Banca Transilvania S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

For the year ended 31 DECEMBER 2015

Free translation

Banca Transilvania S.A.

CONTENTS

Banca Transilvania S.A.

Consolidated and separate statement of profit and loss

For the year ended 31 December

		Group		Bank	
	Note	2015	2014	2015	2014
		RON thousand	*RON thousand*	*RON thousand*	*RON thousand*
Interest income		2,416,940	1,797,538	2,369,835	1,756,615
Interest expense		(464,655)	(621,863)	(459,941)	(619,013)
Net interest income	8	**1,952,285**	**1,175,675**	**1,909,894**	**1,137,602**
Fee and commission income		603,085	514,135	582,247	498,843
Fee and commission expense		(116,099)	(88,586)	(124,731)	(90,456)
Net fee and commission income	9	**486,986**	**425,549**	**457,516**	**408,387**
Net trading income	10	179,877	126,795	179,428	126,805
Net gain from sale of available-for-sale financial instruments	11	222,208	339,082	222,086	338,784
Contribution to the Banking Deposits Guarantee Fund		(95,308)	(73,152)	(95,308)	(73,152)
Other operating income	12	108,212	62,664	81,879	39,468
Operating income		**2,854,260**	**2,056,613**	**2,755,495**	**1,977,894**
Net impairment allowance on assets, provisions for other risks and loan commitments	13	(797,624)	(663,023)	(795,064)	(645,645)
Personnel expenses	14	(676,742)	(474,422)	(650,324)	(450,407)
Depreciation and amortization	24,25	(91,662)	(66,148)	(77,616)	(57,385)
Other operating expenses	15	(638,117)	(337,384)	(617,962)	(319,410)
Operating expenses		**(2,204,145)**	**(1,540,977)**	**(2,140,966)**	**(1,472,847)**
Gain from acquisitions		1,650,600	-	1,650,600	-
Profit before income tax		**2,300,715**	**515,636**	**2,265,129**	**505,047**
Income tax revenue/expense	16	147,302	(73,183)	152,539	(70,717)
Profit for the year		**2,448,017**	**442,453**	**2,417,668**	**434,330**
Profit for the year attributable to:					
Equity holders of the Bank		2,446,129	441,085	-	-
Non-controlling interests		1,888	1,368	-	-
Profit for the year		**2,448,017**	**442,453**	**2,417,668**	**434,330**
Basic earnings per share	39	**0.8084**	**0.1479**	-	-
Diluted earnings per share	39	**0.8039**	**0.1471**	-	-

The accompanying notes from pages 10 to 99 form an integral part of these financial statements.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

Banca Transilvania S.A.

Consolidated and separate statement of other comprehensive income

For the year ended 31 December

	Note	Group		Bank	
		2015	**2014**	**2015**	**2014**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Profit for the year		**2,448,017**	**442,453**	**2,417,668**	**434,330**
Items that cannot be reclassified as profit or loss, net of tax		**156**	**-254**	**573**	**751**
Increases / decreases from revaluation of property and equipment, net of tax		909	(1,626)	909	447
Other elements of comprehensive income		(753)	1,372	(336)	304
Items which are or may be reclassified as profit or loss					
Fair value reserve (available-for-sale financial assets) net of tax, out of which:		(14,386)	102,075	(13,214)	103,832
Net gain from the sale of available-for-sale financial instruments transferred to profit and loss account		(186,654)	(284,829)	(186,552)	(284,579)
Fair value changes of available-for-sale financial instruments, net of tax		172,268	386,904	173,338	388,411
Total comprehensive income		**2,433,787**	**544,274**	**2,405,027**	**538,913**
Total comprehensive income attributable to:					
Equity holders of the Bank		2,431,899	542,906	-	-
Non-controlling interest		1,888	1,368	-	-
Total comprehensive income		**2,433,787**	**544,274**	**2,405,027**	**538,913**

The financial statements were approved by the Board of Directors on 25 March 2016 and were signed on its behalf by:

Horia Ciorcila
Chairman

George Calinescu
Deputy CEO-CFO

Refer to the originally signed Romanian version

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Consolidated and separate statement of financial position

