the increase by 77.8% of the operating profit in comparison with the yearly result of 2013. The operating profit in 2014 amounted to MDL 21.7 million. This performance was due mainly to the concentration of bank efforts to improve customer service and to enlarge products and services portfolio. The operational income increased by 11.0%, while the general and administrative expenses decreased by 4.7%, as a result of cost efficiency and restructuring process started in 2013.

Following the bank management decision to increase provisions, calculated in accordance with International Financial Reporting Standards (IFRS) and strict prudential requirements applied in BCR/ Erste Group, BCR Chisinau ended 2014 year with a net loss of MDL 3.7 million. In this context, the coverage on nonperforming loans by provisions calculated according to IFRS has increased from 17.5% in 2013 to 37.5% in 2014.

Non-performing loans increased in 2014 to 30.4% from 28.1% in 2013. Liquidity ratio increased to 55.0% in 2014 compared with 45.0% in previous year, solvency ratio improved to 137.2% in 2014 compared to 93.4% in 2013. BCR Chisinau improved the Loans/Deposits ratio (excluding banks) to 114.0%, compared to 138.0% in 2013.

BCR Banca pentru Locuinte SA

The activity of Banca pentru Locuinte SA consists in the sale and management of savings and loan products for housing (type Bauspar).
On 31.12.2014, BCR Banca pentru Locuinte SA had a total of 79,894 net contracts (new contracts signed), in amount of RON 3.3 bn. The total portfolio of BCR Banca pentru Locuinte SA was 360.688 net contracts for which customers have realized savings of more than RON 2.54 bn. Estimated market share on deposits volumes (Bauspar banks) was approx. 86.3% at the end of 2014. Lending activity recorded a decrease rate, as of the end of 2014 (RON 66.06 mn) - 0.86 times lower than at the end of 2013 (RON 76.5 mn), but the estimated market share for outstanding loans as of 31st of December 2014, granted by BCR Banca pentru Locuinte SA, increased up to 67.0%.
The company's goal for next years is to be the absolute market maker for the Romanian Bauspar market, being the "Bauspar bank of choice" for customers, by embedding customer focus in all activities.

BCR Leasing IFN SA

In 2014 continued the efforts to improve asset quality and efficiency of the company while boosting new business. New sales business volumes have almost doubled compared to 2013 (EUR 70.6 mn in 2014 vs. EUR 44.2 mn in 2013, financed value), total assets slightly increased (2%) versus previous year, while NPL improved siglificantly from 42.0% to 10.0%.
Operating result decreased (RON 26.4 mn in 2013 vs. RON 17.2 mn lei in 2014), due to lower insurance revenue by RON 7.6 mn mainly coming from one-off transaction in 2013 (insurance bonus received in 2013) and to lower net interest income by RON 3.5 mn (decreasing average lease outstanding on valid contracts 2014 vs. 2013, declining interest rates).
BCR Leasing IFN SA profitability was affected by continuing trend to improve asset quality which involved significant increase in risk costs related to the improvement of the risk provisions methodology and additional impairment booked on individually significant clients (approximately RON 13.2 mn).
In 2014 the bank continued to be the main sales channel with 56.0% of sales, while at the same time further developing partnerships with dealers/ importers (dealer channel almost doubled volumes versus previous year).
In 2015 BCR Leasing IFN SA estimates an increase of sales compared to 2014 by 50.0%, focusing on developing sales through the bank and dealers, improving portfolio quality and increase efficiency.

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

BCR Pensii SAFPP is a company that performs its activity on the private pensions market in Romania, including mandatory (Pillar II) and voluntary private pensions (Pillar III).
As at the end of 2014 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 8.07% and 508,069 subscribers.
In terms of total number of subscribers for voluntary pensions funds, BCR Pensii ranked 2nd, with a market share of 28.38% corresponding to a number of 98,310 participants.
In 2014, BCR Pensii was the market leader for voluntary pensions new sales, taking 37.0% market share of new sales.

BCR Real Estate Management SRL

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

Bucharest Financial Plazza SRL

Bucharest Financial Plazza SRL is wholly owned by BCR Real Estate Management SRL. In 2014, the company continued performing its core business activity represented by the management of the real estate assets owned, including the management of the office building located in Bucharest, 15 Calea Victoriei.

BCR Procesare SRL

Set-up in Aug 2009, as a spin off from BCR, BCR Procesare had gradually matured and is now the 2nd largest cash transport and processing company in Romania by turnover / business portfolio, staff, fleet and processing capacity.
During 2014, BCR Procesare completed successfully the merger of the two processing centers in Bucharest and implemented new operation model for cash processing (usage of same equipment and process flows across the network).
Also, BCR Procesare has focused on preparation for successful implementation of two major BCR's corporate clients (Rompetrol and OMV Petrom) and on completion of pilot phase of Garanti Bank project. Improved end to end operational process based on PDA (personal digital assistant) usage and front end solution available to customer has been designed and tested. The new process will be implemented begining of 2015 for selected customers. Implementation is underway for two significant projects (new GPS solution and Route optimization application) aiming to increase BCR Procesare's operational efficiency.

BCR Payments Services SRL

BCR Payments Services is a subsidiary of the BCR Group, founded in 2011, following the outsourcing of payment processing, which were made until then integrated into the same unit BCR Sibiu Processing Center of the Banking Operations Department. The company is responsible for centralized processing of payment transactions in local and foreign currency, debt instruments in local currency and foreign currency, accounts opening and maintenance.
BCR Payments Services has 90 specialized employees and serves all local units of BCR, Banking Operations Division, and other directions BCR, on the base of the outsourcing contract signed between the two parties.
During 2014 5.9 million transactions were processed. The intra bank transfers were fully integrated and also the Fordela support for all the branches (Sibiu Helpdesk).

6. The Risk Exposure Profile of BCR Group

1. Credit risk profile

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

Concentration risk

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

Market risk profile

BCR targets to have a market risk profile within its appetite undertaking risk management actions for maintaining this risk within the risk appetite.

Liquidity risk profile

Liquidity risk profile of the bank is within risk appetite of the bank.

Operational risk profile

Due to its complexity and dimension, the bank is exposed to operational risk from various angles. In order to lower the **operational risk profile,** the bank is focusing its activities on several mitigation actions.

The bank's subsidiaries are using BIA (Basic Indicator Approach) for their operational risk capital computation.

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

The bank allocates high importance to **legal risk**, various measures beeing undertaken for maintaining an acceptable risk profile.

2. Risk Appetite Statement

Risk Appetite Statement (RAS) serves to define the level of risks the group is willing to take from a strategic point of view. RAS sets boundaries and defines limits which are relevant for the group's daily operations, in accordance with those developed for the Bank itself.

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

BCR Group has defined its risk appetite for 2014 based on a set of **risk limits/targets/principles**.

3. Management of significant risks

BCR Group has continued to take all necessary actions to correlate its principles to the standards of Erste Bank Group, Basel Accord and NBR requirements.

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

In order to manage the risks which may affect its activities and financial performance, BCR Group must take all necessary measures to **identify all risk sources**, to **assess and monitor its exposures**.

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

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

4. Internal capital Adequacy Assessment Process (ICAAP)

BCR Group ICAAP – process which consists from the Risk Bearing Capacity, Risk Materiality Assesement and Stress Test framework – is related to the Bank and extended for BCR Group.

7. Important events since the end of 2014

2015 started with a continuation of the monetary easing cycle against the backdrop of a very low inflationary environment and economy's need for further strengthening of RON lending. After disappointing results in terms of infrastructure spending in 2014, the Romanian government presented a new version of the Transport Master Plan with ambitious targets in building new highways until 2030. For the moment, the contribution of the construction sector to real GDP growth remains modest and no strong acceleration of economic growth is foreseen for 2015, households' consumption being again a key driver of the growth.

The NBR cut the key rate twice in the first two months of 2015, bringing it to a fresh-low of 2.25%. At the same time, it kept the wording "adequate liquidity management in the banking system" in both press releases issued after monetary policy decisions, suggesting that short-term money market rates would continue to decouple from the key rate. The governor left the door open for further monetary easing in 2015 through prudent cuts in minimum reserves.

At the beginning of February, the Prime Minister announced that the Romanian government and a joint team of the IMF and EU reached no agreement for another review of the precautionary stand-by arrangement. Liberalization of natural gas price for households and thermo stations and restructuring of state-owned energy companies were two major issues where the Romanian government and external partners had different opinions. The government is behind the agreed schedule in these two areas and the IMF asked for an enforcement of the previously agreed action plan. Regarding the deep restructuring of energy companies, fearing the social impact that a bold restructuring would have, the government presented an alternative view, with additional investments for environment protection, better management and additional talks with unions for delaying wage growth which endanger the financial stability of these companies. PM Ponta added that current precautionary stand-by arrangement remains in place but no letter of agreement has been signed and negotiations would continue in April.

8. BCR Group's policy regarding environmental issues

BCR Group

- Admits and accepts the fundamental importance of an integrated approach of the environmental and social factors, as well as of lasting development principles within its financing activity.

- Pays adequate attention to its financing processes, securing before making the financing decision, the compliance of the respective projects with the minimal environmental protection, social protection and occupational safety standards applicable in Romania.

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

In 2014, work on the environment was held in accordance with the requirements of environmental procedures that apply to all lending businesses. Analysis of environmental issues is part of the lending process is mandatory for every transaction.

In Romanian Commercial Bank, environmental work is coordinated by the Department of Credit Analysis and Sabine.

9. Outlook for BCR Group's activity

BCR Group's mid-term Strategy is built around five major pillars addressing asset quality, commercial and risk management capabilities, financial excellence and operational leverage. The final goal is to adjust the Group's business model to the complex changes in the financial markets aiming to increase its resilience to shocks and consequently to support sustainable further developments and banking leadership in Romania.

The 2015 business priorities of the Group envisage speeding up the implementation of the healthy fundamentals for competitive growth of the bank and its subsidiaries in the context of expected challenges related to the macro, market and regulatory developments.

Resolution of critical portfolios will continue in 2015 through cash recoveries, write-offs and debt sales targeting the **cleaning up of the legacy NPLs**, while maintaining prudent provisioning level.

The Group will benefit from the steps performed in improving its **risk management capabilities** in order to keep control on new NPL formation and to preserve BCR's adequate capital ratios. Risk-return will be the key driver for considering business and investment opportunities.

Capitalizing on the reinforced **commercial capabilities** of its retail network BCR Group's focus will be placed on strengthening the value proposition for customers. The retail franchise will further be enhanced through bank's leadership in market new production in local currency and Top 3 position in lending offer for top rated clients. The corporate franchise will be developed mainly through cash management, factoring, trade finance and investment banking services.

Reaching the **financial excellence** will continue with putting into action the Business Information Center line function in order to harmonize the data steering requirements, implement data quality checks, processes & management reporting and finally ensure recognized data governance throughout the bank.

Keeping costs under control and improving **operational leverage** will remain a major objective for further development, moreover in the context of demand shortage and lowering margins. Commercial efforts towards growing the core business of the Group and improving its bottom line performance will get support from appropriate deployment of resources and standardization of lending processes and documentation.

In 2015 BCR will stay committed to invest in **developing people** and build a performance-oriented leadership culture in order to reach the daily business management in a disciplined and accountable manner.

CHAIRMAN of the SUPERVISORY BOARD

MANFRED WIMMER

CONSILIUL DE SUPRAVEGHERE BCR PRESEDINTE

Appendix 1

Consolidated income statement for the year ended 31 December 2014

in RON million	2014	2013	% change
Net interest income	2,289.4	2,775.6	-17.5%
Net fee and commission income	711.3	748.2	-4.9%
Dividend income	2.6	10.4	-75.0%
Net trading and fair value result	360.8	441.3	-18.2%
Net result from equity method investments	1.0	3.5	-71.4%
Rental income from investment properties & other operating lease	24.2	21.6	12.0%
Personnel expenses	-658.4	-761.3	-13.5%
Other administrative expenses	-640.8	-647.5	-1.0%
Depreciation and amortisation	-175.7	-218.9	-19.7%
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	8.1	14.1	-42.6%
Net impairment loss on financial assets not measured at fair value through profit or loss	-4,440.0	-2,107.5	110.7%
Other operating result	-520.4	-212.6	144.8%
Pre-tax profit from continuing operations	**-3,037.9**	**66.8**	**-4647.8%**
Taxes on income	243.8	531.9	-54.2%
Post-tax profit from continuing operations	**-2,794.0**	**598.7**	**-566.7%**
Profit from discontinued operations net of tax	0.0	0.0	NA
Net Profit of the Year	**-2,794.0**	**598.7**	**-566.7%**
Attributable to non-controlling interests	5.8	7.5	-22.7%
Attributable to owners of the parent	**-2,799.9**	**591.2**	**-573.6%**
Operating Income	3,389.3	4,000.6	-15.3%
Operating Expenses	-1,474.9	-1,627.7	-9.4%
Operating Result	**1,914.4**	**2,372.9**	**-19.3%**

Appendix 2

Consolidated balance sheet at 31 December 2014

in RON million	2014	2013	% change
ASSETS			
Cash and cash balances	8,235.2	9,586.0	-14.1%
Financial assets - held for trading	370.8	373.6	-0.7%
Derivatives	155.0	42.8	262.1%
Other trading assets	215.9	330.8	-34.7%
Financial assets designated at fair value through profit or loss	24.6	34.4	-28.5%
Financial assets - available for sale	7,655.1	5,219.8	46.7%
Financial assets - held to maturity	9,578.2	10,235.3	-6.4%
Loans and receivables to credit institutions	525.3	507.7	3.5%
Loans and receivables to customers	32,566.1	38,002.4	-14.3%
Derivatives Hedge Accounting	0.0	39.2	-100.0%
Property,plant,equipment	1,056.6	1,501.6	-29.6%
Investment properties	0.0	44.1	-100.0%
Intangible assets	218.5	387.4	-43.6%
Investments in joint ventures and associates	15.3	14.3	7.0%
Current tax assets	89.1	89.3	-0.2%
Deferred tax assets	526.2	315.3	66.9%
Non-current assets and disposal groups classified as held for sale	335.7	107.4	212.6%
Other assets	428.2	271.1	57.9%
TOTAL ASSETS	**61,624.6**	**66,728.8**	**-7.6%**
LIABILITIES			
Financial liabilities held for trading	70.1	66.1	6.1%
Derivatives	70.1	66.1	6.1%
Other trading liabilities	0.0	0.0	NA
Financial liabilities measured at amortised costs	55,564.0	57,570.1	-3.5%
Deposits from banks	14,191.1	18,151.8	-21.8%
Deposits from customers	39,922.6	37,448.2	6.6%
Debt securities issued	1,044.2	1,529.8	-31.7%
Other financial liabilities	406.1	440.2	-7.7%
Derivatives Hedge Accounting	554.0	1,087.3	-49.0%
Changes in fair value of portfolio hedged items	0.0	0.0	NA
Provisions	347.4	400.9	-13.3%
Current tax liabilities	0.7	2.2	-68.2%
Deferred tax liabilities	9.7	3.8	155.3%
Liabilities associated with disposal groups held for sale	0.0	0.0	NA
Other Liabilities	168.5	175.2	-3.8%
Total equity	**4,910.2**	**7,423.3**	**-33.9%**
attributable to non-controlling interest	35.1	28.0	25.4%
attributable to owners of the parent	4,875.1	7,395.3	-34.1%
TOTAL LIABILITIES AND EQUITY	**61,624.6**	**66,728.8**	**-7.6%**

Building a better
working world

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REPORT OF THE FINANCIAL AUDITOR

To the shareholders of Banca Comerciala Romana SA

Report on the Financial Statements

1. We have audited the accompanying financial statements of Banca Comerciala Romana SA and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. We have also audited the separate statement of financial position of Banca Comerciala Romana SA (the "Bank"), and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended presenting the following:

   - Consolidated Net assets/ Total equity and reserves: 4,910,155 lei thousand
   - Consolidated Loss for the year: 2,794,017 lei thousand
   - Individual Net assets/ Total equity and reserves: 5,110,897 lei thousand
   - Individual Loss for the year: 2,629,568 lei thousand

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion – The Group

6. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Order of the National Bank of Romania no. 27/2010 and related amendments and in accordance with International Financial Reporting Standards as adopted by the European Union.

Opinion – The Bank

7. In our opinion, the separate financial statements give a true and fair view of the financial position of the Bank as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with Order of the National Bank of Romania no. 27/2010 and related amendments and in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

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

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

On behalf of

Ernst & Young Assurance Services SRL

Registered with the Chamber of Financial Auditors in Romania

Nr. 77/15 August 2001

Mocanu

Camera Auditorilor Financiari din România
Mocanu
Daniel
Sebastian
Nr. 1603

Sebastian Mocanu

Registered with the Chamber of Financial Auditors in Romania

No. 1603/16 August 2005

Bucharest, Romania

20 March 2015

English translation for information purposes only

BCR

STATEMENT OF COMPREHENSIVE INCOME

Consolidated and Bank

for the year ended 31 December 2014

Income statement	Note	Group		Bank	
in RON thousands		31.12.2013 restated	31.12.2014	31.12.2013 restated	31.12.2014
Net interest income	3	2,775,553	2,289,419	2,694,877	2,215,176
Net fee and commission income	4	748,223	711,261	718,250	685,825
Dividend income	5	10,385	2,604	10,385	26,134
Net trading and fair value result	6	441,306	360,835	440,757	358,568
Net result from equity method investments	24	3,531	992	-	-
Rental income from investment properties and other operating lease	7	21,623	24,233	7,601	4,280
Personnel expenses	8	(761,341)	(658,442)	(691,638)	(597,183)
Other administrative expenses	8	(647,476)	(640,775)	(815,516)	(776,880)
Depreciation and amortisation	8	(218,907)	(175,694)	(164,902)	(119,737)
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	9	14,067	8,058	14,067	8,058
Net impairment loss on financial assets not measured at fair value through profit or loss	10	(2,107,546)	(4,440,001)	(1,925,526)	(3,815,146)
Other operating result	11	(212,649)	(520,355)	(512,645)	(857,625)
Pre-tax profit from continuing operations		66,769	(3,037,865)	(224,290)	(2,868,530)
Taxes on income	12	531,947	243,848	559,817	238,962
Post-tax profit from continuing operations		598,716	(2,794,017)	335,527	(2,629,568)
NET PROFIT OF THE YEAR		598,716	(2,794,017)	335,527	(2,629,568)
Attributable to non-controlling interests		7,516	5,849	-	-
ATTRIBUTABLE TO OWNERS OF THE PARENT		591,200	(2,799,866)	335,527	(2,629,568)

Statement of comprehensive income	Group		Bank	
in RON thousands	2013	2014	2013	2014
Net result for the period	598,716	(2,794,017)	335,527	(2,629,568)
Other comprehensive income				
Items that may not be reclassified to profit or loss				
Remeasurement of net gain (losses) on benefit plans	(4,628)	(11,833)	(4,628)	(11,748)
Deferred taxes relating to items that may not be reclassified	741	1,941	741	1,880
Total	(3,887)	(9,892)	(3,887)	(9,868)
Items that may be reclassified to profit or loss				
Available for sale reserve	48,038	367,391	40,404	323,935
Gain/loss during the period	62,855	376,592	54,471	333,136
Reclassification adjustments	(14,817)	(9,201)	(14,067)	(9,201)
Cash flow hedge reserve	(10,834)	(1,933)	(10,834)	(1,933)
Gain/loss during the period	(6,645)	-	(6,645)	-
Reclassification adjustments	(4,189)	(1,933)	(4,189)	(1,933)
Currency translation	(7,972)	(9,166)	-	-
Gain/loss during the period	(7,972)	(9,166)	-	-
Deferred taxes relating to items that may be reclassified	(5,952)	(58,358)	(4,732)	(51,519)
Gain/loss during the period	(5,952)	(58,358)	(4,732)	(51,519)
Total	23,280	297,934	24,838	270,483
Total other comprehensive income	19,393	288,042	20,951	260,615
Total comprehensive income	618,109	(2,505,975)	356,478	(2,368,953)
Total comprehensive income attributable to non-controlling interests	8,650	12,913	-	-
Total comprehensive income attributable to owners of the parent	609,459	(2,518,888)	-	-

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Adriana Jankovicova

BANCA COMERCIALĂ ROMÂNĂ
BCR
Cabinet Vice Președinte Financiar

AUTHORISED PERSON,
First name and name
Signature

Executive Director Accounting Division,

Rastislav Kovacik

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

Consolidated and Bank

for the year ended 31 December 2014

in RON thousands	Note	Group 01.01.2013 restated	Group 31.12.2013 restated	Group 31.12.2014	Bank 01.01.2013 restated	Bank 31.12.2013 restated	Bank 31.12.2014
ASSETS							
Cash and cash balances	14	9,242,057	9,586,006	8,235,167	9,207,915	9,545,662	8,158,441
Financial assets - held for trading		755,310	373,598	370,829	753,473	371,763	370,829
Derivatives	15	83,366	42,781	154,976	81,529	40,946	154,976
Other trading assets	16	671,944	330,817	215,853	671,944	330,817	215,853
Financial assets designated at fair value through profit or loss	17	44,736	34,351	24,587	44,736	34,351	24,587
Financial assets - available for sale	18	4,284,055	5,219,762	7,655,061	4,257,306	4,453,260	6,635,423
Financial assets - held to maturity	19	10,757,585	10,235,256	9,578,176	9,418,386	9,009,939	8,429,417
Loans and receivables to credit institutions	21	351,706	507,736	525,281	275,756	483,262	480,666
Loans and receivables to customers	22	45,131,365	38,002,389	32,566,066	44,835,784	37,960,217	32,937,273
Derivatives Hedge Accounting	23	48,888	39,233	-	48,888	39,233	-
Property and equipment	25	1,637,441	1,501,552	1,056,610	414,557	314,334	222,539
Investment properties		48,831	44,134	-	-	-	-
Intangible assets	26	429,678	387,352	218,461	234,918	206,146	206,874
Investments in associates	24	-	14,297	15,289	-	7,509	7,509
Current tax assets	27	177,445	89,273	89,086	177,283	89,042	89,042
Deferred tax assets	27	35,184	315,314	526,170	-	314,563	503,888
Non-current assets and disposal groups classified as held for sale	28	73,283	107,433	335,680	-	-	37,678
Other assets	29	270,081	271,111	428,151	862,181	680,682	932,968
TOTAL ASSETS		**73,287,645**	**66,728,797**	**61,624,614**	**70,531,183**	**63,509,963**	**59,037,134**
LIABILITIES							
Financial liabilities held for trading		86,886	66,061	70,127	86,886	66,061	70,127
Derivatives		86,886	66,061	70,127	86,886	66,061	70,127
Financial liabilities measured at amortised costs	30	63,940,346	57,570,089	55,564,030	60,977,067	54,358,870	52,872,441
Deposits from banks		24,045,681	18,151,844	14,191,114	22,274,676	16,778,413	13,864,122
Deposits from customers		37,893,030	37,448,210	39,922,629	36,836,389	35,746,864	37,592,461
Debt securities issued		1,526,536	1,529,828	1,044,208	1,390,903	1,393,386	1,044,208
Other financial liabilities		475,099	440,207	406,079	475,099	440,207	371,650
Derivatives - hedge accounting	23	1,592,977	1,087,266	554,005	1,592,977	1,087,266	554,005
Provisions	31	408,700	400,857	347,399	399,649	395,953	342,694
Current tax liabilities	27	3,965	2,228	695	-	-	-
Deferred tax liabilities	27	259,848	3,820	9,716	241,262	-	-
Other Liabilities	32	192,392	175,226	168,487	110,037	121,963	86,970
Total equity	33	6,802,531	7,423,250	4,910.155	7,123,305	7,479,850	5,110,897
attributable to non-controlling interest		19,346	27,996	35,051	-	-	-
attributable to owners of the parent		6,783,185	7,395,254	4,875,104	7,123,305	7,479,850	5,110,897
TOTAL LIABILITIES AND EQUITY		**73,287,645**	**66,728,797**	**61,624,614**	**70,531,183**	**63,509,963**	**59,037,134**

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Adriana Jankovicova

AUTHORISED PERSON,
First name and name
Signature

Executive Director Accounting Division,

Rastislav Kovacik

STATEMENT OF CHANGES IN EQUITY
Consolidated and Bank
for the year ended 31 December 2014

2013 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 31.12.2012	**2,952,555**	**395,426**	**2,351,789**	**995,151**	**15,184**	**(15,331)**	**8,717**	**94,848**	**(15,154)**	**6,783,185**	**19,346**	**6,802,531**
Capital increases	10	57	-	-	-	-	-	-	-	67	-	67
Other changes	-	-	2,543	-	-	-	-	-	-	2,543	-	2,543
Total comprehensive income	-	-	591,200	-	(10,834)	46,684	(7,969)	(4,628)	(4,994)	609,459	8,650	618,109
Net profit/loss for the period	-	-	591,200	-	-	-	-	-	-	591,200	7,516	598,716
Other comprehensive income	-	-	-	-	(10,834)	46,684	(7,969)	(4,628)	(4,994)	18,259	1,134	19,393
Total equity as of 31.12.2013	**2,952,565**	**395,483**	**2,945,532**	**995,151**	**4,350**	**31,353**	**748**	**90,220**	**(20,148)**	**7,395,254**	**27,996**	**7,423,250**