As at 31 December

	Note	Group 2015 RON thousand	Group 2014 RON thousand	Bank 2015 RON thousand	Bank 2014 RON thousand
Assets					
Cash and cash equivalents	17	5,109,102	4,234,181	5,104,871	4,225,966
Placements with banks	18	3,797,692	2,387,058	3,782,508	2,378,906
Financial assets at fair value through profit and loss	19	161,028	143,931	56,819	52,311
Loans and advances to customers	20	24,894,560	17,418,689	25,107,527	17,517,192
Net finance lease investments	21	331,054	244,274	-	-
Investment securities, available-for-sale	22	12,242,959	10,771,835	12,332,576	10,852,865
Investment securities, held-to-maturity	22	12,942	-	-	-
Equity investments	23	-	-	84,886	74,856
Property and equipment	24	452,266	339,721	337,076	289,662
Intangible assets	25	74,472	72,240	72,425	70,466
Goodwill	25	376	376	-	-
Deferred tax assets	26	113,906	-	111,162	-
Other assets	27	388,735	183,622	352,815	157,288
Total assets		**47,579,092**	**35,795,927**	**47,342,665**	**35,619,512**
Liabilities					
Deposits from banks	29	388,425	133,348	388,425	133,348
Deposits from customers	30	38,301,741	29,994,916	38,395,292	30,045,502
Loans from banks and other financial institutions	31	1,129,702	1,052,687	985,142	949,053
Other subordinated liabilities	32	416,424	394,743	416,352	394,658
Deferred tax liabilities	26	-	41,040	-	43,716
Provisions for other risks and for loan commitments	33	708,199	52,012	705,596	49,624
Other liabilities	34	360,140	316,034	334,097	301,650
Total liabilities excluding financial liabilities to holders of fund units		**41,304,631**	**31,984,780**	**41,224,904**	**31,917,551**
Financial liabilities to holders of fund units		**33,648**	**13,884**	**-**	**-**
Total liabilities		**41,338,279**	**31,998,664**	**41,224,904**	**31,917,551**
Equity					
Share capital	35	3,112,505	2,695,125	3,112,505	2,695,125
Treasury shares		(11,806)	(21,253)	-	(10,468)
Share premiums		28,316	38,873	28,316	38,873
Retained earnings		2,523,109	597,213	2,389,102	490,160
Revaluation reserves		26,470	27,000	27,377	27,852
Reserves from available-for-sale assets	36	175,511	189,897	187,928	201,142
Other reserves	36	380,588	266,241	372,533	259,277
Total equity attributable to equity holders of the Bank		**6,234,693**	**3,793,096**	**6,117,761**	**3,701,961**
Non-controlling interest		6,120	4,167	-	-
Total equity		**6,240,813**	**3,797,263**	**6,117,761**	**3,701,961**
Total liabilities and equity		**47,579,092**	**35,795,927**	**47,342,665**	**35,619,512**

The financial statements were approved by the Board of Directors on 25 March 2016 and were signed on its behalf by:

Horia Ciorcila
Chairman

Refer to the originally signed Romanian version

George Calinescu
Deputy CEO – CFO

Refer to the originally signed Romanian version

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Banca Transilvania S.A.

Consolidated statement of changes in equity

For the year ended 31 December

Group	Attributable to the equity holders of the Bank								
In RON thousand	**Share capital**	**Treasury shares**	**Share premium**	**Revaluation reserves**	**Reserves for financial assets available-for-sale**	**Other reserves**	**Retained earnings**	**Non-controlling interest**	**Total**
Balance as at 31 December 2014	**2,695,125**	**(21,253)**	**38,873**	**27,000**	**189,897**	**266,241**	**597,213**	**4,167**	**3,797,263**
Total comprehensive income for the period									
Profit for the year	-	-	-	-		-	2,446,129	1,888	**2,448,017**
Other comprehensive income, net of income tax									
Fair value gains / (losses) from available-for-sale financial assets (net of deferred tax)	-	-	-	-	(14,386)	-	-	-	**(14,386)**
Revaluation of property and equipment, net of income tax	-	-	-	909	-	-	-	-	**909**
Retained earnings from revaluation reserves	-	-	-	(1,439)	-	-	1,439	-	**-**
Distribution to statutory reserves	-	-	-	-	-	114,347	(114,347)	-	**-**
Other elements of comprehensive income	-	-	-	-	-	-	(753)	-	**(753)**
Total comprehensive income	**-**	**-**	**-**	**(530)**	**(14,386)**	**114,347**	**2,332,468**	**1,888**	**2,433,787**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of profit reserves	406,823	-	-	-	-	-	(406,823)	-	**-**
Increase in share capital through share premium incorporation	10,557	-	(10,557)	-	-	-	-	-	**-**
Acquisition of treasury shares	-	(65,857)	-	-	-	-	-	-	**(65,857)**
Share-based payments	-	75,304	-	-	-	-	251	-	**75,555**
Non-controlling interest	-	-	-	-	-	-	-	65	**65**
Total contributions of/distributions to the shareholders	**417,380**	**9,447**	**(10,557)**	**-**	**-**	**-**	**(406,572)**	**65**	**9,763**
Balance at 31 December 2015	**3,112,505**	**(11,806)**	**28,316**	**26,470**	**175,511**	**380,588**	**2,523,109**	**6,120**	**6,240,813**

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Banca Transilvania S.A.

Consolidated statement of changes in equity

For the year ended 31 December

Group	Attributable to the equity holders of the Bank								
In RON thousand	**Share capital**	**Treasury shares**	**Share premium**	**Revaluation reserves**	**Reserves for financial assets available-for-sale**	**Other reserves**	**Retained earnings**	**Non-controlling interest**	**Total**
Balance as at 31 December 2013	**2,292,937**	**(1,075)**	**-**	**30,218**	**87,822**	**239,870**	**530,372**	**2,649**	**3,182,793**
Total comprehensive income for the period									
Profit for the year	-	-	-	-	-	-	441,085	1,368	**442,453**
Other comprehensive income, net of income tax									
Fair value gains (losses) from available-for-sale financial assets (net of deferred tax)	-	-	-	-	102,075	-	-	-	**102,075**
Revaluation of property and equipment, net of income tax	-	-	-	(1,626)	-	-	-	-	**(1,626)**
Retained earnings from revaluation reserves	-	-	-	(1,592)	-	-	1,592	-	**-**
Distribution to statutory reserves	-	-	-	-	-	26,371	(26,371)	-	**-**
Other elements of comprehensive income	-	-	-	-	-	-	1,372		**1,372**
Total comprehensive income	**-**	**-**	**-**	**(3,218)**	**102,075**	**26,371**	**417,678**	**1,368**	**544,274**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of profit reserves	352,743	-	-	-	-	-	(352,743)	-	**-**
Increase in share capital through the conversion of subordinated debt into shares	49,445	-	38,873	-	-	-	-	-	**88,318**
Acquisition of treasury shares	-	(38,345)	-	-	-	-	-	-	**(38,345)**
Share-based payments	-	18,167	-	-	-	-	1,906	-	**20,073**
Non-controlling interest	-	-	-	-	-	-	-	150	**150**
Total contributions of/distributions to the shareholders	**402,188**	**(20,178)**	**38,873**	**-**	**-**	**-**	**(350,837)**	**150**	**70,196**
Balance at 31 December 2014	**2,695,125**	**(21,253)**	**38,873**	**27,000**	**189,897**	**266,241**	**597,213**	**4,167**	**3,797,263**

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Separate statement of changes in equity

For the year ended 31 December

Bank	Attributable to the equity holders of the Bank							
In RON thousand	**Share capital**	**Treasury shares**	**Share premium**	**Revaluation reserves**	**Reserves for financial assets available-for-sale**	**Other reserves**	**Retained earnings**	**Total**
Balance as at 31 December 2014	**2,695,125**	**(10,468)**	**38,873**	**27,852**	**201,142**	**259,277**	**490,160**	**3,701,961**
Total comprehensive income for the period								
Profit for the year	-	-	-	-	-	-	2,417,668	**2,417,668**
Other comprehensive income, net of income tax								
Fair value gains/(losses) from available-for-sale financial assets (net of deferred tax)	-	-	-	-	(13,214)	-	-	**(13,214)**
Revaluation of property and equipment, net of income tax	-	-	-	909	-	-	-	909
Retained earnings from revaluation reserves		-		(1,384)	-	-	1,384	-
Distribution to statutory reserves	-	-	-	-		113,256	(113,256)	-
Other elements of comprehensive income	-	-	-	-	-	-	(336)	(336)
Total comprehensive income	**-**	**-**	**-**	**(475)**	**(13,214)**	**113,256**	**2,305,460**	**2,405,027**
Contributions of/distributions to the shareholders								
Increase in share capital through the conversion of profit reserves	406,823	-	-	-	-	-	(406,823)	-
Increase in share capital through share premium incorporation	10,557	-	(10,557)	-	-	-	-	-
Acquisition of treasury shares	-	(65,857)	-	-	-	-	-	(65,857)
Share-based payments	-	76,325	-	-	-	-	305	76,630
Total contributions of/distributions to the shareholders	**417,380**	**10,468**	**(10,557)**	**-**	**-**	**-**	**(406,518)**	**10,773**
Balance at 31 December 2015	**3,112,505**	**-**	**28,316**	**27,377**	**187,928**	**372,533**	**2,389,102**	**6,117,761**

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Banca Transilvania S.A.