2014 Group

in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserve	Cash flow hedge reserve	Available for sale reserve	Currency translation reserve	Actuarial (gains)/loss	Deferred tax	Total owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 31.12.2013	**2,952,565**	**395,483**	**2,945,532**	**995,151**	**4,350**	**31,353**	**748**	**90,220**	**(20,148)**	**7,395,254**	**27,996**	**7,423,250**
Dividends	-	-	-	-	-	-	-	-	-	-	(5,882)	(5,882)
Other changes	-	-	6,892	(1,395)	-	-	(6,759)	-	-	(1,262)	24	(1,238)
Total comprehensive income	-	-	(2,799,866)	-	(1,933)	358,968	(9,155)	(11,833)	(55,069)	(2,518,888)	12,913	(2,505,975)
Net profit/loss for the period	-	-	(2,799,866)	-	-	-	-	-	-	(2,799,866)	5,849	(2,794,017)
Other comprehensive income	-	-	-	-	(1,933)	358,968	(9,155)	(11,833)	(55,069)	280,978	7,064	288,042
Total equity as of 31.12.2014	**2,952,565**	**395,483**	**152,558**	**993,756**	**2,417**	**390,321**	**(15,166)**	**78,387**	**(75,217)**	**4,875,104**	**35,051**	**4,910,155**

2013 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 31.12.2012	**2,952,555**	**395,426**	**2,703,121**	**995,151**	**15,184**	**(18,308)**	**-**	**94,853**	**(14,677)**	**7,123,305**
Capital increases	10	57	-	-	-	-	-	-	-	67
Total comprehensive income	-	-	335,527	-	(10,834)	40,404	-	(4,628)	(3,991)	356,478
Net profit/loss for the period	-	-	335,527	-	-	-	-	-	-	335,527
Other comprehensive income	-	-	-	-	(10,834)	40,404	-	(4,628)	(3,991)	20,951
Total equity as of 31.12.2013	**2,952,565**	**395,483**	**3,038,648**	**995,151**	**4,350**	**22,096**	**-**	**90,225**	**(18,668)**	**7,479,850**

2014 Bank

in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserve	Cash flow hedge reserve	Available for sale reserve	Currency translation reserve	Actuarial (gains)/loss	Deferred tax	Total
Total equity as of 31.12.2013	**2,952,565**	**395,483**	**3,038,648**	**995,151**	**4,350**	**22,096**	**-**	**90,225**	**(18,668)**	**7,479,850**
Other changes	-	-	1,395	(1,395)	-	-	-	-	-	-
Total comprehensive income	-	-	(2,629,568)	-	(1,933)	323,935	-	(11,748)	(49,639)	(2,368,953)
Net profit/loss for the period	-	-	(2,629,568)	-	-	-	-	-	-	(2,629,568)
Statement of comprehensive income	-	-	-	-	(1,933)	323,935	-	(11,748)	(49,639)	260,615
Total equity as of 31.12.2014	**2,952,565**	**395,483**	**410,475**	**993,756**	**2,417**	**346,031**	**-**	**78,477**	**(68,307)**	**5,110,897**

STATEMENT OF CASH FLOWS
Consolidated and Bank
for the year ended 31 December 2014

	Group		Bank	
in RON thousands	31.12.2013 restated	31.12.2014	31.12.2013 restated	31.12.2014
Net result for the period	**598,716**	**(2,794,017)**	**335,527**	**(2,629,568)**
Non-cash adjustments for items in net profit/loss for the year				
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	218,907	175,694	164,902	119,737
Allocation to and release of provisions (including risk provisions)	2,339,944	4,826,016	2,068,632	4,166,767
Gains/(losses) from the sale of assets	(3,208)	14,514	(9,199)	14,278
Other adjustments	69,761	123,924	229,887	531,760
Changes in assets and liabilities from operating activities after adjustment for non-cash components				
Financial assets - held for trading	381,712	2,769	381,710	934
Financial assets - at fair value through profit or loss	10,385	9,764	10,385	9,764
Financial assets - available for sale	(1,006,382)	(2,067,908)	(414,549)	(1,858,228)
Loans and receivables to credit institutions	(156,030)	(17,545)	(98,796)	2,596
Loans and receivables to customers	4,789,032	610,307	4,777,964	856,177
Derivatives - hedge accounting	9,655	39,233	9,655	39,233
Other assets from operating activities	(32,963)	(67,239)	(251,171)	(939,188)
Financial liabilities - held for trading	20,825	4,066	20,825	4,066
Financial liabilities measured at amortised cost	(6,370,257)	(2,006,059)	(6,533,742)	(1,486,429)
Deposits from banks	(5,893,837)	(3,960,730)	(5,650,963)	(2,914,291)
Deposits from customers	(444,820)	2,474,419	(1,071,611)	1,845,597
Debt securities issued	3,292	(485,620)	(10,084)	(349,178)
Other financial liabilities	(34,892)	(34,128)	198,916	(68,557)
Derivatives - hedge accounting	(505,711)	(533,261)	(505,711)	(533,261)
Other liabilities from operating activities	(17,166)	(22,020)	(14,691)	(34,993)
Cash flow from operating activities	**(184,727)**	**(1,701,762)**	**(17,396)**	**(1,736,355)**
Proceeds of disposal				
Financial assets - held to maturity	2,380,371	2,054,506	2,095,340	1,977,948
Property and equipment, intangible assets and investment properties	62,063	71,455	69,337	76,443
Acquisition of				
Financial assets - held to maturity and associated companies	(1,796,568)	(1,530,939)	(1,625,419)	(1,530,939)
Property and equipment, intangible assets and investment properties	(117,257)	(238,216)	(101,812)	(174,317)
Cash flow from investing activities	**528,609**	**356,805**	**437,446**	**349,134**
Capital increases	67	-	67	-
Dividends paid to non-controlling interests	-	(5,882)	-	-
Cash flow from financing activities	**67**	**(5,882)**	**-**	**-**
Cash and cash equivalents at beginning of period	**9,242,057**	**9,586,006**	**9,125,545**	**9,545,662**
Cash flow from operating activities	(184,727)	(1,701,762)	(17,396)	(1,736,355)
Cash flow from investing activities	528,609	356,805	437,446	349,134
Cash flow from financing activities	67	(5,882)	67	-
Cash and cash equivalents at end of period	**9,586,006**	**8,235,167**	**9,545,662**	**8,158,441**
Cash flows related to taxes, interest and dividends				
Payments for taxes on income (included in cash flow from operating activities)	89,321	(13,748)	100,485	-
Interest received	4,392,047	3,858,529	4,247,289	3,700,540
Dividends received	8,548	2,604	8,548	26,134
Interest paid	(1,835,359)	(1,303,195)	(1,756,790)	(1,219,449)

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 2014, Erste Bank purchased further 31.69% from employees and other shareholders of the Bank. The ultimate parent of the Group is Erste Group Bank AG.

As of 31 December 2014, the foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (hereinafter referred to as the 'Privatstiftung') controlled a 30.04% interest in Erste Group Bank AG. 10.83% of the shares were held directly by the Privatstiftung. Indirect participation of the Privatstiftung was at 9.29%, thereof 5.41% of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung; 0.80% 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. This makes the Privatstiftung the largest single investor in Erste Group Bank AG.

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 2014 were authorized for issue in accordance with a resolution of the Management Board on 12 March 2015.

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 table in this report may contain rounding differences.

The consolidated financial statements have been prepared on a going concern basis.

2. ACCOUNTING POLICIES (continued)

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2014 and 31 December 2013:

Company's name	Country of incorporation	Nature of the business	Shareholding	
			2013	2014
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%
Financiara SA (in liquidation)	Romania	Financial	97.46%	97.46%
BCR Leasing IFN SA	Romania	Financial leasing	99.93%	99.96%
Bucharest Financial Plazza SRL*	Romania	Real estate	99.99%	99.99%
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%
BCR Banca pentru Locuinte SA	Romania	Housing loans	80.00%	80.00%
BCR Finance BV (liquidated)	The Netherlands	Financial	100.00%	0.00%
Suport Colect SRL	Romania	Workout	100.00%	100.00%
BCR Procesare SRL	Romania	Cash processing and storing	99.99%	99.99%
BCR Real Estate Management SRL	Romania	Real estate	99.99%	99.99%
BCR Fleet Management SRL**	Romania	Operational leasing	99.93%	99.96%
BCR Partener Mobil SRL (liquidated)	Romania	Mobile phone transactions	99.99%	0.00%
BCR Payments SPV	Romania	Payments transactions	99.99%	99.99%

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

(1) Impact of inflation

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

(2) Statement of compliance

The consolidated financial statements of the Group 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.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 45.

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

(3) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. The Bank's investments in subsidiaries are accounted at cost in separate financial statements.

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

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit or loss from the date of acquisition or up to the date of disposal, as appropriate.

2. ACCOUNTING POLICIES (continued)

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

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

(4) Investment in associates

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

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

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

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

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

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

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

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

(5) Accounting and measurement methods

In 2014 BCR Group, as well as Erste Group, changed the structure of its statement of financial position, statement of comprehensive income structure according to the measurement categories as per IAS 39, in order to provide more reliable and relevant information about its financial position and performance of the company. A number of disclosures were adjusted accordingly - both presentation format and figures.

The new structure was also introduced to generate synergies with the new IFRS based regulatory requirements ("FINREP") and to facilitate the comparability with published reports of the financial authorities, competitors and BCR Group. In the year 2014 FINREP was introduced by the European Banking Authority ("EBA") and represents a regulatory framework on a compulsory basis, which must be applied by financial institutions within the EU. This harmonization makes the reconciliation of published reports by the regulator with reports of BCR Group much easier.

2. ACCOUNTING POLICIES (continued)

The following tables show the relationships between old and new positions of the statement of financial position and of the statement of comprehensive income.

On the statement of the financial position and statement of the comprehensive income the 2013 figures have been marked as “restated”.

Statement of financial position

in RON thousands	New structure 31.12.2013	Other demand deposits	Split between trading and hedging derivatives	Split between property and investment property and other movables	Reclassification subordinated debt	Reclassification participations and other investments	Certificates of deposits	Receivables from settlements	Other financial assets/ liabilities	Measurement of hedged item	Old structure 31.12.2013	Group
ASSETS												**ASSETS**
Cash and cash balances	9,586,006	(221,303)						34,650			9,399,353	Cash and cash balances
Financial assets - held for trading	373,598		(42,781)								330,817	
Derivatives	42,781		(42,781)								-	
Other trading assets	330,817										330,817	Financial assets - held for trading
	-		82,014								82,014	Derivatives
Financial assets designated at fair value through profit or loss	34,351										34,351	Financial assets designated at fair value through profit or loss
Financial assets - available for sale	5,219,762					61,551					5,281,313	Financial assets - available for sale
Financial assets - held to maturity	10,235,256										10,235,256	Financial assets - held to maturity
Loans and receivables to credit institutions	507,736	221,303							(75,537)		653,502	Loans and receivables to credit institutions
Loans and receivables to customers	38,002,389							(34,650)	(209,119)		37,758,620	Loans and receivables to customers
Derivatives - hedge accounting	39,233		(39,233)								-	
Property and equipment	1,501,552			(138,448)							1,363,104	Property and equipment
Investment properties	44,134			(44,134)							-	
Intangible assets	387,352										387,352	Intangible assets
Investments in associates	14,297										14,297	Investments in associates
Current tax assets	89,273										89,273	Current tax assets
Deferred tax assets	315,314										315,314	Deferred tax assets
Non-current assets and disposal groups classified as held for sale	107,433										107,433	Non-current assets and disposal groups classified as held for sale
Other assets	271,111			182,582		(61,551)			284,656		676,798	Other assets
TOTAL ASSETS	**66,728,797**										**66,728,797**	**TOTAL ASSETS**
LIABILITIES												**LIABILITIES**
Financial liabilities held for trading	66,061		(66,061)								-	
Derivatives	66,061		(66,061)								-	
	-		1,153,327								1,153,327	Derivatives
Financial liabilities measured at amortised costs	57,570,089				(2,523,883)				(265,532)	(119,276)	-	
Deposits from banks	18,151,844				(2,317,506)				122,852	(43,635)	15,913,555	Deposits from banks
Deposits from customers	37,448,210						(5,087)		51,823		37,494,946	Deposits from customers
Debt securities issued	1,529,828				(206,377)		5,087			(75,641)	1,252,897	Debt securities issued
Other financial liabilities	440,207								(440,207)		-	
Derivatives - hedge accounting	1,087,266		(1,087,266)								-	
Provisions	400,857								(1,796)		399,061	Provisions
Current tax liabilities	2,228										2,228	Current tax liabilities
Deferred tax liabilities	3,820										3,820	Deferred tax liabilities
Other Liabilities	175,226								267,328	119,276	561,830	Other Liabilities
	-				2,523,883						2,523,883	Subordonated liabilities
Total equity	7,423,250										7,423,250	Total equity
attributable to non-controlling interest	27,996										27,996	attributable to non-controlling interest
attributable to owners of the parent	7,395,254										7,395,254	attributable to owners of the parent
TOTAL LIABILITIES AND EQUITY	**66,728,797**										**66,728,797**	**TOTAL LIABILITIES AND EQUITY**

2. ACCOUNTING POLICIES (continued)

Statement of financial position

in RON thousands	New structure 31.12.2013	Other demand deposits	Split between trading and hedging derivatives	Reclassification subordinated debt	Reclassification participations and other investments	Certificates of deposits	Receivables from settlements	Other financial assets/ liabilities	Measurement of hedged item	Old structure 31.12.2013	Bank
ASSETS											**ASSETS**
Cash and cash balances	9,545,662	(221,303)					34,650			9,359,009	Cash and cash balances
Financial assets - held for trading	371,763		(40,946)							330,817	
Derivatives	40,946		(40,946)							-	
Other trading assets	330,817									330,817	Financial assets - held for trading
	-		80,179							80,179	Derivatives
Financial assets designated at fair value through profit or loss	34,351									34,351	Financial assets designated at fair value through profit or loss
Financial assets - available for sale	4,453,260				625,476					5,078,736	Financial assets - available for sale
Financial assets - held to maturity	9,009,939									9,009,939	Financial assets - held to maturity
Loans and receivables to credit institutions	483,262	221,303						(75,537)		629,028	Loans and receivables to credit institutions
Loans and receivables to customers	37,960,217						(34,650)	(209,119)		37,716,448	Loans and receivables to customers
Derivatives - hedge accounting	39,233		(39,233)							-	
Property and equipment	314,334									314,334	Property and equipment
Intangible assets	206,146									206,146	Intangible assets
Investments in associates	7,509									7,509	Investments in associates
Current tax assets	89,042									89,042	Current tax assets
Deferred tax assets	314,563									314,563	Deferred tax assets
Other assets	680,682				(625,476)			284,656		339,862	Other assets
TOTAL ASSETS	**63,509,963**									**63,509,963**	**TOTAL ASSETS**
LIABILITIES											**LIABILITIES**
Financial liabilities held for trading	66,061		(66,061)							-	
Derivatives	66,061		(66,061)							-	
	-		1,153,327							1,153,327	Derivatives
Financial liabilities measured at amortised costs	54,358,870			(2,523,883)				(265,532)	(119,387)	-	
Deposits from banks	16,778,413			(2,317,506)				122,852	(43,635)	14,540,124	Deposits from banks
Deposits from customers	35,746,864					(5,087)		51,823		35,793,600	Deposits from customers
Debt securities issued	1,393,386			(206,377)		5,087			(75,752)	1,116,344	Debt securities issued
Other financial liabilities	440,207							(440,207)		-	
Derivatives - hedge accounting	1,087,266		(1,087,266)							-	
Provisions	395,953							(1,796)		394,157	Provisions
Other Liabilities	121,963							267,328	119,387	508,678	Other Liabilities
	-			2,523,883						2,523,883	Subordonated liabilities
Total equity	7,479,850									7,479,850	Total equity
attributable to owners of the parent	7,479,850									7,479,850	attributable to owners of the parent
TOTAL LIABILITIES AND EQUITY	**63,509,963**									**63,509,963**	**TOTAL LIABILITIES AND EQUITY**

2. ACCOUNTING POLICIES (continued)

Statement of comprehensive income

in RON thousands	New structure 31.12.2013	Dividends	Income from investment property and operational leasing	Split between net trading result and fair value through profit or loss	Reclassification other income/ other expenses	Reclassification impairment from tangible assets	Interest cost related to employees benefits	Provision expenses for sundry debtors and other recievables	Payment into deposit insurance fund	Reclassification off balance provisions	Old structure 31.12.2013	Group
Net interest income	2,775,553	10,385	21,623				3,605				2,811,166	Net interest income
Net fee and commission income	748,223				(786)						747,437	Net fee and commission income
Dividend income	10,385	(10,385)									-	
Net trading and fair value result	441,306			(2,007)							439,299	Net trading result
	-			2,007							2,007	Gains or losses on financial assets measured at fair value through profit or loss, net
	-				135,926						135,926	Other operating income
Net result from equity method investments	3,531										3,531	Net result from equity method investments
Rental income from investment properties & other operating lease	21,623		(21,623)								-	
Personnel expenses	(761,341)						(3,605)				(764,946)	Personnel expenses
Other administrative expenses	(647,476)				(420,074)				119,196		(948,354)	Other administrative expenses
Depreciation and amortisation	(218,907)				(1,900)	(5,767)					(226,574)	Depreciation and amortisation
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	14,067				(14,067)						-	
Net impairment loss on financial assets not measured at fair value through profit or loss	(2,107,546)							99,898		(125,075)	(2,132,723)	Net impairment loss on financial assets not measured at fair value through profit or loss
Other operating result	(212,649)				300,901	5,767		(99,898)	(119,196)	125,075	-	Other operating result
Pre-tax profit from continuing operations	66,769										66,769	Pre-tax profit from continuing operations
Taxes on income	531,947										531,947	Taxes on income
Post-tax profit from continuing operations	**598,716**										**598,716**	**Post-tax profit from continuing operations**
NET PROFIT OF THE YEAR	**598,716**										**598,716**	**NET PROFIT OF THE YEAR**
Attributable to non-controlling interests	7,516										7,516	Attributable to non-controlling interests
ATTRIBUTABLE TO OWNERS OF THE PARENT	**591,200**										**591,200**	**ATTRIBUTABLE TO OWNERS OF THE PARENT**

2. ACCOUNTING POLICIES (continued)

Statement of comprehensive income

in RON thousands	New structure 31.12.2013	Dividends	Income from investment property and operational leasing	Split between net trading result and fair value through profit or loss	Reclassification other income/ other expenses	Reclassification impairment from tangible assets	Interest cost related to employees benefits	Provision expenses for sundry debtors and other recievables	Payment into deposit insurance fund	Reclassification off balance provisions	Old structure 31.12.2013	Bank
Net interest income	2,694,877	10,385	7,601				3,594				2,716,457	Net interest income
Net fee and commission income	718,250				(786)						717,464	Net fee and commission income
Dividend income	10,385	(10,385)									-	
Net trading and fair value result	440,757			(2,007)							438,750	Net trading result
	-			2,007							2,007	Gains or losses on financial assets measured at fair value through profit or loss, net
	-				136,935						136,935	Other operating income
Rental income from investment properties & other operating lease	7,601		(7,601)								-	
Personnel expenses	(691,638)						(3,594)				(695,232)	Personnel expenses
Other administrative expenses	(815,516)				(719,144)				114,754		(1,419,906)	Other administrative expenses
Depreciation and amortisation	(164,902)					(5,767)					(170,669)	Depreciation and amortisation
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	14,067				(14,067)						-	
Net impairment loss on financial assets not measured at fair value through profit or loss	(1,925,526)							99,898		(124,468)	(1,950,096)	Net impairment loss on financial assets not measured at fair value through profit or loss
Other operating result	(512,645)				597,062	5,767		(99,898)	(114,754)	124,468	-	Other operating result
Pre-tax profit from continuing operations	(224,290)										(224,290)	Pre-tax profit from continuing operations
Taxes on income	559,817										559,817	Taxes on income
Post-tax profit from continuing operations	**335,527**										**335,527**	**Post-tax profit from continuing operations**
NET PROFIT OF THE YEAR	**335,527**										**335,527**	**NET PROFIT OF THE YEAR**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**335,527**										**335,527**	**ATTRIBUTABLE TO OWNERS OF THE PARENT**

2. ACCOUNTING POLICIES (continued)

2.2. Significant accounting judgments and estimates

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

(1) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Disclosures for valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 41 Fair value of assets and liabilities.

(2) Impairment losses on loans and advances

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

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

The impairment loss on loans and advances is disclosed in more detail in Note 10, Note 21, Note 22 and Note 40.5.6.

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

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

(4) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. According to the five-years budgets approved, management estimates that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Disclosures concerning deferred taxes are in Note 12 and 27.

(5) Benefits granted on the date of retirement

The cost of the defined benefit consisting of a one-off payment of up to four monthly gross salaries on the date of retirement is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. See Note 31 for the assumptions used.

2. ACCOUNTING POLICIES (continued)

(6) Summary of significant estimates performed in 2014

During 2014, the following significant estimations were done:

in RON thousands	Notes	Description	B/S impact	P&L impact	
ASSETS					**Income statement**
Property and equipment	28	*IFRS 5 reclassification for buildings*	(413,385)		
Investment properties		*IFRS 5 reclassification for buildings*	(25,486)		
Intangible assets	26	*Impairment of customer relationship in BCR Pensii and land concession in REM and write off of some software applications in BCR*	(177,788)	(177,788)	Other operating result
Deferred tax assets			(119,884)	(119,884)	Taxes on income
Non-current assets and disposal groups classified as held for sale	28	*IFRS 5 reclassification for buildings*	438,871		
		Impairment of buildings IFRS 5 reclassification	(104,493)	(104,493)	Other operating result
Other assets	29	*Impairment of repossed assets*	(41,001)	(41,001)	Other operating result
TOTAL ASSETS			**(443,166)**		
LIABILITIES					
Provisions	31	*Provisions for litigations and onerous contracts*	(42,917)	(42,917)	Other operating result
TOTAL LIABILITIES AND EQUITY			**(42,917)**	**(486,083)**	**Total Income statement**

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 are 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.

2. ACCOUNTING POLICIES (continued)

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

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

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

(ii) Initial recognition of financial instruments

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

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

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

(iv) Financial assets and financial liabilities held for trading

Financial assets or financial liabilities held for trading, comprising financial instruments held for trading other than derivatives, are recorded in the statement of financial position at fair value. Changes in fair value are recognized in 'Net trading and fair value result'. Interest and dividend income or expenses are recorded in 'Net trading and fair value result' according to the terms of the contract, or when the right to the payment has been established.

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.

2. ACCOUNTING POLICIES (continued)

(vi) Held-to-maturity financial investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Net interest income' in the statement of comprehensive income. The losses arising from impairment of such investments are recognized in the statement of comprehensive income line 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

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

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

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

(viii) Available-for-sale financial investments

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

(ix) Debt securities issued

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

(x) Reclassification of financial assets

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

2. ACCOUNTING POLICIES (continued)

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

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

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(4) Repurchase and reverse repurchase agreements

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

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

(5) Securities lending and borrowing

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

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

2. ACCOUNTING POLICIES (continued)

(6) Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.
For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date. Where a fair value cannot reliably be estimated, unquoted equity instruments e.g. Investments in subsidiaries (see note 29) that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(7) Impairment of financial assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Disclosures concerning impairment of financial assets are in Note 40.5.6.

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

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

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

2. ACCOUNTING POLICIES (continued)

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.

(ii) Held-to-maturity financial investments

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss to the 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to the 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

(iii) Available-for-sale financial investments

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

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

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

(iv) Renegotiated loans

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

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

(v) Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and periodically after the inception date.

2. ACCOUNTING POLICIES (continued)

To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

(vi) Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to inventories at their fair value at the repossession date in line with the Group's policy. Inventories are valued at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sell.

(8) Hedge accounting

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

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

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

(i) Fair value hedges

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

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

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

(ii) Cash flow hedge

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

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

2. ACCOUNTING POLICIES (continued)

(9) Offsetting financial instruments

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

(10) Leasing

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

(i) Group as a lessee

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

(ii) Group as a lessor

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

(11) Recognition of income and expenses

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

(i) Net interest income

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

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

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

2. ACCOUNTING POLICIES (continued)

(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 drown down, the loan commitment fees are recognised over the commitment period on a straight line basis.

Fee income from providing transaction services

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

(iii) Dividend income

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

(iv) Net trading and fair value result

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

(12) Cash and cash balances

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

(13) Property and equipment

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

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

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

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

(14) Investment properties

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

2. ACCOUNTING POLICIES (continued)

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

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

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

(15) Business combinations and Goodwill

Business combinations are accounted for using the acquisition method.