Separate statement of changes in equity

For the year ended 31 December

Bank	Attributable to the equity holders of the Bank							
In RON thousand	**Share capital**	**Treasury shares**	**Share premium**	**Revaluation reserves**	**Reserves for financial assets available-for-sale**	**Other reserves**	**Retained earnings**	**Total**
Balance at 31 December 2013	**2,292,937**	**(818)**	**-**	**28,997**	**97,310**	**234,025**	**430,043**	**3,082,494**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	434,330	**434,330**
Other comprehensive income, net of income tax								
Fair value gains/(losses) from available-for-sale financial assets (net of deferred tax)	-	-	-	-	103,832	-	-	**103,832**
Revaluation of property and equipment, net of income tax	-	-	-	447	-	-	-	**447**
Retained earnings from revaluation reserves	-	-	-	(1,592)	-	-	1,592	**-**
Distribution to statutory reserves	-	-	-	-	-	25,252	(25,252)	**-**
Other comprehensive income	-	-	-	-	-	-	304	**304**
Total comprehensive income	**-**	**-**	**-**	**1.145**	**103,832**	**25,252**	**410,974**	**538,913**
Contributions of/distributions to the shareholders								
Increase in share capital through the conversion of profit reserves	352,743	-	-	-	-	-	(352,743)	-
Increase in share capital through the conversion of subordinated debt into shares	49,445	-	38,873	-	-	-	-	**88,318**
Acquisition of treasury shares	-	(27,817)	-	-	-	-	-	**(27,817)**
Share-based payments	**-**	18,167	-	**-**	**-**	**-**	1,886	**20,053**
Total contributions of/distributions to the shareholders	**402,188**	**(9,650)**	**38,873**	**-**	**-**	**-**	**(350,857)**	**80,554**
Balance at 31 December 2014	**2,695,125**	**(10,468)**	**38,873**	**27,852**	**201,142**	**259,277**	**490,160**	**3,701,961**

The accompanying notes from pages 10 to 99 form an integral part of these financial statements.

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Banca Transilvania S.A.

Consolidated and separate statement of cash flows

For the year ended 31 December

In RON thousand	Note	Group 2015	Group 2014	Bank 2015	Bank 2014
Cash flow from/(used in) operating activities					
Profit for the year		**2,448,017**	**442,453**	**2,417,668**	**434,330**
Adjustments:					
Depreciation and amortization	24,25	91,662	66,148	77,616	57,407
Impairment allowance and write-offs of financial assets, provisions for other risks and loan commitments	13	858,115	684,440	855,554	667,062
Adjustment of financial assets at fair value through profit and loss		2,343	11,815	2,321	9,867
Income from the increase of the recoverable value of newly acquired loans		(531,147)	-	(531,147)	-
Gain from acquisitions		(1,650,600)	-	(1,650,600)	-
Income tax expenses / revenues	16	(147,302)	73,183	(152,539)	70,717
Other adjustments		27,691	(5,058)	48,684	(18,437)
Net profit adjusted with non-monetary elements		**1,098,779**	**1,272,981**	**1,067,557**	**1,220,946**
Changes in operating assets and liabilities					
Change in investment securities		85,565	(1,792,727)	127,843	(1,752,249)
Change in placements with banks		(335,870)	(19,571)	(376,670)	(88,853)
Change in loans and advances to customers		(1,983,501)	(1,527,359)	(2,119,432)	(1,531,093)
Change in net lease investments		(93,609)	(853)	-	-
Change in financial assets at fair value through profit or loss		(19,440)	(73,464)	(6,829)	(51,056)
Change in other assets		(147,945)	(37,168)	(141,402)	(30,637)
Change in deposits from customers		3,966,720	4,276,765	4,009,708	4,264,530
Change in deposits from banks		255,077	(285,198)	255,078	(285,198)
Change in other liabilities		(74,472)	(34,996)	(114,987)	9,585
Income tax paid		(203,552)	(68,826)	(196,400)	(67,341)
Net cash from/ (used in) operating activities		**2,547,752**	**1,709,584**	**2,504,466**	**1,688,634**
Cash flow from / (used in) investment activities					
Net acquisitions of tangible and intangible assets		(137,510)	(61,199)	(58,059)	(38,709)
Acquisition of equity investments (*)		(211,342)	-	(221,372)	(900)
Dividends collected	12	3,258	1,912	9,800	3,956
Net cash flow from / (used in) investment activities		**(345,594)**	**(59,287)**	**(269,631)**	**(35,653)**
Cash flow from / (used in) financing activities					
Net proceeds/(payments) from borrowings from banks and other financial institutions, subordinated liabilities and debt securities issued		85,697	(946,387)	46,225	(970,305)
Acquisition of held-to-maturity financial assets		(12,942)		-	-
Payments for treasury shares		(65,857)	(38,345)	(65,857)	(27,817)
Net cash flow from financing activities		**6,898**	**(984,732)**	**(19,632)**	**(998,122)**