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

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

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

(16) Intangible assets

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

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

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

- Computer software and licenses 3-5 years

(17) Impairment of non-financial assets

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

Goodwill

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

2. ACCOUNTING POLICIES (continued)

(18) 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. Should the impairment loss in a disposal group exceed the carrying amount of the assets that are within the scope of IFRS 5 measurement requirements, there is no specific guidance on how to treat such a difference. Group recognises this difference in line 'Other operating result'.

(19) Financial guarantees

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

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

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

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

(20) Employee benefits

(i) Short term service benefits

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

(ii) Defined contribution plans

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

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

2. ACCOUNTING POLICIES (continued)

(iii) Long-term service benefits

The Bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. On the basis of the Collective Labor Agreement, the Bank and one of its Romanian subsidiaries have a contractual obligation to make a one-off payment of up to four (the Bank), respectively two (the subsidiary) gross monthly salaries to retiring employees on the date of retiring. The defined benefit obligations are calculated by a qualified actuary taking into account the estimated salary at the date of retirement and the number of years served by each individual.

(21) Provisions

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

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

Restructuring provisions

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

(22) Taxes

(i) Current tax

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

(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.

2. ACCOUNTING POLICIES (continued)

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

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

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

(23) Fiduciary assets

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

(24) Dividends on ordinary shares

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

Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

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

(25) Segment reporting

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

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

2.4. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2014:
- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**
- **IFRS 11 Joint Arrangements**
- **IFRS 12 Disclosures of Interests in Other Entities**
- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**
- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**
- **IFRIC Interpretation 21: Levies**

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
  As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The effect of applying this revision has no impact on the Group's financial position or performance.

2. ACCOUNTING POLICIES (continued)

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
  These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The effect of applying this revision has no impact on the Group's financial position or performance.

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**
  IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The effect of applying this revision has no impact on the Group's financial position or performance.

- **IFRS 11 Joint Arrangements**
  IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The effect of applying this revision has no impact on the Group's financial position or performance.

- **IFRS 12 Disclosures of Interests in Other Entities**
  IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The effect of applying this revision has no impact on the Group's financial position or performance, and all required disclosures were included in the financial statements.

- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**
  Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The effect of applying this revision has no impact on the Group's financial position or performance.

- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**
  These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. The effect of applying this revision has no impact on the Group's financial position or performance.

- **IFRIC Interpretation 21: Levies**
  IFRIC 21 is effective in the EU for annual periods beginning on or after 17 June 2014, however, earlier application is permitted so EU companies can adopt in accordance with the IASB effective date (1 January 2014).
  The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The effect of applying this revision has no impact on the Group's financial position or performance.

2. ACCOUNTING POLICIES (continued)

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

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

- **IAS 19 Employee benefits (Amended): Employee Contributions**
  The amendment is effective for annual periods beginning on or after 1 February 2015, however, earlier application is permitted so EU companies can adopt in accordance with the IASB effective date (1 July 2014). The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

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

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**
  The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has 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 14 Regulatory Deferral Accounts**
  The standard is effective for annual periods beginning on or after 1 January 2016. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU. The Group 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**
  The standard is effective for annual periods beginning on or after 1 January 2017. 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. This standard has not yet been endorsed by the EU. The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

2. ACCOUNTING POLICIES (continued)

- **IAS 27 Separate Financial Statements (amended)**
  The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors This standard has not yet been endorsed by the EU. The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

- **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. The amendments will be effective from annual periods commencing on or after 1 January 2016. This standard has not yet been endorsed by the EU. The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle, which is a collection of amendments to IFRSs. All amendments are effective in the EU for annual periods beginning on or after 1 February 2015, however, earlier application is permitted so EU companies can adopt in accordance with the IASB effective date (1 July 2014).

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

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

The IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to IFRSs. The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.

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

2. ACCOUNTING POLICIES (continued)

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. 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 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.
- **IFRS 10, IFRS 12 and IAS 28: Investment Entities**: Applying the Consolidation Exception (Amendments)
  The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU. The Group is in process of assessing the impact of this amendment in the financial position or performance of the Group.
- **IAS 1: Disclosure Initiative (Amendment)**
  The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. 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.

3. NET INTEREST INCOME

	Group		Bank	
in RON thousands	2013	2014	2013	2014
Interest Income				
Financial assets held for trading	5,635	14,295	-	11,037
Available-for-sale financial assets	215,446	268,354	202,350	226,237
Loans and receivables	3,383,890	2,526,828	3,330,484	2,485,257
Held-to-maturity investments	645,817	536,062	558,534	465,133
Derivatives - Hedge accounting, interest rate risk	307,586	163,119	307,586	163,119
Other assets	54,093	27,601	54,257	27,487
Total interest income	**4,612,467**	**3,536,259**	**4,453,211**	**3,378,270**
Interest expenses				
Financial liabilities held for trading	(3,111)	(11,901)	-	(6,790)
Financial liabilities measured at amortised cost	(1,785,205)	(1,194,525)	(1,709,626)	(1,115,904)
Derivatives - Hedge accounting, interest rate risk	(44,155)	(35,558)	(44,155)	(35,558)
Other liabilities	(4,443)	(4,856)	(4,553)	(4,842)
Total interest expense	**(1,836,914)**	**(1,246,840)**	**(1,758,334)**	**(1,163,094)**
Net interest income	**2,775,553**	**2,289,419**	**2,694,877**	**2,215,176**

"Interest income - Derivatives – Hedge accounting, interest rate risk" and "Interest expenses - Derivatives – Hedge accounting, interest rate risk" include the amounts related to those derivatives classified in the category "hedge accounting" which cover interest rate risk.

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

In the interest income from loans and receivables position is included also interest income from impaired loans in amount of RON 391,506 thousands (2013: RON 628,544 thousands) Group and RON 345,453 thousands (2013: RON 540,032 thousands) Bank. Due to sales of these assets in 2014 (see note: 22) and decrease in exposure resulting from increase in allowances for loans and receivable to customers (note: 22) this part of interest income significantly decreased.

4. NET FEES AND COMMISSION INCOME

	Group		Bank	
in RON thousands	2013	2014	2013	2014
Securities	**9,944**	**4,016**	**9,956**	**4,016**
Securities Transfer orders	9,956	4,016	9,956	4,016
Securities Other	(12)	-	-	-
Clearing and settlement	**(9,443)**	**(11,858)**	**(9,443)**	**(10,944)**
Asset management	**11,916**	**15,442**	**12,444**	**16,185**
Custody	11,916	15,442	12,444	16,185
Payment services	**15,885**	**60,228**	**15,683**	**62,160**
Payment services - Card business	73,235	81,430	73,577	81,017
Payment services - Others	(57,350)	(21,202)	(57,894)	(18,857)
Customer resources distributed but not managed	**374,663**	**379,821**	**378,361**	**399,584**
Insurance products	39,552	30,136	31,304	27,953
Building society brokerage (i)	-	720	11,946	22,111
Forreign exchange transactions	10,000	10,732	10,000	10,732
Other (ii)	325,111	338,233	325,111	338,788
Lending business	**128,573**	**80,361**	**131,950**	**80,939**
Loan commitments given, Loan commitments received	15,710	15,754	18,251	15,754
Guarantees given, Guarantees received	29,930	22,157	29,930	22,242
Other lending business (iii)	82,933	42,450	83,769	42,943
Other	**216,685**	**183,251**	**179,299**	**133,885**
Net Commission income	**748,223**	**711,261**	**718,250**	**685,825**
Fee and commission income	963,068	894,985	913,899	849,996
Fee and commission expense	(214,845)	(183,724)	(195,649)	(164,171)

4. NET FEES AND COMMISSION INCOME (continued)

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

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

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

Net commission income decreased on the back of lower fees from loan management, current accounts and further impacted by market in transaction banking. Loan management fee decreased due to high prepayments fees in 2013. While current accounts were hit by the change in the regulation for fees related to deposits. Starting July 2014 no maintenance fees were charged for accounts linked to deposits.

5. DIVIDEND INCOME

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Financial assets held for trading	35	249	35	249
Financial assets designated at fair value through profit or loss	1,358	340	1,358	340
Available-for-sale financial assets	5,549	2,015	5,549	2,015
Dividend income from equity investments (i)	3,443	-	3,443	23,530
Dividend income	**10,385**	**2,604**	**10,385**	**26,134**

(i) Dividends from equity investments in 2014 were received from BCR Banca pentru Locuinte (and eliminated at group level). In 2013, dividends were received from Fondul de Garantare a Creditului Rural, prior the consolidation of this entity.

6. NET TRADING AND FAIR VALUE RESULT

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Net Trading result	**439,299**	**360,674**	**438,750**	**358,407**
Securities and derivatives trading	86,582	98,905	86,582	98,905
Foreign exchange transactions (i)	352,717	261,769	352,168	259,502
Gains or losses on financial assets and liabilities designated at fair value through profit or l	**2,007**	**161**	**2,007**	**161**
Gain / (loss) from measurement / sale of financial assets designated for fair value through profit or l	2,007	161	2,007	161
Total net trading and fair value result	**441,306**	**360,835**	**440,757**	**358,568**

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

Net trading result includes the hedge inefficiency of RON (6,359) thousands in 2014.

7. RENTAL INCOME FROM INVESTMENT PROPERTIES AND OTHER OPERATING LEASES

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Investment property	3,271	2,029	-	-
Operating leases	18,352	22,204	7,601	4,280
Total	**21,623**	**24,233**	**7,601**	**4,280**

Operating leases are mainly from car fleets rentals and other buildings.

8. GENERAL ADMINISTRATIVE EXPENSES

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Personnel expenses	(761,341)	(658,442)	(691,638)	(597,183)
Other administrative expenses	(647,476)	(640,775)	(815,516)	(776,880)
Depreciation and amortisation	(218,907)	(175,694)	(164,902)	(119,737)
Total	**(1,627,724)**	**(1,474,911)**	**(1,672,056)**	**(1,493,800)**

Personnel expenses	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**
Wages and salaries	(569,079)	(520,050)	(516,847)	(473,734)
Compulsory social security	(164,074)	(130,197)	(149,632)	(117,840)
Long-term employee provisions	(4,897)	14,255	(4,753)	14,298
Other personnel expenses	(23,291)	(22,450)	(20,406)	(19,907)
Total	**(761,341)**	**(658,442)**	**(691,638)**	**(597,183)**

Other administrative expenses	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**
Payments into deposit insurance fund	(119,196)	(120,643)	(114,754)	(114,400)
IT expenses	(147,145)	(160,170)	(142,605)	(155,824)
Expenses for office space	(146,989)	(144,336)	(304,608)	(271,527)
Office operating expenses	(84,672)	(78,329)	(122,006)	(114,718)
Advertising / marketing	(34,652)	(39,028)	(29,774)	(33,237)
Legal and consulting costs	(74,707)	(55,103)	(71,312)	(52,436)
Sundry administrative expenses	(40,115)	(43,166)	(30,457)	(34,738)
Total	**(647,476)**	**(640,775)**	**(815,516)**	**(776,880)**

Depreciation and amortisation	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**
Software and other intangible assets	(80,971)	(70,291)	(77,489)	(66,259)
Real estate used by the Group /Banca	(50,270)	(49,969)	(20,619)	(19,894)
Investment Properties	(7,818)	(11,145)	-	-
Amortisation of customer relationships	(4,786)	(2,386)	-	-
Office furniture and equipment and sundry property and equipment	(75,062)	(41,903)	(66,794)	(33,584)
Total	**(218,907)**	**(175,694)**	**(164,902)**	**(119,737)**

Included in wages and salaries and related contributions at 31 December 2014 are restructuring costs in amount of RON 13,926 thousands (see Note 31).

Long term employee provisions are described in Note 31. Compulsory social security includes mainly state contributions for pensions. Private contributions for pensions are included in other personnel expenses.

The number of Own employees of the Bank at 31 December 2014 was 6,215 employees (31 December 2013 was 6,128 employees).

The number of the Own employees of the Group at 31 December 2014 was 7,054 employees (31 December 2013 was 6,984 employees).

The key management remuneration expenses during 2014 were of RON 11,806 thousands (2013: RON 15,421 thousands).

in RON thousands	**2013**		**2014**	
	(Gross amount)	(Employer taxes)	(Gross amount)	(Employer taxes)
Short-term employee benefits	14,888	1,673	11,806	1,297
Termination benefits	533	-	-	-

8. GENERAL ADMINISTRATIVE EXPENSES (continued)

Personnel expenses were reduced mainly due to decrease of number of employees during 2013. Below find comparison of the average number of own employees during the financial year (weighted according to the level of employment):

	2013	2014
Domestic	**7,331**	**6,997**
Banca Comerciala Romana	6,446	6,227
BCR Leasing IFN SA	107	94
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Privative SA	41	43
BCR Banca pentru Locuinte SA	77	85
Suport Colect SRL	11	-
BCR Procesare SRL	464	433
BCR Real Estate Management SRL	66	24
BCR Fleet Management SRL	4	5
BCR Partener Mobil SRL	11	-
BCR Payments SPV	104	86
Abroad	**83**	**69**
BCR Chisinau SA	83	69
Total	**7,414**	**7,066**

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

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Gain / (loss) from sale of financial assets available for sale	14,067	9,201	14,067	9,201
Gain / (loss) from sale of loans and receivables	-	5	-	5
Gain / (loss) from repurchase of liabilities measured at amortised cost	-	(1,148)	-	(1,148)
Total	**14,067**	**8,058**	**14,067**	**8,058**

The carrying amount of investments in equity instruments measured at cost that were sold during the period was RON 61,514 thousands. The resulting gain on sale was RON 8,526 thousands.

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

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Loans and receivables	**(2,107,546)**	**(4,440,001)**	**(1,925,526)**	**(3,815,146)**
Allocation to risk provisions for loans and receivables	(4,504,771)	(5,364,474)	(4,289,420)	(4,741,276)
Release of risk provisions for loans and receivables	2,630,648	1,043,308	2,503,431	952,636
Direct write-offs of loans and receivables	(465,821)	(504,850)	(282,643)	(378,127)
Recoveries on written-off loans and receivables	232,398	386,015	143,106	351,621
Total	**(2,107,546)**	**(4,440,001)**	**(1,925,526)**	**(3,815,146)**

Net charge of impairments on financial assets not measured at fair value through profit and loss increased by 110.7% to RON 4,440.0 million in 2014, versus RON 2,107.6 million in 2013, on the back of accelerated non-performing loans sales strategy, current recoveries from portfolio sales, write-offs and implementation of new risk parameters.

NPL (non performing loans) ratio at 25.7%, as of 31 December 2014, significantly decreased versus 29.2% as of 31 December 2013 primarily driven by non performing loans portfolio sales and write-offs. (See also note 22).

The decrease in non performing loans portfolio and the increase in related provisions as mentioned above led to an increase in NPL coverage ratio at 75.8%, significantly above 65.8% as of December 2013.

Non-performing loans include non-performing exposure to defaulted customers, impaired customers and non-performing forborne exposures.

11. OTHER OPERATING RESULT

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Result from real estates/movalble/properties/software (i)	(14,939)	(350,408)	(18,119)	(84,461)
Allocation/release of other provisions (see Note 31)	7,564	(41,506)	8,039	(41,646)
Allocation/release of provisions for commitments and guarantees given (see Note 31)	(124,467)	(17,766)	(124,466)	(17,764)
Other taxes	(23,487)	(27,546)	(4,161)	(4,219)
Impairment of goodwill	(9,723)	-	-	-
Result from other operating expenses/income(ii)	(47,597)	(83,129)	(373,938)	(709,535)
Total	**(212,649)**	**(520,355)**	**(512,645)**	**(857,625)**

(i) Result from real estate /movable/properties/software includes:
- Impairment of repossessed assets in amount of RON 41,001 thousands;
- Impairment of customer relationship in BCR Pensii in amount of RON 84,913 thousands;
- Impairment of land concessions in BCR Real Estate Management in amount of RON 83,695 thousands;
- Write-off of software in amount of 9,180 thousands RON;
- Impairment of assets held for sale in amount of RON 104,493 thousands for the Group and RON 22,205 thousands for the Bank. Details are presented in Note 28.

(ii) Results from operating expenses/income includes impairment of subsidiaries in amount of RON 642,003 thousands (31 December 2013: RON 370,793 thousands) which is eliminated at Group level. Details are presented in Note 29.

12. TAXES ON INCOME

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

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Current tax expense / income	(9,359)	(17,418)	-	-
Deferred tax expense / income	541,306	261,266	559,817	238,962
Total	**531,947**	**243,848**	**559,817**	**238,962**

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	**2013**	**2014**	**2013**	**2014**
Pre-tax profit/loss	66,769	(3,037,865)	(224,290)	(2,868,530)
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(10,683)	486,058	35,886	458,965
Impact of tax-exempt earnings of investments and other tax-exempt income	74,527	28,170	45,949	3,887
Tax increases due to non-deductible expenses, additional business tax and similar elements	(92,704)	(260,769)	(82,825)	(88,578)
One-off release of loan loss risk provision related deferred tax liabilities	560,807	-	560,807	-
Net impact of non-valued fiscal losses for the year	-	(93,050)	-	(119,884)
Current period's P/L restatement adjustments (from Local GAAP to IFRS)	-	98,900	-	-
Tax income not atributable to the reporting period	-	(15,461)	-	(15,428)
Income tax (expense) / release reported in the income statement	**531,947**	**243,848**	**559,817**	**238,962**
The effective tax rate	**796.70%**	**(8.03)%**	**(249.60)%**	**(8.33)%**

In 2014, taking into consideration the past performance and the last 5 years back-testing of actual vs. budgeted figures, the Group undertook a more conservative approach and reduced the carrying amount of deferred tax assets by RON 119,884 thousands driven by:

a) usage of fiscal profit forecasts that are highly probable to occur; and
b) limit the "look out" period to 5 years and not 7 years as provided by local legislation (foreseeable future for estimating probable outcome is 5 years).

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

12. TAXES ON INCOME (continued)

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

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

Tax effects relating to each component of other comprehensive income:

Group

in RON thousands	2013 Before-tax amount	2013 Tax benefit	2013 Net-of-tax amount	2014 Before-tax amount	2014 Tax benefit	2014 Net-of-tax amount
Available for sale-reserve (including currency translation)	32,784	(5,245)	27,539	400,176	(63,912)	336,264
Cash flow hedge-reserve (including currency translation)	4,350	(696)	3,654	2,417	(387)	2,030
Remeasurement of net gain (losses) on benefit plans	78,387	(14,436)	63,951	78,387	(12,495)	65,892
Currency translation	748	-	748	(15,119)	-	(15,119)
Other comprehensive income	**116,269**	**(20,377)**	**95,892**	**465,861**	**(76,794)**	**389,067**

Bank

in RON thousands	2013 Before-tax amount	2013 Tax benefit	2013 Net-of-tax amount	2014 Before-tax amount	2014 Tax benefit	2014 Net-of-tax amount
Available for sale-reserve (including currency translation)	22,096	(3,536)	18,560	346,031	(55,364)	290,667
Cash flow hedge-reserve (including currency translation)	4,350	(696)	3,654	2,417	(387)	2,030
Remeasurement of net gain (losses) on benefit plans	90,225	(14,436)	75,789	78,477	(12,556)	(35)
Other comprehensive income	**116,671**	**(18,668)**	**98,003**	**426,925**	**(68,307)**	**292,662**

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.

Fiscal loss for which deferred tax asset (DTA) was recognized:

in RON thousands	2012	2013	2014	DTA
Fiscal Loss	971,132	117,234	1,186,421	363,966
Fiscal Loss expiery	2019	2020	2021	

Fiscal loss for which deferred tax asset was not recognized:

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

13. DIVIDENDS PAID

Dividends paid to non-controlling interest in 2014 were in amount of RON 5,882 thousands.

14. CASH AND CASH BALANCES

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Cash on hand	1,320,295	1,562,948	1,311,728	1,554,120
Cash balances at central banks	8,044,408	6,444,485	8,012,631	6,376,587
Other demand deposits	221,303	227,734	221,303	227,734
Total cash and cash balances	**9,586,006**	**8,235,167**	**9,545,662**	**8,158,441**

The current accounts held by the Bank with National Bank of Romania are for compliance with the minimum reserve requirements. Mandatory reserve rates were for RON 10% (December 2013: 15%) and for foreign currencies 14% (December 2013: 20%).

The mandatory minimum reserve level calculated for 31 December 2014 is EUR 546,440 thousands and RON 2,602,161 thousands (31 December 2013 is EUR 760,530 thousands and RON 4,070,550 thousands).

15. DERIVATIVES – HELD FOR TRADING

Group

	2013			2014		
	Notional amount	Fair value Positive	Fair value Negative	Notional amount	Fair value Positive	Fair value Negative
in RON thousands						
Derivatives held for trading						
Interest rate instruments and related derivatives	3,190,203	35,102	45,782	2,693,825	102,397	47,976
Equity instruments and related derivatives	574,042	1,236	568	569,334	568	568
Foreign exchange trading and related derivatives	3,600,640	6,443	19,134	2,810,705	36,478	17,056
Commodities and related derivatives	26,908	-	577	27,159	790	790
Other Derivatives						
Interest rate instruments and related derivatives	-	-	-	30,991	1,068	2,386
Foreign exchange trading and related derivatives	-	-	-	367,343	13,675	1,351
Total derivatives held for trading	**7,391,793**	**42,781**	**66,061**	**6,499,357**	**154,976**	**70,127**

Bank

	2013			2014		
	Notional amount	Fair value Positive	Fair value Negative	Notional amount	Fair value Positive	Fair value Negative
in RON thousands						
Derivatives held for trading						
Interest rate instruments and related derivatives	2,979,038	33,267	46,359	2,693,825	102,397	47,976
Equity instruments and related derivatives	574,042	1,236	568	569,334	568	568
Foreign exchange trading and related derivatives	3,600,640	6,443	19,134	2,810,705	36,478	17,056
Commodities and related derivatives	26,908	-	-	27,159	790	790
Other Derivatives						
Interest rate instruments and related derivatives	-	-	-	30,991	1,068	2,386
Foreign exchange trading and related derivatives	-	-	-	367,343	13,675	1,351
Total derivatives held for trading	**7,180,628**	**40,946**	**66,061**	**6,499,357**	**154,976**	**70,127**

16. OTHER TRADING ASSETS

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Equity instruments (i)	**4,475**	**4,299**	**4,475**	**4,299**
Debt securities	**326,342**	**211,554**	**326,342**	**211,554**
General governments (ii)	326,342	211,554	326,342	211,554
Financial assets held for trading	**330,817**	**215,853**	**330,817**	**215,853**

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

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

	Group		Bank	
in RON thousands	2013	2014	2013	2014
Equity instruments (i)	12,265	4,229	12,265	4,229
Debt securities	22,086	20,358	22,086	20,358
General governments (ii)	22,086	20,358	22,086	20,358
Total financial assets designated at fair value through profit or loss	34,351	24,587	34,351	24,587

(i) Equity investments include: shares issued by Financial Investment Companies (SIFs);
(ii) Debt securities issued by municipalities.

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

18. FINANCIAL ASSETS – AVAILABLE FOR SALE

	Group		Bank	
in RON thousands	2013	2014	2013	2014
Equity instruments (i)	39,671	147,772	29,874	137,284
Debt securities (ii)	5,180,091	7,507,289	4,423,386	6,498,139
General governments	5,163,387	7,502,578	4,423,386	6,498,139
Credit institutions	16,704	4,711	-	-
Total available-for-sale financial assets	5,219,762	7,655,061	4,453,260	6,635,423

(i) Equity instruments include investments in Financial Investment Companies ("SIF's") shares quoted on Bucharest Stock Exchange and international markets.
(ii) Debt securities include: include treasury bills denominated in RON and foreign currencies, state bonds quoted on Bucharest Stock Exchange and bonds issued by municipalities.

19. FINANCIAL ASSETS – HELD TO MATURITY

	Group		Bank	
in RON thousands	2013	2014	2013	2014
Debt securities				
General governments	10,222,051	9,565,112	9,009,939	8,429,417
Credit institutions	13,205	13,064	-	-
Total financial assets held to maturity	10,235,256	9,578,176	9,009,939	8,429,417

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

On 1 November 2009, the Bank reclassified the ISIN RO0717DBN038 from 'Available-for-Sale' to 'Held-to-Maturity' category'. Available-for-sale reserve at the time of reclassification was RON 63 million, which is amortized through profit or loss over the remaining maturity of the instrument using the effective interest rate. At 31 December 2014, the balance of available-for-sale reserve related to this instrument is RON 23,511 thousands (2013: RON 31,623 thousands).

in RON thousands	Carrying amount	Fair value
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	2013	2014
Gain/(Loss) recorded in other comprehensive income	33,450	43,468
Gain/(Loss) recorded in profit or loss	17,034	17,469

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	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Bonds and other interest-bearing securities	326,342	211,554	22,087	20,359	5,180,091	7,507,529	10,235,256	9,578,176	15,763,776	17,317,618
Listed	146,198	42,408	22,087	20,359	3,194,904	5,566,196	9,037,282	8,806,761	12,400,471	14,435,724
Unlisted	180,144	169,146	-	-	1,985,187	1,941,333	1,197,974	771,415	3,363,305	2,881,894
Equity related securities	4,475	4,299	12,264	4,228	39,671	147,532	-	-	56,410	156,059
Listed	4,475	4,299	12,264	4,228	18,686	110,098	-	-	35,425	118,625
Unlisted	-	-	-	-	20,985	37,434	-	-	20,985	37,434
Total	330,817	215,853	34,351	24,587	5,219,762	7,655,061	10,235,256	9,578,176	15,820,186	17,473,677

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	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Bonds and other interest-bearing securities	326,342	211,554	22,087	20,359	4,423,386	6,498,139	9,009,939	8,429,417	13,781,754	15,159,469
Listed	146,198	42,408	22,087	20,359	2,455,008	4,575,060	7,864,020	7,744,141	10,487,313	12,381,968
Unlisted	180,144	169,146	-	-	1,968,378	1,923,079	1,145,919	685,276	3,294,441	2,777,501
Equity related securities	4,475	4,299	12,264	4,228	29,874	137,284	-	-	46,613	145,811
Listed	4,475	4,299	12,264	4,228	9,206	110,098	-	-	25,945	118,625
Unlisted	-	-	-	-	20,668	27,186	-	-	20,668	27,186
Total	330,817	215,853	34,351	24,587	4,453,260	6,635,423	9,009,939	8,429,417	13,828,367	15,305,280

21. LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS

2013 Group

in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Loans and receivables	510,427	(2,691)	507,736
Central banks	21,149	-	21,149
Credit institutions	489,278	(2,691)	486,587
Total loans and receivables to credit institutions	510,427	(2,691)	507,736

2014 Group

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

2013 Bank

in RON thousands	Total assets (gross carring amount)	Collective allowance	Carrying amount
Loans and receivables	485,953	(2,691)	483,262
Central banks	21,149	-	21,149
Credit institutions	464,804	(2,691)	462,113
Total loans and receivables to credit institutions	485,953	(2,691)	483,262

2014 Bank

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

21. LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS (continued)

ALLOWANCES FOR LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS

				2013	Group
in RON thousands	Opening balance [current year] (-)	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
Collective allowances					
Loans and receivables	-	(4,540)	1,831	19	(2,690)
Credit institutions	-	(4,540)	1,831	19	(2,690)
Total	**-**	**(4,540)**	**1,831**	**19**	**(2,690)**

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

				2013	Bank
in RON thousands	Opening balance [current year] (-)	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
Collective allowances					
Loans and receivables	-	(4,540)	1,831	19	(2,691)
Credit institutions	-	(4,540)	1,831	19	(2,691)
Total	**-**	**(4,540)**	**1,831**	**19**	**(2,691)**

				2014	Bank
in RON thousands	Opening balance [current year] (-)	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance
Collective allowances					
Loans and receivables	(2,691)	(590)	532	242	(2,507)
Credit institutions	(2,691)	(590)	532	242	(2,507)
Total	**(2,691)**	**(590)**	**532**	**242**	**(2,507)**

22. LOANS AND RECEIVABLES TO CUSTOMERS

			2013	Group
in RON thousands	Total assets (gross carring amount)	Specific allowances	Collective allowance	Carrying amount
Loans and receivables	**47,107,827**	**(8,456,483)**	**(648,955)**	**38,002,389**
General governments	5,472,689	(9,887)	(23,698)	5,439,104
Other financial corporations	472,354	(138,380)	(5,509)	328,465
Non-financial corporations	21,140,455	(6,440,284)	(361,807)	14,338,364
Households	20,022,329	(1,867,932)	(257,941)	17,896,456
Total loans and receivables to customers	**47,107,827**	**(8,456,483)**	**(648,955)**	**38,002,389**

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

22. LOANS AND RECEIVABLES TO CUSTOMERS (continued)

			2013	Bank
in RON thousands	Total assets (gross carring amount)	Specific allowances	Collective allowance	Carrying amount
Loans and receivables	45,741,730	(7,135,798)	(645,715)	37,960,217
General governments	5,463,731	(9,887)	(23,696)	5,430,148
Other financial corporations	864,839	(138,063)	(5,509)	721,267
Non-financial corporations	20,728,373	(5,710,409)	(360,382)	14,657,582
Households	18,684,787	(1,277,439)	(256,128)	17,151,220
Total loans and receivables to customers	45,741,730	(7,135,798)	(645,715)	37,960,217

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

ALLOWANCES FOR LOANS AND RECEIVABLES TO CUSTOMERS

								2013	Group
in RON thousands	Opening balance [current year] (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance	Recoveries of amounts previously written off*	Amounts written off*
Specific allowances									
Loans and receivables	(7.691.614)	(4.088.375)	1.125.291	2.131.501	628.544	(561.830)	(8.456.483)	232.398	(465.821)
General governments	-	(29.162)	3.316	15.991	1.382	(1.414)	(9.887)	2	-
Other financial corporations	-	(158.083)	5.185	20.557	1.828	(7.867)	(138.380)	81.647	(4.409)
Non-financial corporations	(4.978.573)	(3.805.155)	725.597	1.740.305	496.569	(619.028)	(6.440.285)	138.782	(262.976)
Households	(2.713.041)	(95.975)	391.193	354.648	128.765	66.479	(1.867.931)	11.967	(198.436)
Collective allowances									
Loans and receivables	(723.450)	(411.856)	-	497.316	-	(10.965)	(648.955)		
General governments	(34.708)	(4.591)	-	15.831	-	(230)	(23.698)		
Other financial corporations	(20.493)	(15.083)	-	30.120	-	(53)	(5.509)		
Non-financial corporations	(436.465)	(392.817)	-	449.657	-	(8.411)	(388.036)		
Households	(231.784)	635	-	1.708	-	(2.271)	(231.712)		
Total	(8.415.064)	(4.500.231)	1.125.291	2.628.817	628.544	(572.795)	(9.105.438)		

								2014	Group
in RON thousands	Opening balance [current year] (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance	Recoveries of amounts previously written off*	Amounts written off*
Specific allowances									
Loans and receivables	(8.455.447)	(5.180.914)	5.067.477	880.670	391.506	116.897	(7.179.811)	386.015	(504.850)
General governments	(9.887)	(22.585)	11.263	5.943	2.852	(7.691)	(20.105)	4.026	(1.190)
Other financial corporations	(138.380)	(22.143)	64.215	3.255	1.295	76.832	(14.926)	8.262	(1.025)
Non-financial corporations	(6.439.249)	(3.612.402)	3.480.481	578.467	250.654	670.393	(5.071.656)	360.781	(396.025)
Households	(1.867.931)	(1.523.784)	1.511.518	293.005	136.705	(622.637)	(2.073.124)	12.946	(106.610)
Collective allowances									
Loans and receivables	(649.991)	(182.969)	-	162.106	-	(16.405)	(687.259)		
General governments	(23.698)	(6.527)	-	5.875	-	(3.343)	(27.693)		
Other financial corporations	(5.509)	(2.210)	-	1.690	-	(2.004)	(8.033)		
Non-financial corporations	(362.842)	(90.756)	-	80.411	-	(3.029)	(376.216)		
Households	(257.942)	(83.476)	-	74.130	-	(8.029)	(275.317)		
Total	(9.105.438)	(5.363.883)	5.067.477	1.042.776	391.506	100.492	(7.867.070)		

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

22. LOANS AND RECEIVABLES TO CUSTOMERS (continued)

in RON thousands	Opening balance [current year] (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance	2013 Recoveries of amounts previously written off*	Bank Amounts written off*
Specific allowances									
Loans and receivables	**(6.343.532)**	**(3.883.697)**	**1.089.644**	**2.027.144**	**540.032**	**(565.389)**	**(7.135.798)**	**143.106**	**(282.643)**
General governments	-	(29.162)	3.316	15.991	1.382	(1.414)	(9.887)	2	-
Other financial corporations	-	(158.083)	5.185	20.557	1.828	(7.549)	(138.062)	81.648	(4.409)
Non-financial corporations	(4.479.094)	(3.602.872)	689.951	1.641.877	408.057	(368.330)	(5.710.411)	51.981	(80.485)
Households	(1.864.438)	(93.580)	391.192	348.719	128.765	(188.096)	(1.277.438)	9.475	(197.749)
Collective allowances									
Loans and receivables	**(705.916)**	**(401.183)**	**-**	**474.456**	**-**	**(13.072)**	**(645.715)**		
General governments	(34.667)	(4.589)	-	15.831	-	(271)	(23.696)		
Other financial corporations	(20.483)	(15.083)	-	30.120	-	(63)	(5.509)		
Non-financial corporations	(421.378)	(383.656)	-	428.505	-	(10.085)	(386.614)		
Households	(229.388)	2.145	-	-	-	(2.653)	(229.896)		
Total	**(7.049.448)**	**(4.284.880)**	**1.089.644**	**2.501.600**	**540.032**	**(578.461)**	**(7.781.513)**		

in RON thousands	Opening balance [current year] (-)	Allocations*	Uses*	Releases*	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance	2014 Recoveries of amounts previously written off*	Bank Amounts written off*
Specific allowances									
Loans and receivables	**(7.135.801)**	**(4.585.060)**	**4.288.522**	**811.859**	**345.453**	**105.569**	**(6.169.458)**	**351.621**	**(378.127)**
General governments	(9.887)	(22.585)	11.262	5.943	2.852	(7.691)	(20.106)	4.026	(1.190)
Other financial corporations	(138.062)	(22.124)	63.635	3.255	1.295	77.150	(14.851)	8.262	(1.025)
Non-financial corporations	(5.710.412)	(3.588.097)	3.174.728	510.466	245.933	652.491	(4.714.891)	326.608	(287.721)
Households	(1.277.440)	(952.254)	1.038.897	292.195	95.373	(616.381)	(1.419.610)	12.725	(88.191)
Collective allowances									
Loans and receivables	**(645.712)**	**(155.626)**	**-**	**140.245**	**-**	**227**	**(660.866)**		
General governments	(23.696)	(6.519)	-	5.875	-	(3.345)	(27.685)		
Other financial corporations	(5.509)	(1.874)	-	1.689	-	(2.265)	(7.959)		
Non-financial corporations	(360.381)	(65.219)	-	58.774	-	15.927	(350.899)		
Households	(256.126)	(82.014)	-	73.907	-	(10.090)	(274.323)		
Total	**(7.781.513)**	**(4.740.686)**	**4.288.522**	**952.104**	**345.453**	**105.796**	**(6.830.324)**		

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

In 2014 Group has reconsidered the collection strategy and decided to sell 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 2014 were as follows:

in RON thousands		Group
Transfer of loans	Gross carrying amount	Related allowance
Sale	2,025,594	1,751,114
Write off, out of which	4,096,764	4,096,764
Sales from previously writen off loans	867,451	867,451

in RON thousands		Bank
Transfer of loans	Gross carrying amount	Related allowance
Sale	2,025,594	1,751,114
Write off, out of which	3,183,548	3,183,548
Sales from previously writen off loans	867,451	867,451

23. DERIVATIVES – HEDGE ACCOUNTING

Group

in RON thousands	2013 Notional amount	2013 Fair value Positive	2013 Fair value Negative	2014 Notional amount	2014 Fair value Positive	2014 Fair value Negative
Fair value hedges						
Interest rate instruments and related derivatives	664,377	29,064	7,464	-	-	-
Foreign exchange trading and related derivatives	6,240,897	10,169	1,079,802	2,964,068	-	554,005
Total fair value hedges	**6,905,274**	**39,233**	**1,087,266**	**2,964,068**	**-**	**554,005**

Bank

in RON thousands	2013 Notional amount	2013 Fair value Positive	2013 Fair value Negative	2014 Notional amount	2014 Fair value Positive	2014 Fair value Negative
Fair value hedges						
Interest rate instruments and related derivatives	664,377	29,064	7,465	-	-	-
Foreign exchange trading and related derivatives	6,240,897	10,169	1,079,801	2,964,068	-	554,005
Total fair value hedges	**6,905,274**	**39,233**	**1,087,266**	**2,964,068**	**-**	**554,005**

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include deposits.

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

The fair value of hedged items attributable to the hedged risks amounted to RON 9,412 thousands as liabilities (2013: RON 119,386 thousands as liabilities).

During 2014, the Group discontinued the fair value hedge accounting for the issued bonds. Consequently, the amount of RON 71,019 thousand, representing the fair value of the respective hedging derivatives has been redesigned as derivatives held for trading. The fair value of hedge item amounting RON 67,953 thousands will be amortized using Effective Interest Rate until the maturity of bonds.

The result from hedge accounting in 2014 was as follows:

- net gain on hedge item (issued bonds and interbank deposits) in amount of RON 41,606 thousands;
- net loss on hedging instruments (interest rate swaps and cross currency swaps) in amount of RON (10,456) thousands.

24. EQUITY METHOD INVESTMENTS

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

in RON thousands	2013	2014
Credit institutions	-	-
Financial institutions	14,297	15,289
Non-credit institutions	-	-
Total	**14,297**	**15,289**

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

in RON thousands	2013	2014
Total assets	1,793,188	1,263,310
Total liabilities	1,750,294	1,217,439
Total equity	**42,894**	**45,871**
Proportional of the Group's ownership	33.33%	33.33%
Carying amount of the investment	**14,297**	**15,289**
in RON thousands	**2013**	**2014**
Income	28,816	21,226
Expenses	(16,366)	(16,412)
Profit before tax	**12,450**	**4,814**
Income tax expenses	(1,858)	(1,837)
Profit/loss	**10,592**	**2,977**
Proportional of the Group's ownership	33.33%	33.33%
Group's share of profit for the year	**3,531**	**992**

As of 31 December 2014 and 31 December 2013, there is no published price quotations for BCR Group investment accounted for using the equity method.

25. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTIES

						Group
	Property and equipment - Acquisition and production costs					
in RON thousands	Land and buildings	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2013	**1,586,164**	**523,896**	**622,340**	**155,185**	**2,887,585**	**50,954**
Additions in current year (+)	52,778	7,900	1,996	12,137	**74,811**	-
Disposals and write off (-)	(101,075)	(88,383)	(106,657)	(436)	**(296,551)**	-
Reclassification (+/-)	134,035	(94,099)	(34,264)	2,903	**8,575**	(3,640)
Currency translation (+/-)	(546)	(722)	(450)	(9,940)	**(11,658)**	-
Balance as of 31.12.2013	**1,671,356**	**348,592**	**482,965**	**159,849**	**2,662,762**	**47,314**
Balance as of 01.01.2014	**1,671,356**	**348,592**	**482,965**	**159,849**	**2,662,762**	**47,314**
Additions in current year (+)	11,401	19,584	20,984	42,143	**94,112**	
Disposals and write off (-)	(48,853)	(23,459)	(22,478)	(2,737)	**(97,527)**	(19,578)
Reclassification (+/-)	(4,469)	(557)	276	4,106	**(644)**	3,780
Assets held for sale (-)	(534,687)	-	-	-	**(534,687)**	(31,516)
Currency translation (+/-)	(32)	(373)	(224)	-	**(629)**	-
Balance as of 31.12.2014	**1,094,716**	**343,787**	**481,523**	**203,361**	**2,123,387**	**-**

25. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTIES (continued)

						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 01.01.2013	(299,065)	(405,440)	(539,410)	(6,230)	(1,250,145)	(2,123)
Amortisation and depreciation (-)	(50,270)	(35,985)	(39,077)	(6,761)	**(132,093)**	(1,057)
Disposals (+)	47,474	83,710	106,076	-	**237,260**	-
Impairment (-)	(1,019)	-	(5,603)	(7,728)	**(14,350)**	-
Reversal of impairment (+)	725	90	-	-	**815**	-
Reclassification (+/-)	(130,158)	93,944	33,414	(470)	**(3,270)**	-
Currency translation (+/-)	(22)	434	329	(168)	**573**	-
Balance as of 31.12.2013	(432,335)	(263,247)	(444,271)	(21,357)	(1,161,210)	(3,180)
Balance as of 01.01.2014	(432,335)	(263,247)	(444,271)	(21,357)	(1,161,210)	(3,180)
Amortisation and depreciation (-)	(49,969)	(25,292)	(16,611)	(10,301)	**(102,173)**	(844)
Disposals (+)	37,043	19,304	16,210	1,071	**73,628**	1,774
Impairment (-)	(2,324)	-	-	(4,299)	**(6,623)**	-
Reclassification (+/-)	2,738	520	199	(2,813)	**644**	(3,780)
Assets held for sale (+)	128,498	-	-	-	**128,498**	6,030
Currency translation (+/-)	4	262	193	-	**459**	-
Balance as of 31.12.2014	(316,345)	(268,453)	(444,280)	(37,699)	(1,066,777)	-

						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 31.12.2013	1,239,021	85,345	38,694	138,492	1,501,552	44,134
Balance as of 31.12.2014	778,371	75,334	37,243	165,662	1,056,610	-

				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 01.01.2013	337,820	473,189	612,775	1,423,784
Additions in current year (+)	44,946	6,375	1,288	**52,609**
Disposals and write off (-)	(93,719)	(87,026)	(105,888)	**(286,633)**
Reclassification (+/-)	130,233	(94,974)	(32,968)	**2,291**
Balance as of 31.12.2013	419,280	297,564	475,207	1,192,051
Balance as of 01.01.2014	419,280	297,564	475,207	1,192,051
Additions in current year (+)	2,673	14,259	19,704	**36,636**
Disposals and write off (-)	(47,155)	(19,442)	(22,351)	**(88,948)**
Assets held for sale (-)	(59,820)	-	-	**(59,820)**
Balance as of 31.12.2014	314,978	292,381	472,560	1,079,919

				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 01.01.2013	(89,083)	(387,609)	(532,535)	(1,009,227)
Amortisation and depreciation (-)	(20,619)	(28,750)	(38,044)	**(87,413)**
Disposals (+)	39,788	82,460	105,497	**227,745**
Impairment (-)	(978)	-	(5,603)	**(6,581)**
Reversal of impairment (+)	725	90	-	**815**
Reclassification (+/-)	(130,158)	94,896	32,206	**(3,056)**
Balance as of 31.12.2013	(200,325)	(238,913)	(438,479)	(877,717)
Balance as of 01.01.2014	(200,325)	(238,913)	(438,479)	(877,717)
Amortisation and depreciation (-)	(19,894)	(17,991)	(15,593)	**(53,478)**
Disposals (+)	36,967	15,812	16,142	**68,921**
Impairment (-)	(2,302)	-	-	**(2,302)**
Assets held for sale (+)	7,196	-	-	**7,196**
Balance as of 31.12.2014	(178,358)	(241,092)	(437,930)	(857,380)

25. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTIES (continued)

				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 31.12.2013	218,955	58,651	36,728	314,334
Balance as of 31.12.2014	136,620	51,289	34,630	222,539

There are no fixed assets pledged as collateral as at 31 December 2014 and 31 December 2013.

The total cost of the Bank's tangible fixed assets that are in use and fully amortized at the end of 2014 was RON 584,848 thousands (2013: RON 563,930 thousands).

Details related to assets reclassified in assets held for sale are in Note 28.

26. INTANGIBLE ASSETS

						Group
	Intangible assets - Acquisition and production costs					
in RON thousands	Goodwill	Customer relationships	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 01.01.2013	9,723	106,944	585,483	13,651	84,476	800,277
Additions in current year (+)	-	-	54,583	-	-	54,583
Disposals and write off (-)	(9,723)	-	(6,912)	(72)	(63)	(16,770)
Reclassification (+/-)	-	-	(3,994)	1,961	-	(2,033)
Currency translation (+/-)	-	-	(728)	-	-	(728)
Balance as of 31.12.2013	-	106,944	628,432	15,540	84,413	835,329
Balance as of 01.01.2014	-	106,944	628,432	15,540	84,413	835,329
Additions in current year (+)	-	-	144,177	-	-	144,177
Disposals and write off (-)	-	-	(85,875)	(1,525)	-	(87,402)
Disposal of subsidiaries (-)	-	-	-	-	-	-
Currency translation (+/-)	-	-	(290)	-	-	(290)
Balance as of 31.12.2014	-	106,944	686,444	14,015	84,413	891,814

						Group
	Intangible assets - Accumulated depreciation					
in RON thousands	Goodwill	Customer relationships	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 01.01.2013	-	(14,859)	(352,484)	(2,634)	(622)	(370,599)
Amortisation and depreciation (-)	-	(4,786)	(77,944)	(3,018)	(9)	(85,757)
Disposals and write off (-)	-	-	5,398	-	63	5,461
Impairment (-)	-	-	-	-	-	-
Reclassification (+/-)	-	-	4,760	(1,961)	-	2,799
Currency translation (+/-)	-	-	119	-	-	119
Balance as of 31.12.2013	-	(19,645)	(420,151)	(7,613)	(568)	(447,977)
Balance as of 01.01.2014	-	(19,645)	(420,151)	(7,613)	(568)	(447,977)
Amortisation and depreciation (-)	-	(2,386)	(68,270)	(2,012)	(9)	(72,677)
Disposals and write off (-)	-	-	15,626	-	-	15,626
Disposal of subsidiaries (-)	-	-	-	-	-	-
Impairment (-)	-	(84,913)	-	-	(83,695)	(168,608)
Reclassification (+/-)	-	-	192	-	-	192
Currency translation (+/-)	-	-	91	-	-	91
Balance as of 31.12.2014	-	(106,944)	(472,512)	(9,625)	(84,272)	(673,353)

						Group
	Intangible assets					
in RON thousands	Goodwill	Customer relationships	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31.12.2013	-	87,299	208,281	7,927	83,845	387,352
Balance as of 31.12.2014	-	-	213,932	4,390	141	218,461

26. INTANGIBLE ASSETS (continued)

Bank			
	Intangible assets - Acquisition and production costs		
in RON thousands	Software acquired	Self-constructed software within the Group	Total
Balance as of 01.01.2013	**568,718**	**13,651**	**582,369**
Additions in current year (+)	49,203	-	**49,202**
Disposals and write off (-)	(4,172)	(72)	**(4,244)**
Reclassification (+/-)	(4,250)	1,961	**(2,289)**
Balance as of 31.12.2013	**609,499**	**15,540**	**625,038**
Balance as of 01.01.2014	**609,499**	**15,540**	**625,038**
Additions in current year (+)	137,681	-	**137,681**
Disposals and write off (-)	(84,779)	(1,525)	**(86,304)**
Balance as of 31.12.2014	**662,401**	**14,015**	**676,415**

Bank			
	Intangible assets - Accumulated depreciation		
in RON thousands	Software acquired	Self-constructed software within the Group	Total
Balance as of 01.01.2013	**(344,817)**	**(2,634)**	**(347,451)**
Amortisation and depreciation (-)	(74,471)	(3,018)	**(77,489)**
Disposals and write off (-)	2,991	1	**2,992**
Reclassification (+/-)	5,017	(1,961)	**3,056**
Balance as of 31.12.2013	**(411,280)**	**(7,612)**	**(418,892)**
Balance as of 01.01.2014	**(411,280)**	**(7,612)**	**(418,892)**
Amortisation and depreciation (-)	(64,247)	(2,012)	**(66,259)**
Disposals and write off (-)	15,610	-	**15,610**
Balance as of 31.12.2014	**(459,917)**	**(9,624)**	**(469,541)**

Bank			
	Intangible assets		
in RON thousands	Software acquired	Self-constructed software within the Group	Total
Balance as of 31.12.2013	**198,219**	**7,928**	**206,146**
Balance as of 31.12.2014	**202,484**	**4,391**	**206,874**

Customer relationships arise from acquisition of pension contracts by the subsidiary BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA, from another pension fund. In 2014, given the volatility in the current economic environment, the Group has performed an impairment test on the customer relationship (for both Pillar 2 and Pillar 3).

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

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

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

The total cost of the Bank's intangible fixed assets that are in use and fully amortized at the end of 2014 was RON 253,907 thousands (2013: RON 247,426 thousands).