The accompanying notes from pages 10 to 99 form an integral part of these financial statements.

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(*) Cash and cash equivalents acquired from business combination is presented in Note 28

Consolidated and separate statement of cash flows *(continued)*

For the year ended 31 December

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Net increase / (decrease) in cash and cash equivalents	2,209,056	665,565	2,215,203	654,859
Cash and cash equivalents at 1 January	6,398,180	5,732,615	6,381,816	5,726,957
Cash and cash equivalents at 31 December	**8,607,236**	**6,398,180**	**8,597,019**	**6,381,816**

Reconciliation of cash and cash equivalents with the separated and consolidated statement of financial position

In RON thousand	Note	Group 2015	Group 2014	Bank 2015	Bank 2014
Cash and cash equivalents	17	5,109,102	4,234,181	5,104,871	4,225,966
Placements with banks, less than 3 months maturity		3,498,775	2,164,518	3,492,715	2,156,367
Less accrued interest		(641)	(519)	(567)	(517)
Cash and cash equivalents in the cash flow statement		**8,607,236**	**6,398,180**	**8,597,019**	**6,381,816**

Cash flows from operating activities include:

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Interest collected	1,823,033	1,827,890	1,774,220	1,786,856
Interest paid	491,711	646,654	487,103	643,890

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1. Reporting entity

Banca Transilvania S.A.

Banca Transilvania S.A. (the "Bank") was incorporated in Romania in 1993 and is licensed by the National Bank of Romania to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for legal entities and individuals.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 60 branches, 455 agencies, 31 bank units, 9 healthcare division units throughout the country and 1 regional office located in Bucharest (2014: 60 branches, 438 agencies, 31 bank units, 9 healthcare division units si 1 regional center located in Bucharest). The Bank accepts deposits and grants loans, performs fund transfers in Romania and abroad, exchanges currencies and provides banking services for its corporate and retail customers.

In 2013 the Bank opened a branch in Italy, which began its operational activity in 2014. The balance sheet structure of Italy branch as at 31 December 2015, excluding operations with the bank was the following: total assets RON 4,646 thousand, total liabilities RON 10,412 thousand, shareholders' equity RON (5,766) (2014: total assets RON 3,369 thousand, total liabilities RON 4,384 thousand, equity RON 1,015 thousand).

On December 10, 2014, the Group signed the acquisition contract for 100% of the shares of Volksbank Romania S.A. The Group took the control over Volksbank Romania S.A. on April 7, 2015 (see Note 28). On 30 December 2015, the legal merger through absorption between Banca Transilvania S.A. (as merging company) and Volskbank Romania S.A. (as merged company) was finalised – see Note 3ae.

Further to the merger, the absorbing Bank took over all the rights and obligations of the absorbed bank Volksbank Romania S.A., which was dissolved without liquidation by transferring all the accounting assets and liabilities, as well as the rights and obligations to the absorbing Bank.

The Bank's number of active employees as at 31 December 2015 was 6,854 (31 December 2014: 6,236).

The registered address of the Bank is 8 George Baritiu Street, Cluj-Napoca, Romania.

The ownership structure of the Bank is presented below (specific holdings over 10% are listed below):

	31 December 2015	**31 December 2014**
European Bank for Reconstruction and Development ("EBRD")	11.46%	14.33%
Romanian individuals	16.77%	17.70%
Romanian companies	32.99%	31.30%
Foreign individuals	1.89%	2.00%
Foreign companies	36.89%	34.67%
Total	**100%**	**100%**

The Bank's shares are listed on the Bucharest Stock Exchange and are traded under the symbol TLV.