27. TAX ASSETS AND LIABILITIES

Group

in RON thousands	Tax assets 2013	Tax assets 2014	Tax liabilities 2013	Tax liabilities 2014	Net variance 2014 Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Loans and advances to credit institutions and customers	(168,774)	-	(1,698)	-	170,472	170,472	-
Financial assets - available for sale	(4,883)	(55,365)	(277)	(8,547)	(58,862)	(195)	(58,668)
Property and equipment	(5,513)	6,657	(1,845)	(289)	13,726	13,726	-
Investments in subsidiaries	127,443	166,647	-	-	39,204	39,204	-
Long-term employee provisions	6,690	6,571	-	(62)	(181)	(2,122)	1,941
Sundry provisions	52,538	23,407	-	-	(29,131)	(29,131)	-
Carry forward of tax losses	294,022	363,966	-	-	69,944	69,944	-
Other	14,488	14,674	-	(818)	(632)	(632)	-
Cash flow hedge	(697)	(387)	-	-	310	-	310
Total deferred taxes	**315,314**	**526,170**	**(3,820)**	**(9,716)**	**204,850**	**261,266**	**(56,417)**
Current taxes	**89,273**	**89,086**	**(2,228)**	**(695)**	**-**	**-**	**-**
Total taxes	**404,587**	**615,256**	**(6,048)**	**(10,411)**	**204,850**	**261,266**	**(56,417)**

Bank

in RON thousands	Tax assets 2013	Tax assets 2014	Net variance 2014 Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:					
Loans and advances to credit institutions and customers	(167,479)	-	167,479	167,479	-
Financial assets - available for sale	(3,535)	(55,365)	(51,829)	-	(51,829)
Property and equipment	(6,089)	(828)	5,261	5,261	-
Investments in subsidiaries	127,442	166,647	39,205	39,205	-
Long-term employee provisions	6,627	6,444	(186)	(2,066)	1,880
Sundry provisions	37,734	23,411	(14,323)	(14,323)	-
Carry forward of tax losses	294,021	363,966	69,945	69,945	-
Other	26,539	-	(26,539)	(26,539)	-
Cash flow hedge	(697)	(387)	310	-	310
Total deferred taxes	**314,563**	**503,888**	**189,323**	**238,962**	**(49,639)**
Current taxes	**89,042**	**89,042**	**-**	**-**	**-**
Total taxes	**403,605**	**592,930**	**189,323**	**238,962**	**(49,639)**

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

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

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

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

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

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

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

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

In 2014 BCR Leasing movables in amount of RON 58,507 thousands were reclassified from assets held for sale in other assets (inventories), as they no longer meet the IFRS 5 requirements.

29. OTHER ASSETS

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Deferred income	71,269	61,660	8,957	5,355
Inventories (i)	273	242,434	53	145,076
Subsidiaries and other investments	61,514	-	625,475	721,724
Sundry assets	138,055	124,057	46,197	60,813
Total	**271,111**	**428,151**	**680,682**	**932,968**

(i) BCR Group presents "Repossessed Assets" under this position. The contribution of BCR Bank is in amount of RON 145,023 thousands, and the subsidiaries contribution was in amount of RON 97,357 thousands. At the 2014 year end an impairment of repossessed assets in amount of RON 70,437 thousands for the Group and RON 41,001 thousands for the Bank was booked as a result of comparing carrying amount with net realizable value;

Bank's investments in subsidiaries and other companies are in amount of RON 721,724 thousands (2013: RON 625,475 thousands). There is no active market for these investments and the Bank intends to hold them for the long term.

Movement in subsidiaries and other investments included in Other assets:

	Bank	
in RON thousands		
Balance as of 01.01.2014	**625,475**	**Description**
Partener Mobil	(3,015)	**Liquidation of participation (net of impaiment)**
BCR Finance BV	(5,824)	**Liquidation of participation (net of impaiment)**
Business Opportunity Fund	(61,514)	**Sale**
BCR Chisinau	24,604	**Increase in capital**
BCR Leasing	100,000	**Increase in capital**
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Privately SA	14,000	**Increase in capital**
Suport Colect SRL	670,001	**Increase in capital**
Impairment of subsidiaries*	(642,003)	**Impairment of investment in subsidiaries**
Balance as of 31.12.2014	**721,724**	

*) At 31 December 2014, allocation of impairment was recognized for the following subsidiaries: Suport Colect SRL, BCR Procesare and there were impairment releases for BCR Chisinau SA and BCR Pensii, Societate de Administrare a Fondurilor de pensii Private SA.

The cash received by the Bank from the liquidation of BCR Finance was in amount of RON 8,212 thousands and the net gain was in amount of RON 2,388 thousands. The cash received by the Bank from the liquidation of Partener Mobil was in amount of RON 1,251 thousands and the net loss incurred was in amount of RON 1,800 thousands.

The Bank had an investment in Business Capital for Romania - Opportunity Fund Cooperatief UA in amount of RON 61,514 thousands. At 31 January 2014 the investment has been sold. Net gain from selling was RON 8,526 thousands.

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.

29. OTHER ASSETS (continued)

The following rates are used by the Group:

	Local subsidiaries	Foreign subsidiaries - commercial banks
Discount rate	12.30%	19.40%
Projected growth rate*	4.60%	-
Inflation rate**	-	2.70%

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

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

Discount rates

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

Market share assumptions

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

Projected growth rates and local inflation rates

Assumptions are based on published industry research.

Sensitivity to changes in assumptions

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

30. FINANCIAL LIABILITIES MEASURED AT AMORTISED COSTS

Credit institutions	Group		Bank	
in RON thousands	2013	2014	2013	2014
Current accounts / overnight deposits	148,581	185,723	146,552	182,703
Term deposits from other banks	12,264,853	9,308,050	12,212,933	9,335,429
Borrowings and financing lines	3,420,904	2,381,507	2,101,422	1,707,678
Subordinated loans	2,317,506	2,315,834	2,317,506	2,315,834
Repurchase agreements	-	-	-	322,478
Total deposits by banks	**18,151,844**	**14,191,114**	**16,778,413**	**13,864,122**

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.

30. FINANCIAL LIABILITIES MEASURED AT AMORTISED COSTS (continued)

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	2013	2014	2013	2014
Current accounts / overnight deposits				
Savings deposits				
Households	1,111	1,312	-	-
Non-savings deposits				
General governments	1,363,632	994,113	1,363,632	994,113
Other financial corporations	307,379	442,619	307,379	442,619
Non-financial corporations	3,963,801	5,897,204	3,920,484	5,845,830
Households	4,180,809	4,501,577	4,171,553	4,494,492
Deposits with agreed maturity				
Savings deposits				
Non-financial corporations	20,306	-	-	-
Households	2,004,985	2,500,042	-	-
Non-savings deposits				
General governments	798,377	583,955	798,377	583,955
Other financial corporations	474,840	787,368	750,459	973,263
Non-financial corporations	5,068,503	5,203,231	5,170,513	5,261,274
Households	19,264,467	19,011,208	19,264,467	18,996,915
Total deposits from customers	**37,448,210**	**39,922,629**	**35,746,864**	**37,592,461**
General governments	2,162,009	1,578,068	2,162,009	1,578,068
Other financial corporations	782,219	1,229,987	1,057,838	1,415,882
Non-financial corporations	9,052,610	11,100,435	9,090,997	11,107,104
Households	25,451,372	26,014,139	23,436,020	23,491,407

Debt securities issued	Group		Bank	
in RON thousands	2013	2014	2013	2014
Subordinated liabilities	**224,405**	**243,561**	**224,405**	**243,561**
Subordinated issues and deposits	224,405	243,561	224,405	243,561
Other debt securities in issue	**1,305,423**	**800,647**	**1,168,981**	**800,647**
Bonds (not subordinated)	1,305,423	800,647	1,168,981	800,647
Total debt securities issued	**1,529,828**	**1,044,208**	**1,393,386**	**1,044,208**

As of 31 December 2014, the outstanding nominal amount of subordinated bonds issued by the Bank was: EUR 33.5 million and RON 20 million (2013: EUR 33.5 million and RON 20 million).

31. PROVISIONS

in RON thousands	Group 2013	Group 2014	Bank 2013	Bank 2014
Restructuring	775	13,926	600	13,926
Long-term employee provisions	41,811	40,775	41,425	40,276
Pending legal issues and tax litigation	38,519	74,436	34,178	70,234
Commitments and guarantees given	317,956	210,871	317,954	210,867
Provisions for commitments and guarantees - off balance (defaulted customers)	230,860	131,338	230,858	131,334
Provisions for commitments and guarantees - off balance (non defaulted customers)	87,096	79,533	87,096	79,533
Other provisions	1,796	7,391	1,796	7,391
Provisions for onerous contracts	-	5,606	-	5,606
Other provisions	1,796	1,785	1,796	1,785
Total provisions	**400,857**	**347,399**	**395,953**	**342,694**

Details on legal claims are described in Note 44.

MOVEMENT IN PROVISIONS

2013 Group

in RON thousands	Opening balance [current year]	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 [current year]
Provisions: Restructuring (see Note 8)	108,678	-	(106,322)	(1,584)	-	3	775
Provisions: Pending legal issues and tax litigation (see Note 11)	48,744	29,829	(2,467)	(37,392)	-	(195)	38,519
Commitments and guarantees given (see Note 11)	189,778	323,673	-	(199,206)	(957)	4,668	317,956
Provisions for guarantees - off balance (defaulted customers)	117,526	157,481	-	(46,919)	(957)	3,729	230,860
Provisions for guarantees - off balance (non defaulted customers)	72,252	166,192	-	(152,287)	-	939	87,096
Other provisions (see Note 11)	2,494	-	(686)	-	-	(12)	1,796
Total provisions	**349,694**	**353,502**	**(109,475)**	**(238,182)**	**(957)**	**4,464**	**359,046**

2014 Group

in RON thousands	Opening balance [current year]	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 [current year]
Provisions: Restructuring (see Note 8)	775	13,452	(25)	(276)	-	-	13,926
Provisions: Pending legal issues and tax litigation (see Note 11)	38,520	44,615	-	(8,707)	-	8	74,436
Commitments and guarantees given (see Note 11)	317,956	107,864	(126,766)	(90,098)	3,266	(1,351)	210,871
Provisions for guarantees - off balance (defaulted customers)	230,860	66,227	(126,766)	(40,287)	3,266	(1,962)	131,338
Provisions for guarantees - off balance (non defaulted customers)	87,096	41,637	-	(49,811)	-	611	79,533
Other provisions (see Note 11)	1,796	5,606	-	(11)	-	-	7,391
Provisions for onerous contracts	-	5,606	-	-	-	-	5,606
Other provisions	1,796	-	-	(11)	-	-	1,785
Total provisions	**359,047**	**171,537**	**(126,791)**	**(99,092)**	**3,266**	**(1,343)**	**306,624**

2013 Bank

in RON thousands	Opening balance [current year]	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 [current year]
Provisions: Restructuring (see Note 8)	106,922	-	(106,322)	-	-	-	600
Provisions: Pending legal issues and tax litigation (see Note 11)	42,402	28,626	-	(36,653)	-	(197)	34,178
Commitments and guarantees given (see Note 11)	189,778	323,673	-	(199,206)	(957)	4,666	317,954
Provisions for guarantees - off balance (defaulted customers)	117,526	157,481	-	(46,919)	(957)	3,727	230,858
Provisions for guarantees - off balance (non defaulted customers)	72,252	166,192	-	(152,287)	-	939	87,096
Other provisions (see Note 11)	1,808	-	-	-	-	(12)	1,796
Total provisions	**340,910**	**352,299**	**(106,322)**	**(235,859)**	**(957)**	**4,457**	**354,528**

31. PROVISIONS (continued)

in RON thousands	Opening balance [current year]	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 [current year]
						2014	Bank
Provisions: Restructuring (see Note 8)	600	13,452	-	(126)	-	-	13,926
Provisions: Pending legal issues and tax litigation (see Note 11)	34,177	42,917	-	(6,866)	-	6	70,234
Commitments and guarantees given (see Note 11)	317,954	107,862	(126,766)	(90,098)	3,266	(1,351)	210,867
Provisions for guarantees - off balance (defaulted customers)	230,858	66,225	(126,766)	(40,287)	3,266	(1,962)	131,334
Provisions for guarantees - off balance (non defaulted customers)	87,096	41,637	-	(49,811)	-	611	79,533
Other provisions (see Note 11)	1,796	5,606	-	(11)	-	-	7,391
Provisions for onerous contracts	-	5,606	-	-	-	-	5,606
Other provisions	1,796	-	-	(11)	-	-	1,785
Total provisions	**354,527**	**169,837**	**(126,766)**	**(97,101)**	**3,266**	**(1,345)**	**302,418**

Long-term employee provisions	Group		Bank	
in RON thousands	2013	2014	2013	2014
Opening defined benefit obligation	59,007	41,811	58,739	41,425
Interest cost	3,605	1,590	3,594	1,576
Current service cost	4,897	2,750	4,764	2,675
Past service cost	-	(13,679)	-	(13,679)
Benefits paid	(2,667)	(219)	(2,641)	(208)
Actuarial (gains)/loss on obligations	4,628	11,833	4,628	11,748
effect of changes in financial assumptions	2,637	11,438	2,627	11,357
effect of experience adjustments	1,991	395	2,001	391
Settlements gain	(27,659)	(3,311)	(27,659)	(3,261)
Total	**41,811**	**40,775**	**41,425**	**40,276**

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

The settlement gain in 2013 relates mainly to the laid-off personnel and payments to laid-off personnel were not considered in the calculation of the settlement gain.

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 high-quality corporate bonds that are denominated in the currency in which benefits will be paid and that have a maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of changes in equity.

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

	2013	2014
	%	%
Discount rate	5.75%	3.63%
Future salary increases	2.50%	2.80%
Mortality rates	ETTL-PAGLER	ETTL-PAGLER
Disability rates	ETTL-PAGLER	ETTL-PAGLER

31. PROVISIONS (continued)

	Group		Bank	
Sensitivity analysis	**2013**	**2014**	**2013**	**2014**
Sensiv ity - Discount rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Discount rate decrease -	2,745	2,965	2,877	3,058
Impact on DBO: Discount rate increase +	(2,780)	(2,910)	(2,627)	(2,776)
Sensiv ity - Salary increase rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Salary increase rate -	(3,980)	(2,944)	(2,720)	(2,810)
Impact on DBO: Salary increase rate +	1,939	2,975	2,957	3,068

The average duration of the defined benefit obligation at the end of the reporting period is 16.2 years.

The expected service cost for 2015 is RON 4,117 thousands for Group and RON 4,023 thousands for the Bank.

32. OTHER LIABILITIES

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Deferred income	388	2,083	116	674
Sundry liabilities	174,838	166,404	121,847	86,296
Total	**175,226**	**168,487**	**121,963**	**86,970**

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

33. ISSUED CAPITAL

The statutory share capital of the Bank as at 31 December 2014 is represented by 16,253,416,145 ordinary shares of RON 0.10 each (31 December 2013: 16,253,416,145 ordinary shares of RON 0.10 each). The shareholders of the Bank are as follows:

	2013		2014	
in RON thousands	**Number of shares**	**Percentage holding (%)**	**Number of shares**	**Percentage holding (%)**
Erste Group Bank Ceps Holding GmbH	15,208,869,000	93.5734%	15,209,630,496	93.5781%
Societatea de Investitii Financiare (" SIF") „Banat Crisana"	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare (" SIF") „Muntenia"	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare (" SIF") „Oltenia"	1,023,534,303	6.2973%	1,023,534,303	6.2973%
SC Actinvest SA	226,802	0.0014%	226,802	0.0014%
FDI Certinvest Dinamic	13,699	0.0001%	13,699	0.0001%
Individuals	20,772,339	0.1278%	20,010,843	0.1231%
Total	**16,253,416,145**	**100.0000%**	**16,253,416,145**	**100.0000%**

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

in RON thousands	**2013**	**2014**
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**

34. SEGMENT REPORTING

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

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

A. Retail banking

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

Corporate banking

- Within corporate banking, the Group provides corporations, real estate and large corporate clients with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions. Principal activity is of handling loans, other credit facilities, deposits, and current accounts for corporate and institutional customers, investment banking services and financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

Main Corporate segments consist of:

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

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

C. Large Corporates

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

D. Commercial RE

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

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

Other banking segments:

F. ALM & Local Corporate Center:

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

G. Group Capital Markets (GCM):

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

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

34. SEGMENT REPORTING (continued)

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

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

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

							2013	Group
in RON thousands	**Group**	**RETAIL**	**SME**	**Large Corporates**	**Commercial Real Estate**	**Other Corporate**	**ALM & Local Corporate Center**	**GCM**
Net interest income	2,775,553	1,642,109	515,725	317,773	69,841	33	225,294	4,778
Net fee and commission income	748,223	542,492	107,245	126,429	1,844	3,056	(48,714)	15,872
Dividend income	10,385						10,385	
Net trading and fair value result	441,306	102,594	38,344	19,922	2,478	-	98,068	179,900
Net result from equity method investments	3,531	-	-	-	-	-	3,531	-
Rental income from investment properties & other operating lease	21,623	-	15,569	-	-	-	6,054	-
General Administrative expenses	**(1,627,724)**	**(1,231,739)**	**(201,479)**	**(89,157)**	**(6,622)**	**(2,281)**	**(67,149)**	**(29,296)**
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	14,067						14,067	
Net impairment loss on financial assets not measured at fair value through profit or loss	(2,107,546)	(598,217)	(549,735)	(713,334)	(143,798)	-	(103,068)	606
Other operating result	(212,649)	(102,567)	(32,035)	(123,422)	(188)	-	46,338	(775)
Pre-tax profit from continuing operations	**66,769**	**354,672**	**(106,367)**	**(461,789)**	**(76,446)**	**808**	**184,805**	**171,086**
Taxes on income	531,947	(56,747)	17,191	73,984	12,231	(129)	512,792	(27,374)
Post-tax profit from continuing operations	**598,716**	**297,924**	**(89,176)**	**(387,805)**	**(64,214)**	**678**	**697,597**	**143,712**
NET PROFIT OF THE YEAR	**598,716**	**297,924**	**(89,176)**	**(387,805)**	**(64,214)**	**678**	**697,597**	**143,712**
Attributable to non-controlling interests	7,516	7,516	-	-	-	-	-	-
ATTRIBUTABLE TO OWNERS OF THE PARENT	**591,200**	**290,408**	**(89,176)**	**(387,805)**	**(64,214)**	**678**	**697,597**	**143,712**
Operating Income	4,000,621	2,287,195	676,883	464,124	74,163	3,088	294,617	200,550
Operating Expenses	(1,627,724)	(1,231,739)	(201,479)	(89,157)	(6,622)	(2,281)	(67,149)	(29,296)
Operating Result	**2,372,897**	**1,055,456**	**475,404**	**374,967**	**67,540**	**808**	**227,468**	**171,254**
Cost Income Ratio	40.7%	53.9%	29.8%	19.2%	8.9%	73.8%	22.8%	14.6%

34. SEGMENT REPORTING (continued)

							2013	Group
in RON thousands	Group	RETAIL	SME	Large Corporates	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center	GCM
ASSETS								
Cash and cash balances	9,586,006	1,320,099	31,973	-	-	-	8,233,935	-
Financial assets - held for trading	373,598	-	-	-	-	-	42,781	330,817
Derivatives	42,781	-	-	-	-	-	42,781	-
Other trading assets	330,817	-	-	-	-	-	-	330,817
Financial assets designated at fair value through profit or loss	34,351	-	22,086	-	-	-	12,265	-
Financial assets - available for sale	5,219,762	739,896	254,035	-	-	-	4,225,831	-
Financial assets - held to maturity	10,235,256	1,173,263	52,055	-	-	-	9,009,939	-
Loans and receivables to credit institutions	507,736	207,114	40,753	-	-	-	(228,356)	488,225
Loans and receivables to customers	38,002,389	19,111,757	11,115,565	5,511,809	2,031,670	-	231,587	-
Derivatives Hedge Accounting	39,233	-	-	-	-	-	39,233	-
Property and equipment	1,501,552	1,207	13,624	-	-	-	1,486,720	-
Investment properties	44,134	-	-	-	-	-	44,134	-
Intangible assets	387,352	93,147	2,241	-	-	-	291,964	-
Investments in associates	14,297	-	-	-	-	-	14,297	-
Current tax assets	89,273	-	-	-	-	-	89,273	-
Deferred tax assets	315,314	312	492	-	-	-	314,510	-
Non-current assets and disposal groups classified as held for sale	107,433	-	107,433	-	-	-	-	-
Other assets	271,111	60,246	224,918	-	-	-	(14,053)	-
TOTAL ASSETS	**66,728,797**	**22,707,040**	**11,865,175**	**5,511,809**	**2,031,670**	**-**	**23,794,060**	**819,042**
LIABILITIES								
Financial liabilities held for trading	66,061	-	-	-	-	-	66,061	-
Derivatives	66,061	-	-	-	-	-	66,061	-
Financial liabilities measured at amortised costs	57,570,089	29,882,257	4,545,033	3,325,764	129,113	-	17,534,525	2,153,398
Deposits from banks	18,151,844	923,136	1,081,731	-	-	-	15,507,461	639,515
Deposits from customers	37,448,210	28,959,120	3,463,302	3,325,764	129,113	-	57,028	1,513,882
Debt securities issued	1,529,828	-	-	-	-	-	1,529,828	-
Other financial liabilities	440,207	-	-	-	-	-	440,207	-
Derivatives Hedge Accounting	1,087,266	-	-	-	-	-	1,087,266	-
Changes in fair value of portfolio hedged items	-	-	-	-	-	-	-	-
Provisions	400,857	10,446	22,182	286,659	230	-	81,341	-
Current tax liabilities	2,228	-	63	-	-	-	2,165	-
Deferred tax liabilities	3,820	2,133	1,687	-	-	-	-	-
Liabilities associated with disposal groups held for sale	-	-	-	-	-	-	-	-
Other Liabilities	175,226	31,305	18,422	-	-	-	125,499	-
Total equity	7,423,250	1,369,851	861,513	836,704	216,873	557	4,008,191	129,562
TOTAL LIABILITIES AND EQUITY	**66,728,797**	**31,295,992**	**5,448,899**	**4,449,127**	**346,216**	**557**	**22,905,047**	**2,282,960**

							2014	Group
in RON thousands	Group	RETAIL	SME	Large Corporates	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center	GCM
Net interest income	2,289,419	1,415,410	405,474	182,282	48,212	30	227,373	10,638
Net fee and commission income	711,261	562,837	82,254	103,713	2,290	1,017	(44,766)	3,915
Dividend income	2,604						2,604	
Net trading and fair value result	360,835	94,233	37,500	19,736	3,100	-	50,551	155,715
Net result from equity method investments	992	-	-	-	-	-	992	-
Rental income from investment properties & other operating lease	24,233	-	19,746	-	-	-	4,487	-
General Administrative expenses	**(1,474,911)**	**(1,162,336)**	**(212,163)**	**(88,707)**	**(8,074)**	**(2,354)**	**23,877**	**(25,152)**
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	8,058						8,058	
Net impairment loss on financial assets not measured at fair value through profit or loss	(4,440,001)	(1,696,053)	(1,088,697)	(1,306,624)	(327,675)	-	(21,612)	660
Other operating result	(520,355)	(138,075)	(27,759)	(8,372)	(60,438)	-	(285,479)	(232)
Pre-tax profit from continuing operations	**(3,037,865)**	**(923,984)**	**(783,645)**	**(1,097,973)**	**(342,585)**	**(1,307)**	**(33,915)**	**145,544**
Taxes on income	243,848	147,837	125,383	175,676	54,814	209	(236,784)	(23,287)
Post-tax profit from continuing operations	**(2,794,017)**	**(776,147)**	**(658,262)**	**(922,297)**	**(287,772)**	**(1,098)**	**(270,699)**	**122,257**
NET PROFIT OF THE YEAR	**(2,794,017)**	**(776,147)**	**(658,262)**	**(922,297)**	**(287,772)**	**(1,098)**	**(270,699)**	**122,257**
Attributable to non-controlling interests	5,849	5,842	(1)	-	-	-	7	-
ATTRIBUTABLE TO OWNERS OF THE PARENT	**(2,799,866)**	**(781,989)**	**(658,261)**	**(922,297)**	**(287,772)**	**(1,098)**	**(270,706)**	**122,257**
Operating Income	3,389,344	2,072,481	544,973	305,731	53,602	1,048	241,241	170,268
Operating Expenses	(1,474,911)	(1,162,336)	(212,163)	(88,707)	(8,074)	(2,354)	23,877	(25,152)
Operating Result	**1,914,433**	**910,144**	**332,811**	**217,024**	**45,528**	**(1,307)**	**265,117**	**145,116**
Cost Income Ratio	43.5%	56.1%	38.9%	29.0%	15.1%	224.7%	-9.9%	14.8%

34. SEGMENT REPORTING (continued)

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

							2013	Bank
in RON thousands	Bank	RETAIL	SME	Large Corporates	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center	GCM
Net interest income	2,694,877	1,522,049	474,482	317,773	69,841	33	305,920	4,778
Net fee and commission income	718,250	521,084	98,566	126,429	1,844	3,056	(48,601)	15,872
Dividend income	10,385						10,385	
Net trading and fair value result	440,757	104,552	35,969	19,922	2,478	-	97,936	179,900
Net result from equity method investments	-	-	-	-	-	-		-
Rental income from investment properties & other operating lease	7,601	-	-	-	-	-	7,601	-
General Administrative expenses	**(1,672,056)**	**(1,178,932)**	**(165,618)**	**(89,157)**	**(6,622)**	**(2,281)**	**(200,149)**	**(29,296)**
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	14,067						14,067	
Net impairment loss on financial assets not measured at fair value through profit or loss	(1,925,526)	(475,549)	(489,776)	(713,942)	(143,798)	-	(103,066)	606
Other operating result	(512,645)	(212,411)	(18,600)	(123,422)	(188)	-	(157,250)	(775)
Pre-tax profit from continuing operations	**(224,290)**	**280,793**	**(64,977)**	**(462,397)**	**(76,446)**	**808**	**(73,157)**	**171,086**
Taxes on income	559,817	(44,927)	10,396	73,984	12,231	(129)	535,636	(27,374)
Post-tax profit from continuing operations	**335,527**	**235,866**	**(54,581)**	**(388,414)**	**(64,214)**	**678**	**462,479**	**143,712**
NET PROFIT OF THE YEAR	**335,527**	**235,866**	**(54,581)**	**(388,414)**	**(64,214)**	**678**	**462,479**	**143,712**
Attributable to non-controlling interests	-	-	-	-	-	-	-	-
ATTRIBUTABLE TO OWNERS OF THE PARENT	**335,527**	**235,866**	**(54,581)**	**(388,414)**	**(64,214)**	**678**	**462,479**	**143,712**
Operating Income	3,871,870	2,147,686	609,017	464,124	74,163	3,088	373,242	200,550
Operating Expenses	(1,672,056)	(1,178,932)	(165,618)	(89,157)	(6,622)	(2,281)	(200,149)	(29,296)
Operating Result	**2,199,814**	**968,754**	**443,399**	**374,967**	**67,540**	**808**	**173,093**	**171,254**
Cost Income Ratio	43.2%	54.9%	27.2%	19.2%	8.9%	73.8%	53.6%	14.6%