Banca Transilvania Group (the "Group") includes the parent bank, Banca Transilvania S.A., (the "Bank") and its subsidiaries domiciled in Romania and Moldova. The consolidated financial statements of the Group for the year ended 31 December 2015 include the financial statements of the Bank and its subsidiaries, together referred to as the "Group". The subsidiaries include the following companies:

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

1. Reporting entity *(continued)*

Subsidiary	Field of activity	31 December 2015	31 December 2014
BT Securities S.A.	Investments	99.40%	98.68%
BT Leasing Transilvania IFN S.A.	Leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
BT Direct IFN S.A.	Consumer loans	100.00%	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management S.A.I S.A.	Asset management	80.00%	80.00%
BT Solution Agent de Asigurare S.R.L.	Insurance broker	99.95%	95.00%
BT Asiom Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Compania de Factoring S.R.L.	Factoring	100.00%	100.00%
BT Operational Leasing S.A.	Leasing	94.73%	94.73%
BT Leasing MD SRL	Leasing	100.00%	100.00%
BT Transilvania Imagistica S.A.	Other healthcare activities	89.71%	88.38%
Improvement Credit Collection SRL	Activity of the collection agents and credit reporting bureaus	100.00%	100.00%

The Group has the following lines of business: banking - performed by Banca Transilvania S.A. ("the Bank"), leasing and consumer finance - performed mainly by BT Leasing Transilvania IFN S.A., BT Operational Leasing S.A., BT Direct IFN S.A and BT Leasing MD S.R.L, asset management - performed by BT Asset Management S.A.I S.A. The consolidation basis also includes 3 investment funds (see the policy regarding the adoption of IFRS 10 "Consolidated Financial Statements", Note 3a).

The Group's number of active employees as at 31 December 2015 was 7,227 (31 December 2014: 6,576).

BT Leasing Transilvania IFN S.A.

BT Leasing Transilvania IFN S.A. was incorporated in 1995 as a privately owned joint-stock company, established under the Romanian laws. It was initially incorporated under the name of BT Leasing Transilvania S.A., which was changed to the current name in February 2003. The company operates through its head office located in Cluj-Napoca, 1 agency and 20 working points (2014: 1 agency si 23 working points) throughout the country. The company leases various types of vehicles and technical equipment.

The number of active employees at 31 December 2015 was 105 (2014: 105).
The registered address of BT Leasing Transilvania IFN S.A. is: 1 Baritiu Street, Cluj-Napoca, Romania

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

1. Reporting entity *(continued)*

BT Asset Management SAI S.A.

BT Asset Management SAI S.A. is a commercial company, member of Banca Transilvania Financial Group, which is operating in the management of open investment funds established in Romania or other EU member states, as well as in the management of closed investment funds subject to prudential oversight.

BT Asset Management SAI S.A. provides a full range of investment products, from fixed income funds, diversified investment funds, index funds to equity funds. The opening to the capital market is provided to customers through investments in Romania and other EU member states (mainly Austria); investments are available both in lei and euro.

As at 31 December 2015, the number of employees was 23 (2014: 23).

The registered address of BT Asset Management SAI S.A. is: Maestro Business Center, 21 Decembrie 1989 Blvd. no. 104, Cluj-Napoca, Romania.

BT Securities S.A.

BT Securities S.A. was established in 2003 as a result of the change of the name and of the registered address of the company Transilvania Capital Invest. The company's main operating activity is represented by financial brokerage and fund management (financial agents), but also activities related to financial brokerage.

During 2015, BT Securities SA carried out its activity on the Romanian capital market in the context of increased share value of the main listed companies as a result of macroeconomic stability, but such increase was not reflected in traded volumes.

As at 31 December 2015, the number of employees was 58 (2014: 62). BT Securities S.A. is operating through its head office located in Maestro Business Center, 21 Decembrie 1989 Blvd. no. 104, first floor, Cluj-Napoca, Romania and also through 11 units.

BT Direct IFN SA

BT Direct IFN SA is a non-banking financial institution set up in 2003. The company's activity object is represented by retail financing, through consumer loans granted to individuals.

During 2015, BT Direct IFN SA increased its loan portfolio (comprising consumer loans and personal needs loans), by 52% compared to 2014, the balance of such loans as at the end of 2015 being of RON 113 million.

As at 31 December 2015, the number of active employees was 39 (2014: 29).
BT Direct IFN SA operates through its head office located at the following address: 1 George Baritiu Street, Cluj-Napoca, Romania.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Group and the Bank have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, effective as at the Group's and Bank's annual reporting date, 31 December 2015.

As at 31 December 2015, the following entities applied the IFRS as a basis of preparation: Banca Transilvania S.A. (starting 1 January 2012), BT Asset Management SAI and BT Securities S.A. All other entities in the Group apply the statutory reporting standards according to the applicable regulation in force as at the reporting date.

Differences between the IFRS financial statements and the statutory financial statements of the subsidiaries

The subsidiaries, except those mentioned above, maintain their accounting records in accordance with the accounting legislation applicable in Romania and the Republic of Moldova. All such accounts of the subsidiaries are defined hereafter as statutory accounts.

These accounts have been restated to reflect the differences between the statutory accounts and IFRS. Accordingly, adjustments have been operated on the statutory accounts, where considered necessary, in order to align the consolidated financial statements with the IFRS in all material aspects.

The major changes applied to the statutory financial statements of the subsidiaries in order to bring them in line with the International Financial Reporting Standards as endorsed by the European Union are:

- the grouping of several detailed items into broader captions;
- fair value and impairment adjustments of financial instruments required in accordance with IAS 39 ("Financial Instruments – Recognition and Measurement');
- deferred taxes, and
- presentation of the necessary information in accordance with the IFRS.

b) Basis of measurement

The separate and consolidated financial statements were prepared on a historical cost basis, except the available-for-sale investments, derivatives, other assets and liabilities available-for-sale, that are all carried at fair value.

Other financial assets and liabilities as well as the non-financial assets and liabilities are presented at amortised cost, revaluated amount or historical cost. Non-current assets held for sale are stated at the lower value between the net book value and the fair value, less the cost of sale.

c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured by using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the entities within the Group is the Romanian leu "RON", EUR and the Moldovan leu "MDL". The consolidated financial statements are presented in Romanian lei "RON", rounded to the nearest thousand.

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2. Basis of preparation (*continued*)

d) Use of estimates and judgments

The preparation of the separate and consolidated financial statements in accordance with the IFRS as endorsed by the European Union implies that the management uses estimations and judgments that affect the application of accounting policies, as well as the reported value of assets, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances, the result of which forms the basis of the judgments used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. The review of the accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.

Information about estimates used in the application of the accounting policies which have a significant impact on the consolidated financial statements, as well as the estimates involving a significant degree of uncertainty, are described in Notes 4 and 5.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently by the Bank and the Group entities throughout all the periods presented in these consolidated and separate financial statements.

a) Basis for consolidation

The Group adopted the following amended IFRS standards as at 1 January 2014:

- IFRS 10 “Consolidated financial statements”
- IAS 27 “Separate financial statements”
- IFRS 11 “Joint arrangements”
- IFRS 12 “Disclosures of interests in other entities”
- IAS 28 (2011) “Investments in associates and joint ventures”

IFRS 10 “Consolidated financial statements”

IFRS 10 replaces the section of IAS 27 Consolidated and Separate Financial Statements which address the accounting of consolidated financial statements. It also addresses issues included 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 require the management to exercise significant judgments to determine which entities are controlled and must therefore be consolidated by a parent entity, compared to the requirements of IAS 27. According to IFRS 10, an investor controls an investee if and only if the investor has all of the following elements: 1) power over the investee; 2) exposure, or rights to variable returns from its involvement within the investee; 3) the ability to use its power over the investee to affect the amount of the investor's returns. The list of the Group’s subsidiaries is presented in Note 1.

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3. Significant accounting policies (*continued*)

a) Basis of consolidation *(*continued*)*

IAS 27 "Separate financial statements" (reviewed)

As a result of the new standards IFRS 10 and IFRS 12, the remaining provisions of IAS 27 are limited to the accounting of subsidiaries, jointly controlled entities and associates in the separate financial statements.

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 of accounting for jointly controlled entities (ECC) by applying proportional consolidation. Instead, the ECC meeting the definition of a joint venture shall be accounted for through the equity method. The adoption of this standard had no impact on the consolidated and separate financial statements.

IFRS 12 "Disclosures of interests in other entities"

IFRS 12 includes all disclosures previously provided in IAS 27 on the consolidated financial statements and all other information provided previously in IAS 28 and IAS 31. The disclosures refer to an entity's investments in subsidiaries, joint ventures, associates and structured entities. There is also new information to be provided. The adoption of this standard had no impact on disclosures in the consolidated and separate financial statements.