34. SEGMENT REPORTING (continued)

in RON thousands	Bank	RETAIL	SME	Large Corporates	Commercial Real Estate	Other Corporate	ALM & Local Corporate Center	GCM
							2013	Bank
ASSETS								
Cash and cash balances	9,545,662	1,311,728	-	-	-	-	8,055,192	178,742
Financial assets - held for trading	371,763	-	-	-	-	-	40,946	330,817
Derivatives	40,946	-	-	-	-	-	40,946	-
Other trading assets	330,817	-	-	-	-	-	-	330,817
Financial assets designated at fair value through profit or loss	34,351	-	22,086	-	-	-	12,265	-
Financial assets - available for sale	4,453,260	-	236,034	-	-	-	4,217,226	-
Financial assets - held to maturity	9,009,939	-	-	-	-	-	9,009,939	-
Loans and receivables to credit institutions	483,262	-	-	-	-	-	173,779	309,483
Loans and receivables to customers	37,960,217	18,215,782	10,349,253	5,511,809	2,031,670	-	1,851,703	-
Derivatives Hedge Accounting	39,233	-	-	-	-	-	39,233	-
Changes in fair value of portfolio hedged items	-	-	-	-	-	-	-	-
Property and equipment	314,334	-	-	-	-	-	314,334	-
Investment properties	-	-	-	-	-	-	-	-
Intangible assets	206,146	-	-	-	-	-	206,146	-
Investments in associates	7,509	-	-	-	-	-	7,509	-
Current tax assets	89,042	-	-	-	-	-	89,042	-
Deferred tax assets	314,563	-	-	-	-	-	314,563	-
Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Other assets	680,682	-	-	-	-	-	680,682	-
TOTAL ASSETS	**63,509,963**	**19,527,510**	**10,607,373**	**5,511,809**	**2,031,670**	**-**	**25,012,559**	**819,042**
LIABILITIES								
Financial liabilities held for trading	66,061	-	-	-	-	-	66,061	-
Derivatives	66,061	-	-	-	-	-	66,061	-
Financial liabilities measured at amortised costs	54,358,870	26,967,774	3,367,775	3,325,764	129,113	-	18,415,047	2,153,398
Deposits from banks	16,778,413	7	-	-	-	-	16,138,890	639,515
Deposits from customers	35,746,864	26,967,766	3,367,775	3,325,764	129,113	-	442,564	1,513,882
Debt securities issued	1,393,386	-	-	-	-	-	1,393,386	-
Other financial liabilities	440,207	-	-	-	-	-	440,207	-
Derivatives Hedge Accounting	1,087,266	-	-	-	-	-	1,087,266	-
Provisions	395,953	10,306	20,089	286,659	230	-	78,669	-
Other Liabilities	121,963	-	-	-	-	-	121,963	-
Total equity	7,479,850	1,282,210	769,470	836,704	216,873	557	4,244,474	129,562
TOTAL LIABILITIES AND EQUITY	**63,509,963**	**28,260,290**	**4,157,333**	**4,449,127**	**346,216**	**557**	**24,013,480**	**2,282,960**

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

34. SEGMENT REPORTING (continued)

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

35. RETURN ON ASSETS

Return on assets (net profit for the year divided by average total assets) was (4.35)% (2013: 0.86%) for the Group and (4.29)% (2013: 0.50%) for the Bank.

36. LEASES

a) Finance leases

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

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

	2013	2014
Outstanding minimum lease payments	1,006,472	791,280
Gross investment	**1,006,472**	**791,280**
Unrealised financial income	104,965	85,399
Net investment	**901,507**	**705,881**
Present value of minimum lease payments	**901,507**	**705,881**

36. LEASES (continued)

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

	Gross investment	
	2013	2014
< 1 year	516,892	267,004
1-5 years	432,988	459,389
> 5 years	56,591	64,888
Total	**1,006,472**	**791,280**

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	
	2013	2014	2013	2014
< 1 year	218,300	62,403	317,673	58,059
1-5 years	145,338	167,007	175,672	160,796
> 5 years	28,251	203,429	283,668	198,216
Total	**391,889**	**432,839**	**777,013**	**417,071**

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

	Group		Bank	
	2013	2014	2013	2014
< 1 year	30,917	46,478	2,029	1,839
1-5 years	99,158	122,733	2,029	-
> 5 years	138,134	31,462	-	-
Total	**268,209**	**200,673**	**4,058**	**1,839**

Lease payments from operating leases recognised as expense in the period amounted to RON 63,940 thousands (2013: RON 167,773 thousands) for Group and RON 175,927 thousands (2013: RON 305,475 thousands) for Bank.

37. RELATED-PARTY TRANSACTIONS AND PRINCIPAL SHAREHOLDERS

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2014 and 2013 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with parent

As shareholders transactions were carried out amounts with the parent, at market conditions.

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

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 and Executive Committee.

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

Transactions with subsidiaries

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

The following transactions were carried out with related parties:

Balances and off-balace exposures with related parties — Group

	2013			2014			
in RON thousands	Parent	Key manageent personnel	Other related parties	Parent	Associates	Key manageent personnel	Other related parties
Financial assets	104,908	837	63,251	348,435	-	306	77,926
Cash and cash equivalents	42,312	-	-	60,847	-	-	-
Derivative financial instruments	47,212	-	-	102,751	-	-	-
Equity instruments	2,241	-	-	1285	-	-	8,851
Loans and advances	13,143	837	63,251	183,552	-	306	69,075
Loans and advances with credit institutions	13,143	-	7,241	183,552	-	153	-
Loans and advances with customers	-	837	56,010	-	-	153	69,075
Financial liabilities	13,658,434	3,750	68,652	12,475,467	6,077	1,017	142,520
Deposits	13,658,434	3,750	68,652	12,475,467	6,077	1,017	142,520
Deposits by banks	13,658,434	-	4,206	12,475,467	-	-	132,542
Deposits by customers	-	3,750	64,446	-	6,077	1,017	9,978
Derivative financial instruments	1,143,880	-	-	596,010	-	-	-
Loans commitments, financial guarantees and other commitments given [notional amount]	1,908	-	-	2,518	-	60	-
Loan commitments, financial guarantees and other commitments received	2,372,009	59	-	448,219	-	-	-
Derivatives [notional amount]	12,159,973	-	-	8,133,439	-	-	-

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

	2013			2014			
in RON thousands	Parent	Key manageent personnel	Other related parties	Parent	Associates	Key manageent personnel	Other related parties
Interest income	309,816	44	115,641	176,091	-	22	2,655
Interest expenses	749,564	70	11,463	539,685	271	95	104
Fee and commission income	10,058	3	10,983	10,464	4	15	70,427
Fee and commission expenses	20,320	-	970	22,815	-	-	1

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

Balances and off-balace exposures with related parties — Bank

in RON thousands	2013				2014				
	Parent	Subsidiaries	Key manageent personnel	Other related parties	Parent	Subsidiaries	Associates	Key manageent personnel	Other related parties
Financial assets	172,101	1,659,226	837	63,251	324,227	1,460,699	-	306	77,926
Cash and cash equivalents	42,312	-	-	-	60,847	-	-	-	-
Derivative financial instruments	46,802	-	-	-	102,751	-	-	-	-
Equity instruments	2,241	-	-	-	1,285	-	-	-	8,851
Loans and advances	80,746	1,659,226.0	837	63,251	159,344	1,460,699	-	306	69,075
Loans and advances with credit institutions	80,746	147,494	-	7,241	159,344	39,257	-	153	-
Loans and advances with customers	-	1511,732	837	56,010	-	1421,442	-	153	69,075
Financial liabilities	12,220,919	446,677.0	3,750	68,652	11,866,415	693,103	6,077	1,017	142,520
Deposits	12,220,919	446,677.0	3,750	68,652	11,866,415	693,103	6,077	1,017	142,520
Deposits by banks	12,220,919	69,049.0	-	4,206	11,866,415	548,913	-	-	132,542
Deposits by customers	-	377,628.0	3,750	64,446	-	144,190	6,077	1017	9,978
Derivative financial instruments	1,143,880	-	-	-	596,010	-	-	-	-
Loans commitments, financial guarantees and other commitments given [notional amount]	1,908	203,707	-	-	2,518	412,113	-	60	-
Loan commitments, financial guarantees and other commitments received	2,372,009	2,357,311	59	-	448,219	-	-	-	-
Derivatives [notional amount]	12,025,432	-	-	-	8,133,439	-	-	-	-

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

in RON thousands	2013				2014				
	Parent	Subsidiaries	Key manageent personnel	Other related parties	Parent	Subsidiaries	Associates	Key manageent personnel	Other related parties
Interest income	309,813	115,641	44	27	176,089	75,736	-	22	2,655
Interest expenses	714,707	11,463	70	3,531	513,296	4,774	271	95	104
Dividend income	-	-	-	-	-	23,530	-	-	-
Fee and commission income	10,044	10,983	3	44,646	10,446	21,264	4	15	70,427
Fee and commission expenses	16,610	970	-	-	18,537	63	-	-	1

Transactions with related parties are done at arm's length.

38. PLEDGED COLLATERAL

in RON thousands	Group 2013	Group 2014	Bank 2013	Bank 2014
Financial assets - available for sale	-	-	-	125,000
Financial assets - held to maturity	428,170	450,439	428,170	641,296
Total - repurchase agreements	**428,170**	**450,439**	**428,170**	**766,296**

On 31 December 2014, government bonds with a total nominal value of RON 433,000 thousands have been used as pledge for funding received from IFIs and to ensure final settlement of interbank multilateral clearing operations according to NBR regulations, for the settlement of transactions through ROCLEAR Bucharest, NBR's Clearing House, and VISA and MasterCard card transactions.

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

	2014	Bank
in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements		
Financial assets - available for sale	125,000	118,852
Financial assets - held to maturity	190,856	203,626
Total - repurchase agreements	**315,856**	**322,478**

Transfer of financial assets – repurchase transactions were done within BCR Group, therefore eliminated at consolidated level. No repurchase transactions were at 31 December 2013.

The transferred financial instruments consist of bonds.

The total amount RON 315,856 thousands 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 322,478 thousands, 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.

	2014	Bank
	Fair value of transferred assets	Fair value of associated liabilities
Financial assets - available for sale	125,000	125,000
Financial assets - held to maturity	208,096	208,096
Total	**333,096**	**333,096**

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 table 38.

As at 31 December 2014, The Bank concluded a reverse repurchase transaction in amount of RON 90,406 thousands, with maturity on 5 January 2015. The Bank received as collateral a financial asset consisting in a government bond issued by Austria having a fair value of RON 87,007 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 2014, the collateral was not sold or repledged by the Bank.

40. RISK MANAGEMENT

40.1. INTRODUCTION

The risk management function ensures that all material risks are identified measured and properly reported and plays a key role within the bank, being involved in the elaboration and review of strategies and decision-making process, as well as in all material risk management decisions regarding material risks which the Bank faces in its commercial operations and activities.

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

The risk management main goal is to ensure a responsible, prudent and profitable banking activity which requires the identification, assessment, monitoring and managing of risks, as well as a relevant risk profile for the bank's overall activity and for each risk type and significant/material risk.

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

The Bank has a holistic risk management framework extended across all its business lines, recognizing fully the economic substance of its risk exposures and encompassing all relevant risks. The scope of risk management covers the credit, market, liquidity and operational risks, but also includes concentration, reputational, compliance and strategic risks.

The bank's risk management framework includes policies, procedures, limits and controls providing adequate, timely and continuous identification, measurement or assessment, monitoring, mitigation and reporting of the risks posed by its activities at the business line and institution-wide levels.

The Bank considers that is exposed to all significant risks that have impact on the financial and/or reputational position of the bank. The risks are considered significant based on the risk materiality assessment process.

40.2. RISK MANAGEMENT STRUCTURE AND RESPONSIBILITIES

Supervisory Board

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

The Risk Management Committee of the Supervisory Board

The Risk Management Committee has an advisory role, being established for the purpose of assisting the Supervisory Board of the Bank in carrying out its roles and responsibilities in respect of risk management.

The Audit and Compliance Committee

The Audit and Compliance Committee ensures that the Management Board implements and maintains a proper and effective control system.

Management Board

The Management Board shall have the responsibilities established by the Applicable Legislation, the Bank's Charter and the resolutions of the Supervisory Board and shall act in accordance with these MB Internal Rules.

The Management Board is responsible for the overall risk strategy of the Bank, including the risk tolerance/appetite levels and its risk management framework.

40. RISK MANAGEMENT (continued)

Operational Risk Committee

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

Risk Functional Line

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

Internal Audit

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

40.3. RISK MANAGEMENT ACTIVITIES

In order to manage the risks that could affect its activity and financial performance, the Bank undertakes the necessary steps to identify the risk sources, to assess and monitor the Bank's exposures and to have in place strategic, credit, market, liquidity and operational limits.

The Bank has in place a limit management comprehensive framework, which assures compliance with NBR regulations regarding the limits development, monitoring and reporting process and being in line with the Risk Appetite Statement (RAS).

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

RAS is designed and intended to ensure the going concern perspective by providing early warning to allow for appropriate lead time to enact effective countermeasures and address any potential capital or liquidity shortfall.

The limit management framework describes the methodological aspects as regards the limit development, roles and responsibilities, the processes and tools used.

In the risk materiality assessment process the significant risks are identified and assessed for the whole Bank at all organizational levels, for all the Bank transactions and activities.

The risk materiality assessment is based on a series of predefined quantitative and qualitative risk indicators reflecting the risk exposure or volume, the vulnerability of the bank to the particular risk, its recent volatility as well as the actual loss experienced in recent time due to this risk.

40. RISK MANAGEMENT (continued)

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

- a system of procedures for the authorization of operations affected by the respective risks, consisting in the drawing up of credit approval competences/ pouvoirs for the granting of loans and credit-type products, interbank placements and operations with derivatives
- a limit system on countries, sovereign entities, banks, financial institutions affiliated to banking groups, GCC (groups of connected clients), as well as economic sectors, geographical regions, specific bank products, unsecured portfolios, market and liquidity limits
- a risk exposures reporting system, as well as additional aspects related to these risks, to the proper management levels (reports on the bank's exposure to significant risks, the compliance with the risk limits drawn up by the bank, etc.)
- a system for setting up risk limits and their monitoring in compliance with the Bank's global risk profile, capital adequacy, liquidity, loan portfolio quality etc.
- a system of responsibilities, policies, norms and procedures on internal control al bank level
- a policy for the administration of outsourced activities
- a system for the management of judicial (legal) risk and compliance risk
- a system of procedures for unexpected situations/crisis regarding significant risks, including measures necessary to be undertaken by the Bank
- a system of procedures that prevents an inadequate information usage, in order to avoid the Bank's reputation damage, the disclosure of secret and confidential information and the usage of information for the staff's personal benefits
- criteria for the recruitment and remuneration of personnel, including criteria drawn up in order to avoid conflicts of interest, which should stipulate high training, experience and integrity standards.
- staff training programs

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

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

Under these terms, risk management specialists are clearly delimited, from an organizational point of view, from the personnel with responsibilities in the business development.

The main objectives of these risk management group standards are as follows: supporting business lines to reach their projected business targets by ensuring the taking of quick and efficient crediting decisions and protecting the Bank against banking risks using advanced risk management methods and principles.

40.4. INTEGRATION INTO THE ERSTE GROUP STANDARDS

In 2014 the Bank has adapted all the risk internal policies, regulations and procedures as per NBR Regulation no. 5 from December 20, 2013 regarding the prudential requirements for credit institutions.

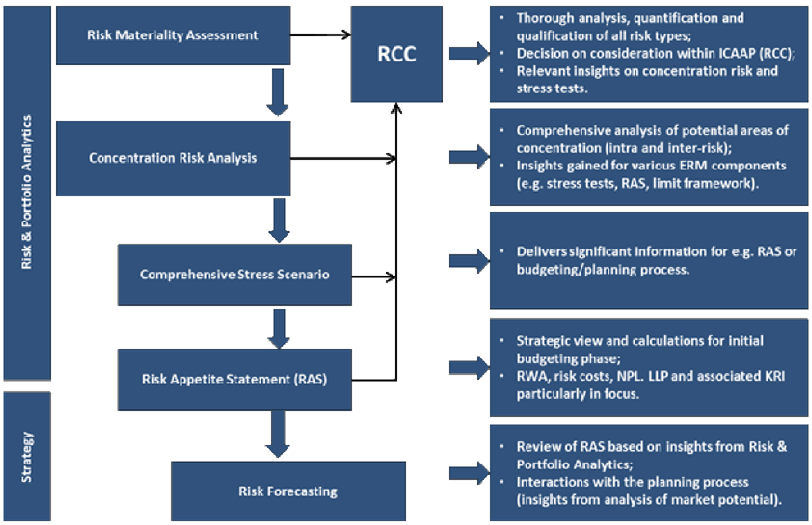
Also, in 2014 the Bank has continued to implement the necessary measures for its alignment to the standards of the Erste Group and Basel Accord principles.

- ICAAP on-going implementation and improvement process
- instruments for analyzing, monitoring & forecasting capital adequacy
- new stress test framework and tool
- annual Rating Models review based
- redevelopment and implementation of rating models
- update and monitoring of risk parameters
- implementation of new Default definition aligned to Group standards
- improving the measures for RWA optimization in a prudent and transparent manner
- improving the standards for liquidity risk management: Survival Period Analysis, LCR, NSFR.

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

40. RISK MANAGEMENT (continued)

An illustrative link between the relevant Enterprise Risk Management framework (ERM) concepts is depicted below. It represents a modular and comprehensive system within the Bank. It is designed to fulfill internal management requirements and external regulatory requirements, particularly ICAAP.



The Enterprise wide Risk Management/ICAAP framework is designed to support the Bank's management in managing risk portfolios as well as the coverage potential at all times to assure adequate capital capacity reflecting the nature and magnitude of the bank's risk portfolio.

The components necessary to ensure all aspects of ERM, regulatory requirements but particularly internal value adding needs, can be clustered as follows:

- Risk Appetite Statement
- Risk Architecture including
  - Policies & Processes
  - Reporting Framework
  - Technical platforms and tools
  - Risk Data
- Portfolio & Risk Analytics including
  - Risk Materiality Assessment
  - Concentration Risk Management
  - Stress testing
- Risk Planning & Forecasting including
  - RWA Management
  - Capital Allocation
- Risk-bearing Capacity Calculation (RCC)
- Recovery Plan.

40.5. CREDIT RISKS

Credit risk means the current or prospective risk to earnings and capital arising from an 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, contingent liabilities, commitment liabilities and financial markets transactions.

40. RISK MANAGEMENT (continued)

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

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

In order to assess the performances and financial status of its customers, the Bank uses scoring systems, ratings and methods of analyzing the financial performances.

Country risk means the risk of exposure to loss caused by events in a foreign country. The concept is broader than sovereign risk as all forms of lending or investment activity whether to/with private individuals, corporations, credit institutions or central administrations are covered.

The implementation of an appropriate framework to identify, measure, control, report and manage concentration risks is essential to ensure the long-term Bank viability, especially in case of stressed economic conditions. The concentration risk focuses on the identification and measurement of concentrations in risk relevant portfolios of BCR Group.

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.

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

	Group		Bank	
in RON thousands	2013	2014	2013	2014
Assets				
Cash balances at central banks	8,044,408	6,444,485	8,012,631	6,376,587
Other demand deposits	221,303	227,734	221,303	227,734
Loans and receivables to credit institutions	507,735	525,281	483,262	480,666
Financial assets - held for trading	369,123	366,530	367,288	366,530
Derivatives	42,781	154,976	40,946	154,976
Debt securities	326,342	211,554	326,342	211,554
Financial assets designated at fair value through profit or loss	22,086	20,358	22,086	20,358
Debt securities	22,086	20,358	22,086	20,358
Loans and advances to customers /*	38,002,389	32,566,066	37,960,217	32,937,273
Derivatives Hedge Accounting	39,233	-	39,233	-
Financial assets - available for sale	5,180,091	7,507,289	4,423,386	6,498,139
Debt securities	5,180,091	7,507,289	4,423,386	6,498,139
Financial assets - held to maturity	10,235,256	9,578,176	9,009,939	8,429,417
Debt securities	10,235,256	9,578,176	9,009,939	8,429,417
Other assets	271,111	428,150	680,682	211,244
Total on-balance	62,892,735	57,664,069	61,220,027	55,547,948
Contingent liabilities	2,628,322	2,869,684	2,758,485	2,870,614
Commitments	3,570,638	2,710,605	3,613,345	2,704,314
Total off-balance	6,198,960	5,580,289	6,371,830	5,574,928
Total credit risk exposure	69,091,695	63,244,358	67,591,857	61,122,876

/* Loans and advances to customers (carrying amount)

40.5.2. Risk concentration of the maximum exposure to credit risk

The maximum credit exposure to a client as of 31 December 2014 was RON 794,200 thousand (31 December 2013: RON 841,241 thousand).

40. RISK MANAGEMENT (continued)

40.5.3. Risk concentration of the maximum credit exposure by regions

Financial assets, before taking into account any collateral held or other credit enhancements are distributed by the following geographical regions based on the country of residence of the counterparty:

	Group		Bank	
in RON thousands	2013	2014	2013	2014
EU	69,089,595	63,243,410	67,589,757	61,121,997
non-EU	2,100	948	2,100	879
TOTAL	69,091,695	63,244,358	67,591,857	61,122,876

40.5.4. Credit exposure by economic sectors

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

				Group
	Total Exposure 2013		Total Exposure 2014	
in RON thousands	Gross maximum exposure*	Net maximum exposure**	Gross maximum exposure*	Net maximum exposure**
Private households	18,832,121	6,083,020	18,120,931	7,376,990
Banking and insurance	9,352,150	9,189,296	10,230,626	8,908,944
Manufacturing	5,433,664	2,458,128	3,734,967	1,745,386
Construction	4,378,390	1,574,980	3,307,292	1,481,101
Public administration	21,786,542	21,289,852	20,201,833	19,525,809
Trade	2,744,689	866,580	2,267,438	1,001,943
Transport and communication	1,014,161	347,283	559,306	57,122
Agriculture and forestry	1,480,985	900,787	1,252,915	790,976
Other service activities	543,025	231,553	1,219,677	994,989
Health and social work	116,328	64,017	183,135	141,838
Real estate and other business activities	630,826	2,808	46,930	34,452
Energy and water supply	1,376,292	764,097	1,193,091	622,799
Hotels and restaurants	286,941	29,132	130,771	789
Mining	609,961	352,271	578,532	383,244
Other	505,620	615,466	216,914	216,915
TOTAL	69,091,695	44,769,270	63,244,358	43,283,297

* Gross maximum exposure is exposure less provisions.
** Net maximum exposure is exposure less provisions and collaterals i.e. gross maximum exposure less collaterals. The financial effect of collaterals was considered at individual client level, therefore surplus of collaterals was not considered.

				Bank
	Total Exposure 2013		Total Exposure 2014	
in RON thousands	Gross maximum exposure*	Net maximum exposure**	Gross maximum exposure*	Net maximum exposure**
Private households	18,007,050	6,036,053	17,851,009	7,268,793
Banking and insurance	10,937,362	10,412,958	8,046,203	7,596,475
Manufacturing	5,315,051	2,505,330	3,635,722	1,726,300
Construction	4,305,987	1,644,606	3,254,703	1,470,892
Public administration	19,794,501	19,298,210	20,095,402	19,419,590
Trade	2,607,772	900,888	2,120,861	976,441
Transport and communication	951,960	351,244	497,489	53,260
Agriculture and forestry	1,254,428	895,836	1,018,283	779,658
Other service activities	455,285	253,049	1,099,361	994,087
Health and social work	93,301	57,194	169,768	141,935
Real estate and other business activities	652,274	41,525	1,495,683	27,448
Energy and water supply	1,340,301	760,250	1,170,944	621,066
Hotels and restaurants	243,992	32,888	97,759	-
Mining	600,993	347,697	569,679	377,393
Other	1,031,600	1,031,591	10	10
TOTAL	67,591,857	44,569,319	61,122,876	41,453,348

* Gross maximum exposure is exposure less provisions.
** Net maximum exposure is exposure less provisions and collaterals i.e. gross maximum exposure less collaterals.
The financial effect of collaterals was considered at individual client level, therefore surplus of collaterals was not considered.

40. RISK MANAGEMENT (continued)

Collateral and other credit enhancements

The bank has a Collateral Management Policy which defines the end-to-end collateral management process, as well as the responsibilities for the whole life cycle of collateral in the lending process. The Collateral Catalogue is an integral part of the policy and describes the accepted collateral types together with their definitions, acceptance criteria and specific requirements for valuation and eligibility.
The main types of collateral accepted by the Bank are as follows:

- Real-estate property
- Movable assets
- Personal & financial guarantees
- Claims & other rights.

The Bank implemented clear revaluation periods compliant with applicable regulations in order to re-assess the market value of collateral.

40.5.5. Loan Portfolio on time bands

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

		2013 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				
LC	1,063,657	837,417	99,271	126,968
Public Sector	356	-	-	356
SME	678,156	518,117	132,404	27,635
Municipalities	133,849	93,267	42,362	-
Real Estate	85,313	59,905	25,210	198
Corporate Center	-	-	-	-
I. Total Corporate Loans	**1,961,331**	**1,508,706**	**299,247**	**155,157**
II. Retail Clients				
Individuals	2,888,522	2,320,056	491,031	77,434
Micro	118,962	102,109	14,461	2,393
II. Total Retail Loans	**3,007,484**	**2,422,165**	**505,492**	**79,827**
Total Loans (I+II)	**4,968,815**	**3,930,871**	**804,739**	**234,984**

LC – Large Corporates; SME – Small and medium enterprises (risk approach regarding segmentation)

		2014 Group		
in RON thousands	TOTAL	Exposure past due, but not impaired		
	LOANS	1 - 30 days	31- 90 days	More than 90 days
I. Corporate Clients				
LC	217,135	217,135	-	-
Public Sector	-	-	-	-
SME	379,416	328,097	50,099	1,220
Municipalities	356,862	316,760	40,103	-
Real Estate	-	-	-	-
Corporate Center	-	-	-	-
I. Total Corporate Loans	**953,413**	**861,992**	**90,202**	**1,220**
II. Retail Clients				
Individuals	2,521,660	2,061,058	395,368	65,234
Micro	80,075	71,147	6,789	2,139
II. Total Retail Loans	**2,601,736**	**2,132,204**	**402,158**	**58,954**
Total Loans (I+II)	**3,555,149**	**2,994,196**	**492,360**	**60,173**

LC – Large Corporates; SME – Small and medium enterprises (risk approach regarding segmentation)

40. RISK MANAGEMENT (continued)

		2013 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				
LC	1,010,992	824,741	59,282	126,968
Public Sector	356	-	-	356
SME	545,173	412,414	108,950	23,809
Municipalities	133,849	93,267	42,362	-
Real Estate	60,103	59,905	-	198
Corporate Center	-	-	-	-
I. Total Corporate Loans	1,750,473	1,390,327	210,594	151,331
II. Retail Clients				
Individuals	2,843,077	2,289,933	476,375	76,768
Micro	118,962	102,109	14,461	2,393
II. Total Retail Loans	2,962,039	2,392,042	490,836	79,161
Total Loans (I+II)	4,712,512	3,782,369	701,430	230,492

LC – Large Corporates; SME – Small and medium enterprises (risk approach regarding segmentation)

		2014 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				
LC	217,135	217,135	-	-
Public Sector	-	-	-	-
SME	229,198	215,650	12,590	959
Municipalities	356,862	316,760	40,103	-
Real Estate	-	-	-	-
Corporate Center	-	-	-	-
I. Total Corporate Loans	803,196	749,545	52,692	959
II. Retail Clients				
Individuals	2,508,280	2,058,391	394,763	55,126
Micro	80,075	71,147	6,789	2,139
II. Total Retail Loans	2,588,355	2,129,538	401,552	57,265
Total Loans (I+II)	3,391,551	2,879,082	454,245	58,224

LC – Large Corporates; SME – Small and medium enterprises (risk approach regarding segmentation)

40.5.6. Impairment assessment

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

Individually assessed allowances

The Bank determines the allowances appropriate for each loan of the individually significant clients -means clients with On and Off balance exposure higher than 400,000 EUR equivalent or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensure, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances of the clients that are not individually significant - means clients with On and Off balance exposure lower than 400,000 EUR equivalent (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

40. RISK MANAGEMENT (continued)

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 receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

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

						2013	Group
	Neither past due nor impaired						
in RON thousands	Low Risk	Management Attention	Substandard	Loss	Past due but not impaired	Individually Impaired **	Total
Other demand deposits	221,303						221,303
Other demand deposits	**221,303**						**221,303**
Loans and receivables to credit institutions	429,449	81,287	-	-			510,736
	429,449	**81,287**	**-**	**-**			**510,736**
Financial assets designated at fair value through profit or loss	-	22,086	-	-			22,086
	-	**22,086**	**-**	**-**			**22,086**
Derivative financial instruments	-	82,014	-	-			82,014
	-	**82,014**	**-**	**-**			**82,014**
Financial assets held for trading							
Listed debt instruments	146,207						146,207
Unlisted debt instruments	180,135						180,135
	326,342	**-**	**-**	**-**			**326,342**
Loans and Advances to customers*							
Corporate Clients	11,029,398	6,869,741	1,335,987	350,820	1,961,331	10,436,668	31,983,945
Retail Clients	12,417,410	1,867,684	74,821	-	3,007,484	3,955,443	21,322,842
	23,446,808	**8,737,425**	**1,410,808**	**350,820**	**4,968,815**	**14,392,111**	**53,306,787**
Financial investments - available for sale							-
Listed debt instruments	2,958,870	235,108	-	-	926		3,194,904
Unlisted debt instruments	1,985,187	-	-	-			1,985,187
	4,944,057	**235,108**	**-**	**-**	**926**		**5,180,091**
Financial investments - held to maturity							-
Debt instruments	10,235,256						10,235,256
	10,235,256	**-**	**-**	**-**	**-**	**-**	**10,235,256**
							-
TOTAL	**39,603,215**	**9,157,920**	**1,410,808**	**350,820**	**4,969,741**	**14,392,111**	**69,884,615**

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

40. RISK MANAGEMENT (continued)

						2014	Group
	Neither past due nor impaired						
in RON thousands	Low Risk	Management Attention	Substandard	Loss	Past due but not impaired	Individually Impaired **	Total
Other demand deposits	227,734						227,734
Other demand deposits	**227,734**						**227,734**
Loans and receivables to credit institutions	365,347	159,934	-	-			525,281
	365,347	**159,934**	**-**	**-**			**525,281**
Financial assets designated at fair value through profit or loss	20,358	-	-	-			20,358
	20,358	**-**	**-**	**-**			**20,358**
Derivative financial instruments	129,109	18,380	7,487	-			154,976
	129,109	**18,380**	**7,487**	**-**			**154,976**
Financial assets held for trading							
Listed debt instruments	42,408	-	-	-			42,408
Unlisted debt instruments	169,146						169,146
	211,554	**-**	**-**	**-**			**211,554**
Loans and Advances to customers*							
Corporate Clients	11,938,726	5,131,793	282,304	503,791	953,413	7,026,310	25,836,337
Retail Clients	12,723,570	2,000,332	93,575	25,078	2,601,736	2,943,667	20,387,958
	24,662,297	**7,132,125**	**375,879**	**528,869**	**3,555,149**	**9,969,976**	**46,224,296**
Financial investments - available for sale							**-**
Listed debt instruments	5,561,753	2,116	2,327	-			5,566,196
Unlisted debt instruments	1,941,333	-	-	-			1,941,333
	7,503,086	**2,116**	**2,327**	**-**			**7,507,529**
Financial investments - held to maturity	**-**	**-**	**-**	**-**			**-**
Debt instruments	9,578,176	-	-	-			9,578,176
	9,578,176	**-**	**-**	**-**			**9,578,176**
							-
TOTAL	**42,697,661**	**7,312,555**	**385,693**	**528,869**	**3,555,149**	**9,969,976**	**64,449,904**

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

						2013	Bank
	Neither past due nor impaired						
in RON thousands	Low Risk	Management Attention	Substandard	Loss	Past due but not impaired	Individually Impaired **	Total
Other demand deposits	221,303						221,303
Other demand deposits	**221,303**						**221,303**
Loans and receivables to credit institutions	409,535	73,727	-	-	-	-	483,262
	409,535	**73,727**	**-**	**-**	**-**	**-**	**483,262**
Financial assets designated at fair value through profit or loss	-	22,086	-	-	-	-	22,086
	-	**22,086**	**-**	**-**	**-**	**-**	**22,086**
Derivative financial instruments	-	80,179	-	-	-	-	80,179
	-	**80,179**	**-**	**-**	**-**	**-**	**80,179**
Financial assets held for trading							
Listed debt instruments	146,207	-	-	-	-	-	146,207
Unlisted debt instruments	180,135	-	-	-	-	-	180,135
	326,342	**-**	**-**	**-**	**-**	**-**	**326,342**
Loans and Advances to customers*							
Corporate Clients	13,295,962	7,004,954	1,350,772	350,820	1,750,473	9,646,375	33,399,356
Retail Clients	11,341,243	1,775,666	60,036	-	2,962,039	2,575,220	18,714,205
	24,637,205	**8,780,620**	**1,410,808**	**350,820**	**4,712,512**	**12,221,595**	**52,113,560**
Financial investments - available for sale							
Listed debt instruments	2,218,974	235,108	-	-	926	-	2,455,008
Unlisted debt instruments	1,968,378	-	-	-	-	-	1,968,378
	4,187,352	**235,108**	**-**	**-**	**926**	**-**	**4,423,386**
Financial investments - held to maturity							
Debt instruments	9,009,939	-	-	-	-	-	9,009,939
	9,009,939	**-**	**-**	**-**	**-**	**-**	**9,009,939**
TOTAL	**38,791,676**	**9,191,720**	**1,410,808**	**350,820**	**4,713,438**	**12,221,595**	**66,680,058**

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

40. RISK MANAGEMENT (continued)

						2014	Bank
	Neither past due nor impaired						
in RON thousands	Low Risk	Management Attention	Substandard	Loss	Past due but not impaired	Individually Impaired **	Total
Other demand deposits	227,734						227,734
Other demand deposits	**227,734**						**227,734**
Loans and receivables to credit institutions	258,691	221,971	5	-			480,666
	258,691	**221,971**	**5**	**-**			**480,666**
Financial assets designated at fair value through profit or loss	20,358	-	-	-			20,358
	20,358	**-**	**-**	**-**			**20,358**
Derivative financial instruments	129,109	18,380	7,487	-			154,976
	129,109	**18,380**	**7,487**	**-**			**154,976**
Financial assets held for trading							
Listed debt instruments	42,408	-	-	-			42,408
Unlisted debt instruments	169,146						169,146
	211,554	**-**	**-**	**-**			**211,554**
Loans and Advances to customers*							
Corporate Clients	12,323,637	4,957,617	271,178	460,143	803,196	5,929,887	24,745,657
Retail Clients	13,109,960	2,087,993	103,610	66,076	2,588,355	2,851,741	20,807,735
	25,433,598	**7,045,610**	**374,787**	**526,219**	**3,391,551**	**8,781,628**	**45,553,393**
Financial investments - available for sale							
Listed debt instruments	4,570,618	2,116	2,327	-			4,575,060
Unlisted debt instruments	1,923,079	-	-	-			1,923,079
	6,493,696	**2,116**	**2,327**	**-**			**6,498,139**
Financial investments - held to maturity							
Debt instruments	8,429,417	-	-	-			8,429,417
	8,429,417	**-**	**-**	**-**			**8,429,417**
							-
TOTAL	**41,204,157**	**7,288,076**	**384,606**	**526,219**	**3,391,551**	**8,781,628**	**61,576,237**

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

Breakdown of past due exposure and not covered by specific allowances by risk category is based on the internal rating.

The criteria used for mapping into risk grades in four different categories is the following:

- Low risk – Typically regional customers with well-established and rather long-standing relationships with the Bank or large internationally recognized customers. Strong and good financial position and no foreseeable financial difficulties. Retail clients having long relationships with the bank, or clients with a wide product pool use. No late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category;
- 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 probable payment problems in the past triggering early collection reminders. These clients typically have good recent histories and no current delinquencies;
- Sub-standard - The borrower is vulnerable to negative financial and economic developments. Such loans are managed in specialized risk management departments;
- Loss - One or more of the default criteria under Basel 3 are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realization of a loan loss, or initiation of bankruptcy proceedings.

40.6. Liquidity risk management

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

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

40. RISK MANAGEMENT (continued)

The Bank assesses its liquidity / liquidity risk by:

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

For every financial year the Bank prepares:

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

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

	2013	2014
	(%)	(%)
December	43.08	44.83
Average	39.68	43.99
Max	43.76	44.96
Min	36.6	42.28

40.7. MARKET RISK

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

In terms of market risk, the Bank focuses on:

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

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

Exposure on currencies		2013	2014
		% of own funds	% of own funds
EUR	Average	0.59	0,81
	Maximum	4,78	11,28
USD	Average	0,05	0,04
	Maximum	0,47	1,39
Total	**Average**	**0,69**	**0,95**
	Maximum	**4,92**	**11,44**

The value at risk ("VaR") of the total FX position was increased accordingly for 2014, as presented below:

1 day, 99%, RON VaR
The VaR of the total FX position

	2013	2014
Average value	21.495	22.528
Maximum value	47.814	182.759

40. RISK MANAGEMENT (continued)

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

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

➢ **Limits for the Trading Book**

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

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

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

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

- **Aggregated VaR limits for Trading Book:**
  - for FI TB plus MM
  - for the whole TB.

- **Stop Loss limits**

➢ **Limits for the Banking Book**

- **Limits for fixed income**
  - PVBP limits for FI BB - AFS (for RON, EUR, USD, other currencies and total):
  - 1 Day, 99% - VaR

During 2014 there were no market risk limit breaches.

The Bank developed specific norms for transactions with financial derivatives, used both as products offered to customers for risk mitigation and for hedging against the market risk exposure of its own portfolio.

As a member of Erste Group, the Bank was included in 2009 in the program of trading activity centralization set up at Holding level and according to the business model BCR- Erste Group, starting with October 2009, all trading operations were transferred on a centralized trading book on holding level. The Bank foreign exchange position is closed and is transferred to holding and the result is returned to BCR on a pro-rated basis, depending on the contribution of the local trader and the volume of transactions.

40.7.1. Sensitivity analysis

40.7.1.1. Interest rate risk

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities (including off-balance-sheet items) in respect of their maturities or of the timing of interest rate adjustments.

40. RISK MANAGEMENT (continued)

Beginning with December 2013, the Bank performs an assessment of potential changes in the economic value of the bank due to changes in interest rates, in line with the NBR's Regulation no. 5. All financial instruments, including transactions not recognized in the balance sheet, are grouped into maturity bands based on their remaining term to maturity or term to an interest rate adjustment.

The change of economic value is the result of applying sudden and unexpected changes in interest rates – standard shocks – towards on- and off-balance sheet items, prescribed by the NBR. The size of the standard shocks is 200 basis points, in both directions, regardless of the currency. The economic value of the Bank is then computed by multiplying the net position with an "adjustment factor" that varies between 0.08% and 26%. As a result of applying the standard shocks, the decrease of a credit institution's economic value must not exceed 20% of its own funds.

The following table lists the net positions on each time band and main currency together with the corresponding weighted net positions as of:

million RON

December 2013	RON		EUR		Other	
Maturity band	Net pos.	Weighted	Net pos.	Weighted	Net pos.	Weighted
≤ 1month	6,557.15	5.25	1,661.21	1.33	641.37	0.51
> 1months, ≤ 3 months	(3,291.70)	(10.53)	821.07	2.63	157.84	0.51
> 3 months, ≤ 6 months	539.81	3.89	940.25	6.77	(251.66)	(1.81)
> 6 months, ≤ 12 months	(258.00)	(3.69)	(1,478.41)	(21.14)	(232.11)	(3.32)
> 1year, ≤ 2 years	(139.06)	(3.85)	800.41	22.17	(72.13)	(2.00)
> 2 years, ≤ 3 years	176.44	7.92	1,935.25	86.89	(71.33)	(3.20)
> 3 years, ≤ 4 years	2,135.51	131.12	(872.38)	(53.56)	(65.56)	(4.03)
> 4 years, ≤ 5 years	1,137.64	87.71	(105.13)	(8.11)	3.94	0.30
> 5 years, ≤ 7 years	673.79	68.39	292.11	29.65	1.84	0.19
> 7 years, ≤ 10 years	105.67	14.01	(297.11)	(39.40)	(1.71)	(0.23)
> 10 years, ≤ 15 years	5.45	0.97	(43.58)	(7.77)	0.20	0.04
> 15 years, ≤ 20 years	2.97	0.67	(314.69)	(70.58)	0.01	0.00
> 20 years	(0.81)	(0.21)	(53.89)	(14.03)	0.01	0.00
Total		**301.64**		**(65.15)**		**(13.03)**

million RON

December 2014	RON		EUR		Other	
Maturity band	Net pos.	Weighted	Net pos.	Weighted	Net pos.	Weighted
≤ 1 month	(494.40)	(0.40)	4,336.17	3.47	(80.05)	(0.06)
> 1 months, ≤ 3 months	(3,515.53)	(11.25)	560.39	1.79	(161.45)	(0.52)
> 3 months, ≤ 6 months	1,044.40	7.52	(374.40)	(2.70)	(275.07)	(1.98)
> 6 months, ≤ 12 months	(169.77)	(2.43)	(70.14)	(1.00)	(274.95)	(3.93)
> 1 year, ≤ 2 years	2,568.61	71.15	2,118.47	58.68	(17.15)	(0.48)
> 2 years, ≤ 3 years	2,144.05	96.27	(706.25)	(31.71)	(27.06)	(1.22)
> 3 years, ≤ 4 years	1,187.75	72.93	(419.22)	(25.74)	(27.41)	(1.68)
> 4 years, ≤ 5 years	522.10	40.25	414.22	31.94	(29.96)	(2.31)
> 5 years, ≤ 7 years	769.25	78.08	306.79	31.14	(59.91)	(6.08)
> 7 years, ≤ 10 years	(284.82)	(37.77)	306.38	40.63	(64.12)	(8.50)
> 10 years, ≤ 15 years	328.84	58.67	29.00	5.17	0.00	0.00
> 15 years, ≤ 20 years	115.27	25.85	(296.94)	(66.60)	0.00	0.00
> 20 years	(1.29)	(0.34)	(55.96)	(14.57)	(0.02)	(0.01)
Total		**398.54**		**30.50**		**(26.76)**

The net position is calculated as the follow: long positions are offset with short positions on each maturity band, resulting in one long or short position on every maturity band. These long and short positions are weighted with the weight factors established by NBR, which reflect the sensitivity of positions to potential interest rate changes on various maturity bands.

The following table lists the change in the economic value of the Bank as percentage of the own funds as of:

December 2013			RON
Own funds			4,284,514,607
The Potential Decrease in the Economic Value	in absolute value	RON	301,641,478
		EUR	65,153,422
		USD	13,033,538
		Total	**379,828,438**
	% of Own Funds		8,87%

December 2014			RON
Own funds			5,720,521,522
The Potential Decrease in the Economic Value	in absolute value	RON	398,542,961
		EUR	30,497,203
		USD	26,764,849
		Total	**455,805,013**
	% of Own Funds		7,97%

The Bank also analyses the sensitivity of the net interest income (NII) and AFS reserve (equity) to interest rate changes.

40. RISK MANAGEMENT (continued)

The following table shows the changes in NII for a 1 year period and the impact on AFS reserve (equity) due to a parallel shift of the yield curves with ±1%, ±2%. The analysis is based on December 31st, 2014 data.

in RON thousands

Shift	Sensitivity of NII	Sensitivity of AFS reserve (equity)
+2%	(180,082)	(304,857)
+1%	(89,989)	(156,593)
- 1%	25,408	125,936
- 2%	44,891	212,324

40.7.1.2. Currency risk

The potential impact in profit or loss and equity of variation of foreign exchange currencies EUR/RON and USD/RON with ±5% is presented in the below table:

		P/L Sensitivity		Equity sensitivity	
in RON thousands	Change in foreign exchange currencies	Impact for EUR position	Impact for USD position	Impact for EUR position	Impact for USD position
2013	+5%	(2,014.95)	100.79	(1,692.56)	84.66
	-5%	2,014.95	(100.79)	1,692.56	(84.66)
2014	+5%	(4,270.74)	4,203.68	(3,587.42)	3,531.09
	-5%	4,270.74	(4,203.68)	3,587.42	(3,531.09)

40.8. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and inadequate internal systems or which did not properly fulfilled their function, or from external events, and includes legal risk.

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.

The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and reacting to potential risks, the Bank is able to manage these risks. Controls include effective segregation of duties, access control, authorization and reconciliation procedures, staff awareness (including trainings) and an internal risk assessment process, including the use of internal audit.

For an adequate management of its business and the risks it is exposed during its regular activity, the Bank developed and manages a solid and comprehensive internal control framework, adapted to its size and complexity, and structured on three internal control layers:

- The layer of operational units and support functions, who bear the main responsibility for defining and enforcing adequate internal control procedures,
- The risk management and compliance functions layer, and
- The internal audit layer.

40. RISK MANAGEMENT (continued)

For managing operational risks, the Bank uses and developed a variate set of tools, processes, methods and practices:

- the operational risk events collection, monitoring, analysis and reporting, using a dedicated software and a central database;
- the risk data quality assurance by verifying and reconciling the informations received from different sources within the Bank;
- a Risk and Control Self-Assessment process;
- defining a set of Key Risk Indicators and monitoring the alert limits set up;
- scenario analysis;
- permanent enhancement of personnel risk management expertise, in order to improve the ability to identify, assess, mitigate, control, monitor and report operational risks; and
- assurance of a permanent communication between the units and relevant persons in charge with the risk management, both top-down and down-top (risk reporting and decision) and on horizontal (communication between internal control functions and with operational units).

In order to decrease the Bank's exposure to operational risk, the main directions targeted in 2014 were:

- permanent development and improvement of control environment using;
  - implementation and review of internal procedures/ norms/ work instructions;
  - development and regular monitoring of the key risk indicators (KRI) defined at the level of specific businesses;
  - the RCSA mitigating measures follow up/ reporting process;
  - risk assessments in case of outsourced material activities;
  - increase the operational risk culture;
- improvement of loss data collection framework by assuring reporting completeness and operational risk data quality;
- escalating the major operational risk issues at the level of the Operational Risk Management Committee, the forum for discussing the main operational risk issues and establishing the related mitigation action plan with the involvement of all stakeholders;
- the decrease of the number of overdue internal audit points;
- significant progress made in respect of the safe storage and archiving project;
- developing means/ criteria for the fraud identification and prevention;
- concluding insurance policies against operational risks;
- the regular review of the plans drawn up for the re-running of activity and for unforeseen situations.

The Bank remains committed to the objective of increasing shareholder value by generating and growing business that is consistent with his risk appetite, and by building more effective risk management capabilities. Responsibility for risk management resides at all hierarchical levels within the Bank. The Bank is seeking an appropriate balance of its businesses, continuing to build the risk management capabilities that will help to deliver growth plans in a controlled environment.

Starting with October 2010, the Bank uses the AMA (Advanced Measurement Approach for operational risk) as per National Bank of Romania and Austrian Financial Markets Authority approval.

40.9. LEGAL RISK

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.

For an adequate legal management and in order to protect its legal and business interests, the Bank:

- ensures the establishment of an efficient legal function and an adequate monitoring of the Bank's exposure to the legal risk;
- periodically reviews the internal regulation framework and the legal acts templates used in the current activity (e.g. credit agreements and deposit agreements), and analyses their adequacy as well as their alignment to the Bank's activity, the banking practices and the applicable legal framework;
- develops and implements processes and control mechanisms for complying with the internal and external regulatory framework;
- monitors the course of the litigation portfolio and assesses the causes having led to the litigation, for the purpose of improving the business practice and the legal documents attached to its products and services;
- provides adequate and high quality internal legal assistance to its staff and the management of the Bank.

40. RISK MANAGEMENT (continued)

40.10. REPUTATIONAL RISK

Reputational risk means the current or prospective risk to earnings and capital arising from adverse perception of the image of the credit institution on the part of customers, counterparties, shareholders, investors or supervisory authorities.

For an adequate reputational risk management and in order to enhance its reputation in the eyes of its clients, business partners, banking industry and regulatory and supervisory/ oversight bodies, the Bank:

- ensures the reputational risk management in a shared responsibility between communication, internal control and risk management functions, aiming mainly at removal of resident risks inconsistencies and contradictions;
- promotes and enforces clear corporate values, social responsibility and business practices, non-discriminatory and fair to all parties, including by defining and enforcement of standards and codes of conduct on the manner in which bank staff should interact with customers and third parties so that the bank's public image to be represented in accordance with its vision and values;
- aims at a good knowledge and understanding of its customers and partner's needs, of their opinions about products and services, as well as the achievement of a high degree of customer satisfaction in respect of his products and services, staff behavior and the working environment in his operational units;
- collects, analyzes and uses information related to customer and banking industry perception and opinion, in order to improve its operations, products and services;
- aims at ensuring compliance with regulations in force and at selecting customers and business partners so that his public image not to be negatively impacted by being involved in acts or illegal activities;
- engages in social responsibility and environmental protection projects in the interest of community where it is pursuing affairs.

40.11. CAPITAL ADEQUACY

40.11.1. Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with the capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

40.11.2. Capital adequacy

The Bank monitors the solvency ratios, at individual and consolidated level, according to Basel III requirements, based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS), taking into consideration also the local provisions. Starting 2014, considering new Basel III requirements, the Bank also monitors the CET1 Ratio, both individual and consolidated level.

Solvency Ratio, CET1 Ratio and Tier1 Ratio, as of 31 December 2014 (Basel III) and 31 December 2013 (Basel II), based on provisional data, were:

	Group		Bank	
in RON thousands	2013	2014	2013	2014
CET1 Capital	-	3,980,153	-	3,857,109
Tier1Capital	6,936,983	3,980,153	4,271,065	3,857,109
Total Own Funds	9,144,520	6,046,814	4,271,065	5,586,602
Risk Weighted Assets	36,846,383	31,867,116	29,250,852	29,534,266
CET1 Ratio	-	12.49%	-	13.06%
Tier1 Ratio	18.83%	12.49%	14.60%	13.06%
Solvency Ratio	24.82%	18.98%	14.60%	18.92%

The main reason for differences in RWA and own funds computed for Bank and Group is the prudential filter used for BCR solo reporting toNBR. In December 2013 the full gap between prudential value adjustments and IFRS provisions was used for RWA and own funds computation in BCR solo reporting (4,552 mil. RON). In December 2014 this gap decreased significantly and only 80% of the gap was used for RWA and own funds computation in BCR solo reporting (685 mil. RON), as this prudential filter will be phased out until 31.12.2017.

40. RISK MANAGEMENT (continued)

Prudential filter represents the gap between local prudential value adjustments (RAS provisions) 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 80% in 2014 and will reduce by 20% p.a. until 0% in 2018). In Romania, IFRS provisions are determined by each bank using its own methodology according to IFRS standards; prudential value adjustments are determined based on a stricter methodology provided by NBR (a matrix considering debt service, financial performance and legal procedures). 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.

During 2013 and 2014, the capital requirements for Group and Bank were fulfilled as per legal authorities' stipulations.

41. FAIR VALUE OF 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 there are immaterial both at 31 December 2014 and 2013.

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

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

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

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for the year-end 2014:

								2014
	Group				Bank			
	Fair value	Fair value hierarchy			Fair value	Fair value hierarchy		
in RON thousands		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
ASSETS								
Loans and receivables	**32,285,715**	**-**	**26,530**	**32,259,185**	**32,575,901**	**-**	**-**	**32,575,901**
Loans and advances	**32,285,715**	**-**	**26,530**	**32,259,185**	**32,575,901**	**-**	**-**	**32,575,901**
with credit institutions	525,445	-	26,530	498,915	480,846	-	-	480,846
with customers	31,760,270	-	-	31,760,270	32,095,055	-	-	32,095,055
Held-to-maturity investments	**10,245,955**	**10,153,556**	**92,399**	**-**	**9,050,070**	**9,050,070**	**-**	**-**
Debt securities	10,245,955	10,153,556	92,399	-	9,050,070	9,050,070	-	-
Loans and advances	-	-	-	-	-	-	-	-
LIABILITIES								
Financial liabilities measured at amortised cost	**55,587,986**	**-**	**1,178,041**	**54,409,945**	**52,893,352**	**-**	**1,160,533**	**51,732,819**
Deposits	**54,021,506**	**-**	**17,508**	**54,003,998**	**51,361,301**	**-**	**-**	**51,361,301**
from banks	14,091,414	-	17,508	14,073,906	13,761,322	-	-	13,761,322
from customers	39,930,092	-	-	39,930,092	37,599,979	-	-	37,599,979
Debt securities issued	1,160,533	-	1,160,533	-	1,160,533	-	1,160,533	-
Other financial liabilities	405,947	-	-	405,947	371,518	-	-	371,518

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.

41. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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).

For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

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.

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments in 2013.

Financial assets

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

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

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

Financial liabilities

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

2. Financial instruments measured at fair value in the balance sheet

Group

	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
in RON thousands	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**
ASSETS								
Financial assets held for trading	4,674	215,403	368,924	150,594	-	4,832	373,598	370,829
Derivatives held for trading	-	-	42,781	150,144	-	4,832	42,781	154,976
Other trading assets*	4,674	215,403	326,143	450	-	-	330,817	215,853
Financial assets designated at FV through profit or loss	12,265	4,228	-	-	22,086	20,359	34,351	24,587
Financial assets available for sale**	3,252,293	7,377,498	1,710,505	27,283	256,964	250,280	5,219,762	7,655,061
Derivatives - Hedge accounting	-	-	39,233	-	-	-	39,233	-
Total Assets	**3,269,232**	**7,597,129**	**2,118,662**	**177,877**	**279,050**	**275,471**	**5,666,944**	**8,050,477**
LIABILITIES								
Financial liabilities held for trading	-	-	66,061	70,127	-	-	66,061	70,127
Derivatives held for trading	-	-	66,061	70,127	-	-	66,061	70,127
Derivatives - Hedge accounting	-	-	1087,266	554,005	-	-	1087,266	554,005
Total Liabilities	**-**	**-**	**1,153,327**	**624,132**	**-**	**-**	**1,153,327**	**624,132**

41. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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	2013	2014	2013	2014	2013	2014	2013	2014
ASSETS								
Financial assets held for trading	4,674	215,403	367,089	150,594	-	4,832	371,763	370,829
Derivatives held for trading	-	-	40,946	150,144	-	4,832	40,946	154,976
Other trading assets*	4,674	215,403	326,143	450	-	-	330,817	215,853
Financial assets designated at FV through profit or loss	12,264	4,228	-	-	22,087	20,359	34,351	24,587
Financial assets available for sale**	3,252,293	6,376,179	944,265	9,211	256,702	250,033	4,453,260	6,635,423
Derivatives - Hedge accounting	-	-	39,233	-	-	-	39,233	-
Total Assets	**3,269,231**	**6,595,810**	**1,350,587**	**159,805**	**278,789**	**275,224**	**4,898,607**	**7,030,839**
LIABILITIES								
Financial liabilities held for trading	-	-	66,061	70,127	-	-	66,061	70,127
Derivatives held for trading	-	-	66,061	70,127	-	-	66,061	70,127
Derivatives - Hedge accounting	-	-	1,087,266	554,005	-	-	1,087,266	554,005
Total Liabilities	**-**	**-**	**1,153,327**	**624,132**	**-**	**-**	**1,153,327**	**624,132**

*During 2014, ISIN RO1015DBN010 in amount of RON 654 thousands was reclassified from level 2 to level 1 and ISIN ROUNVRACNOR9 in amount of RON 450 thousands was reclassified from level 1 to level 2.
** During 2014, ISIN RO1015DBN010 in amount of RON 94,848 thousands, ISIN RO1316DBN053 in amount of RON 575,322 thousands, ISIN RO1116DBN024 in amount of RON 710,936 thousands, ISIN RO0717DBN038 in amount of RON 45,763 thousands were reclassified from level 2 to level 1.

The reclassification of the securities between level 1 and level 2 has appeared as a result of analysis and implementation by the bank of the new group fair value hierarchy documentation.

Government bonds that are quoted on active markets are classified as Level 1 in Fair Value Hierarchy, except those which are illiquid and are classified as level 2 in Fair Value Hierarchy. All government bonds have real time prices on a daily basis in Kondor from CDMS tool (Central Data Management Solution), implemented at the Group level.

BCR has also in portfolio, municipal bonds classified according to Fair Value Hierarchy as Level 3.

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 method of valuation is based on yield curve named BondBench.
- The yield curve used by Kondor+ tool is developed using linear interpolation method and is based on observable data from the market. The algorithm used is as follows:
    - For due days higher than 3 months, Kondor+ uses BID quotation from Reuters web page “ROBMK=RO (RO BMK FIXING”), which represents an benchmark for governments bonds in RON
    - For due days less than 3 months, Kondor+ uses ASK quotation from Reuters web page “RBOR” (fixing ROBID-ROBOR)
- Add to the BondBench yield curve, a margin which incorporates the credit risk of each debt issuer. These credit risk margins are based on non-observable data from the market.

The municipal bonds held by BCR as of 31-December-2014 have notional outstanding value of RON 238,903,671, out of which RON 218,587,267 in available for sale portfolio and RON 20,316,404 in fair value through profit or loss portfolio. For a good understanding of valuation method, we presented below, the impact of change in current value as a change of non-observable data:

- If the credit risk margins rise by 50% from the current value, than the impact will be RON (145,811).
- If the credit risk margins rise by 100% from the current value, than the impact will be RON (291,622).
- If the credit risk margins rise by 50bp, than the impact will be RON (565,616).
- If the credit risk margins rise by 100bp, than the impact will be RON (839,610).

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

41. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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-2014 have total book value of RON 27,185,203.

Movement in Level 3 of financial instruments measurment at fair value — Group and Bank

in RON thousands	2012	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Sales/Settlements	2013
ASSETS					
Financial assets designated at fair value through Profit & Loss	23,972	1,018	-	(2,904)	22,086
Financial assets available for sale	248,710	12,555	173	(25,403)	236,035
Total Assets	**272,682**	**13,573**	**173**	**(28,307)**	**258,121**

Movement in Level 3 of financial instruments measurment at fair value — Group and Bank

in RON thousands	2013	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Sales/Settlements	2014
ASSETS					
Financial assets held for trading	-	4,832	-	-	4,832
Derivatives held for trading	-	4,832	-	-	4,832
Financial assets designated at fair value through Profit & Loss	22,086	628	-	(2,355)	20,359
Financial assets available for sale	236,035	7,924	(105)	(20,375)	223,479
Total Assets	**258,121**	**13,384**	**(105)**	**(22,730)**	**248,670**

42. FINANCIAL INSTRUMENTS PER CATEGORY ACCORDING TO IAS 39

									2013	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	8,265,711						1,320,295			9,586,006
Loans and advances to credit institutions	507,736									507,736
Loans and advances to customers	37,359,305								643,084	38,002,389
Derivative - hedge accounting								39,233		39,233
Financial assets- held for trading			373,598							373,598
Financial assets - at fair value through profit or loss				34,351						34,351
Financial assets - available for sale					5,219,762					5,219,762
Financial assets - held to maturity		10,235,256								10,235,256
Total financial assets	**46,132,752**	**10,235,256**	**373,598**	**34,351**	**5,219,762**		**1,320,295**	**39,233**	**643,084**	**63,998,331**
Net gains / losses recognized through profit or loss	2,007,648		(35,134)	(2,007)						1,970,507
Net gains / losses recognized through OCI					(48,038)					(48,038)
LIABILITIES										
Financial liabilities - held for trading			(66,061)							(66,061)
Financial liabilities -measured at amortized cost						(57,570,089)				(57,570,089)
Derivative - hedge accounting								(1,087,266)		(1,087,266)
Total financial liabilities			**(66,061)**			**(57,570,089)**		**(1,087,266)**		**(58,723,416)**
Net gains / losses recognized through profit or loss			624							624

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

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

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

								2013	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	8,233,934						1,311,728		9,545,662
Loans and advances to credit institutions	483,262								483,262
Loans and advances to customers	37,960,217								37,960,217
Derivative - hedge accounting								39,233	39,233
Financial assets- held for trading			371,763						371,763
Financial assets - at fair value through profit or loss				34,351					34,351
Financial assets - available for sale					4,453,260				4,453,260
Financial assets - held to maturity		9,009,939							9,009,939
Total financial assets	**46,677,413**	**9,009,939**	**371,763**	**34,351**	**4,453,260**		**1,311,728**	**39,233**	**61,897,687**
Net gains / losses recognized through profit or loss	1,825,629		(35,134)	(2,007)					1,788,488
Net gains / losses recognized through OCI					(40,405)				(40,405)
LIABILITIES									
Financial liabilities - held for trading			(66,061)						(66,061)
Financial liabilities -measured at amortized cost						(54,358,870)			(54,358,870)
Derivative - hedge accounting								(1,087,266)	(1,087,266)
Total financial liabilities			**(66,061)**			**(54,358,870)**		**(1,087,266)**	**(55,512,197)**
Net gains / losses recognized through profit or loss			624						624

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

								2014	Bank
in RON thousands	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Cash on hand	Derivatives designated as hedging instruments	Total
ASSETS									
Cash and cash balances	6,604,321						1,554,120		8,158,441
Loans and advances to credit institutions	480,666								480,666
Loans and advances to customers	32,937,273								32,937,273
Financial assets- held for trading			370,829						370,829
Financial assets - at fair value through profit or loss				24,587					24,587
Financial assets - available for sale					6,635,423				6,635,423
Financial assets - held to maturity		8,429,417							8,429,417
Total financial assets	**40,022,260**	**8,429,417**	**370,829**	**24,587**	**6,635,423**		**1,554,120**		**57,036,636**
Net gains / losses recognized through profit or loss	4,440,001		(18,566)	(161)	9,201				4,430,475
Net gains / losses recognized through OCI					(367,391)				(367,391)
LIABILITIES									
Financial liabilities - held for trading			(70,127)						(70,127)
Financial liabilities -measured at amortized cost						(52,872,441)			(52,872,441)
Derivative - hedge accounting								(554,005)	(554,005)
Total financial liabilities			**(70,127)**			**(52,872,441)**		**(554,005)**	**(53,496,573)**
Net gains / losses recognized through profit or loss			(257,749)			1,147			(256,602)

43. 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 2014 and 2013:

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Fees for the audit of the financial statements and the consolidated financial statements	5,101	4,512	4,360	3,911
Other services involving the issuance of a report	88	47	-	-
Other services	223	160	30	66
TOTAL	**5,412**	**4,719**	**4,390**	**3,977**

44. CONTINGENT LIABILITIES

	Group		Bank	
in RON thousands	**2013**	**2014**	**2013**	**2014**
Contingent liabilities	2,628,322	3,155,195	2,758,485	3,156,120
Commitments*	6,074,399	5,184,490	6,448,882	5,335,969
Total	**8,702,721**	**8,339,685**	**9,207,367**	**8,492,089**

* Include both irrevocable and revocable commitments. The revocable commitments in amount of RON 2,548,525 thousand (2013: RON 2,503,761 thousand) for the Group and RON 2,706,294 thousand (2013: RON 2,835,537 thousand) for the Bank were not included in Notes 40.5.1, 40.5.3, 40.5.4 and 40.5.7.

Contingent liabilities

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

Legal claims

Litigations related to the merger with Bancorex

In 1999 as a result of the distressed financial situation of one of the Romanian banks having the State as majority shareholder, Banca Romana de Comert Exterior - "Bancorex", the Government of Romania launched a series of measures designated to limit the effect of Bancorex's insolvency on the economy of Romania.

These measures included placing Bancorex under special administration for a limited period, transferring certain non-performing loans of Bancorex to an Asset Recovery Agency (AVAB) and transferring all other activities to the Bank. The Bank received Romanian government securities having similar maturity as the deposits and other creditor's accounts transferred from Bancorex.

On 6 July 2000 the Romanian Government issued the Emergency Ordinance No. 131/2000 and subsequent Decision 909/2000 stating that the Government will issue unconditional letters of guarantee in favor of the Bank against litigations up to an amount of ROL 38 billion (3.8 milion RON) and USD 116 million against litigations for which the Bank is the defendant, arising from activities of the former Bancorex, before it was removed from the Register of Trade.

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.

44. CONTINGENT LIABILITIES (continued)

As at 31 December 2014, the Bank was still the defendant in one case from this category, for which the AVAS's subrogation wasn't operated, (according to the provisions of Emergency Ordinance no 85/2004), the total value of probable claims is RON 28,747,885.

Until December 31, BCR hadn't received a final answer from MFP to its notification related to the increasing of guarantee ceiling. The amounts mentioned in the notification sent in December 2013 amounting EUR 402,760,385 and RON 10,791,084 (for 8 litigations) were diminished (following the finalization of 6 cases) at RON 30,319,463, representing the c/value of 2 litigations.

In this case the bank will ask the AVAS's subrogation, according to the provisions of Emergency Ordinance no 85/2004.

The management of the Bank believes that such actions will not significantly impact the economic results and financial position of the Bank.

Other litigations

As at 31 December 2014, the Bank was involved in the normal course of its business in a number of 3,710 other litigation as defendant, out of which in 1,146 cases the value of claims are mentioned.

According to the internal procedure of bank's Legal Department relating to the litigations evaluation as required by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", on December 2014, the Bank recorded provisions for litigations in total amount of RON 70.23 million. 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 2014.

Unfair terms

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

Following these changes, litigations under the Ordinance 50 were generally dismissed by the Courts and the Bank won most of cases. However, clients have continued to take court actions against the Bank on the grounds of Law no.193/2000 on unfair terms in contracts with consumers, as subsequently modified, that transposes into national law the Directive no. 1993/13/EC on unfair terms in consumer contracts. Taking into consideration the nature of claims filed in the pending litigations in Q4 2014 and the win/loss ratio recorded in these cases, the bank established a general provision for the litigation's risk rezulted from this category of cases.

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

As at 31 December 2014, the Bank management based on significant input from departments involved and considering the expected establishment, by the Ministry of Justice, of a specialized court on matters related to consumer protection, including class-actions, assessed the matter and concluded that the provision for litigation have been adequately addressed. However, given the complexity and inherent uncertainties related to the outcome of possible scenarios regarding the new law application, the Bank's estimates of the provisions needed may differ from actual obligations resulting from the completion of such legal disputes in future periods.

45. ANALYSIS OF REMAINING MATURITIES

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

				Group
	December 2013		December 2014	
in RON thousands	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	9,586,006	-	8,235,167	-
Financial assets - held for trading	373,598	-	238,653	132,176
Derivatives	42,781	-	58,805	96,171
Other trading assets	330,817	-	179,848	36,005
Financial assets - designated at fair value through profit or loss	-	34,351	-	24,587
Financial assets - available-for-sale	730,276	4,489,486	918,010	6,737,051
Financial assets - held to maturity	2,598,473	7,636,783	2,518,320	7,059,856
Loans and receivables to credit institutions	507,736	-	416,351	108,930
Loans and receivables to customers	9,046,527	28,955,862	9,762,177	22,803,889
Derivatives - hedge accounting	1,141	38,092	-	-
Property and equipment	-	1,501,552	-	1,056,610
Investment properties	-	44,134	-	-
Intangible assets	-	387,352	-	218,461
Investments in associates and joint ventures	-	14,297	-	15,289
Tax assets	90,061	314,526	598,026	17,230
Assets held for sale	107,433	-	335,680	-
Other assets	271,111		249,405	178,746
TOTAL ASSETS	**23,312,362**	**43,416,435**	**23,271,789**	**38,352,825**
Finanacial liabilities - held for trading	66,061	-	26,397	43,730
Derivatives	66,061	-	26,397	43,730
Financial liabilities measured at amortised cost	40,694,313	16,875,776	40,678,956	14,885,074
Deposits from banks	4,266,338	13,885,506	3,513,751	10,677,363
Deposits from customers	35,416,891	2,031,319	36,759,126	3,163,503
Debt securities issued	570,877	958,951	-	1,044,208
Other financial liabilities	440,207	-	406,079	-
Derivatives - hedge accounting	543,035	544,231	554,005	-
Provisions	4,906	395,951	88,865	258,534
Current tax liabilities	2,228	-	695	-
Deferred tax liabilities	2,492	1,328	9,224	492
Other liabilities	175,226	-	168,487	-
TOTAL LIABILITIES	**41,488,261**	**17,817,286**	**41,526,629**	**15,187,830**

45. ANALYSIS OF REMAINING MATURITIES (continued)

Bank

in RON thousands	December 2013 < 1 year	December 2013 > 1 year	December 2014 < 1 year	December 2014 > 1 year
Cash and cash balances	9,545,662	-	8,158,441	-
Financial assets - held for trading	371,763	-	238,653	132,176
Derivatives	40,946	-	58,805	96,171
Other trading assets	330,817	-	179,848	36,005
Financial assets designated at fair value through profit or loss	-	34,351	-	24,587
Financial assets - available for sale	616,359	3,836,901	842,402	5,793,021
Financial assets - held to maturity	2,140,800	6,869,139	2,064,148	6,365,269
Loans and receivables to credit institutions	435,974	47,288	371,736	108,930
Loans and receivables to customers	9,418,635	28,541,582	9,753,570	23,183,703
Derivatives - hedge accounting	1,141	38,092	-	-
Property and equipment	-	314,334	-	222,539
Intangible assets	-	206,146	-	206,874
Investments in associates	-	7,509	-	7,509
Tax assets	89,042	314,563	592,930	-
Non-current assets and disposal groups classified as held for sale	-	-	37,678	-
Other assets	680,682	-	66,168	866,800
TOTAL ASSETS	**23,300,058**	**40,209,905**	**22,125,726**	**36,911,408**
Financial liabilities held for trading	66,061	-	26,397	43,730
Derivatives	66,061	-	26,397	43,730
Financial liabilities measured at amortised costs	39,379,692	14,979,178	39,562,338	13,310,103
Deposits from banks	3,274,784	13,503,629	3,212,807	10,651,315
Deposits from customers	35,230,267	516,597	35,977,881	1,614,580
Debt securities issued	434,434	958,952	-	1,044,208
Other financial liabilities	440,207	-	371,650	-
Derivatives - hedge accounting	543,035	544,231	554,005	-
Provisions	-	395,953	91,551	251,143
Other Liabilities	121,963	-	86,970	-
TOTAL LIABILITIES	**40,110,751**	**15,919,362**	**40,321,261**	**13,604,976**

The tables below summarize the maturity profile of the financial liabilities at 31 December 2014 and at 31 December 2013 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Group and the Bank expect that many customers will not request repayment on the earliest date the Group or the Bank could be required to pay and the tables do not reflect the expected cash-flows indicated by the Group's and the Bank's deposit retention history.

Group

in RON thousands	December 2013 < 1 year	December 2013 > 1 year	December 2014 < 1 year	December 2014 > 1 year
Financial liabilities measured at amortised costs	40,594,934	19,151,410	40,668,884	16,483,719
Deposits from banks	4,342,071	15,857,397	3,569,887	12,042,013
Deposits from customers	35,921,907	2,263,153	37,098,997	3,397,498
Debt securities issued	330,956	1,030,860	-	1,044,208
TOTAL LIABILITIES	**40,594,934**	**19,151,410**	**40,668,884**	**16,483,719**

Bank

in RON thousands	December 2013 < 1 year	December 2013 > 1 year	December 2014 < 1 year	December 2014 > 1 year
Financial liabilities measured at amortised costs	39,501,892	16,974,085	39,767,608	14,790,850
Deposits from banks	3,332,916	15,421,289	3,264,135	12,012,636
Deposits from customers	35,732,620	575,556	36,310,528	1,734,006
Debt securities issued	436,356	977,240	192,945	1,044,208
TOTAL LIABILITIES	**39,501,892**	**16,974,085**	**39,767,608**	**14,790,850**

45. ANALYSIS OF REMAINING MATURITIES (continued)

The table below show the contractual expiry by maturity of the contingent liabilities and commitments:

Group

in RON thousands	December 2013 <1 an	December 2013 >1 an	December 2014 <1 an	December 2014 >1 an
Contingent liabilities	1,298,910	1,329,412	2,735,102	447,134
Commitments	5,132,051	942,348	4,152,403	1,005,046
Total	6,430,961	2,271,760	6,887,505	1,452,180

Bank

in RON thousands	December 2013 <1 an	December 2013 >1 an	December 2014 <1 an	December 2014 >1 an
Contingent liabilities	1,429,073	1,329,412	2,707,443	448,677
Commitments	5,506,534	942,348	4,270,744	1,065,225
Total	6,935,607	2,271,760	6,978,187	1,513,902

46. COUNTRY BY COUNTRY REPORTING

2013 Group

Country	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Romania	3,981,970	58,822	534,134	11,116
Moldova	18,651	7,947	(2,187)	77
Total	4,000,621	66,769	531,947	11,193

2014 Group

Country	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Romania	3,372,760	(3,039,626)	244,215	14,027
Moldova	16,584	1,761	(367)	-
Total	3,389,344	(3,037,865)	243,848	14,027

47. EVENTS AFTER THE BALANCE SHEET DATE

No subsequent events occurred after the reporting period.

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Adriana Jankovicova

AUTHORISED PERSON,
First name and name
Signature

Executive Director Accounting Division,

Rastislav Kovacik