IAS 28 "Investments in associates and joint ventures" (reviewed)

As a result of the new standards IFRS 11 "Joint Ventures" and IFRS 12 "Disclosure of interests in other entities", IAS 28 "Investments in Associates" was renamed to become IAS 28 "Investments in Associates and Joint Ventures" and describes the application of the equity method for investments in joint ventures in addition to investments in associates.

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. An investor controls an investee when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The Bank consolidates the financial statements of its subsidiaries in accordance with IFRS 10. The list of Group subsidiaries is presented in Note 1.

(ii) Non-controlling interest

The parent company presents the non-controlling interest in its consolidated financial position within equity, separated from the equity of the parent company's owners.

The non-controlling interest is measured proportionally with the percentage held in the net assets of the subsidiary. Changes in a parent's ownership interest in a subsidiary, which do not result in the loss of parent control of the subsidiary, are reflected as equity transactions.

(iii) Loss of control

If the parent loses the control of a subsidiary, it derecognises the assets (including goodwill), the liabilities and the book value of any non-controlling interest at the date such control is lost. Any gain or loss arising from the loss of control is recognised in the profit or loss account.

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3. Significant accounting policies (*continued*)

a) Basis of consolidation *(continued)*

(iii) Loss of control (continued)

At the date when the control is lost, the parent company recognises any retained interest in the former subsidiary at fair value.

(iv) Management of investment funds

The Group manages and administrates assets invested in fund units on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements, except when the Group controls the entity by holding authority, exposure or rights over variable incomes based on its participation in the investment fund units.

(v) Joint arrangements

As at 31 December 2015, as well as at 31 December 2014, the Group did not record joint arrangements.

(vi) Transactions eliminated from consolidation

Intra-group settlements and transactions, as well as any unrealized gains resulted from the intra-group transactions have been fully eliminated in the preparation of the consolidated financial statements. Unrealized gains resulted from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized gains resulted from transactions with associates are eliminated in correlation with the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Presentation of the legal merger through absorption in the financial statements

The Group applies the requirements of IFRS 3 "Business combinations" in order to reflect the merger through absorption in the separate financial statements of the absorbing entity. By applying this policy, the separate financial statements of the absorbing entity after merger are a continuation of the consolidated financial statements prepared starting with the date of acquisition of the absorbed entity.

The profit or loss and other comprehensive income of the absorbing entity includes the revenues and expenses as they were booked by the absorbed entity at individual level, for the period between the date of gaining the control (or the end of the last financial period) and the merger date.

Due to the lack of specific requirements in the IFRS related to legal mergers through absorption, the Bank decided to present the book value of the acquired identifiable assets and undertaken liabilities in the separate financial statements at the legal merger date, after their initial recognition at fair value at the date when the control was acquired (7 April 2015).

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated and separate statement of financial position are translated to the functional currency at the exchange rate valid on that date.

The gains and losses related to the settlement and translation of the monetary assets and liabilities denominated in foreign currency using the exchange rate at the end of the financial year, are recognized in the income statement, except for those recorded under shareholders' equity as a result of hedge accounting.

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3. Significant accounting policies (*continued*)

b) Foreign currency (*continued*)

i) Foreign currency transactions (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.

Foreign currency differences arising from translation are recognized in profit or loss.

ii) Translation of foreign currency operations

The result and financial position of operations denominated in a currency different from the functional and presentation currency of the Group are translated into the presentation currency as follows:

- the assets and liabilities of this entity, both monetary and non-monetary, were translated at the closing rate at date of the consolidated and separate statement of financial position;
- income and expense items of these operations were translated at the average exchange rate of the period, as an estimate of the exchange rates at the dates of the transactions; and
- all resulting exchange differences have been classified as equity until the disposal of the investment.

The exchange rates for the major foreign currencies were:

Currency	31 December 2015	31 December 2014	Variation %
Euro (EUR)	1: LEU 4.5245	1: LEU 4.4821	0.94
US Dollar (USD)	1: LEU 4.1477	1: LEU 3.6868	12.50

c) Accounting method for the effect of hyperinflation

According to IAS 29 and IAS 21, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, should be stated in terms of the current purchase power of the currency at the date of the consolidated and separate statement of financial position i.e. nonmonetary items are restated using a general price index from the date of acquisition or contribution. IAS 29 stipulates that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%. The continuously decreasing inflation rates and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose functional currency was adopted by the Bank and the Group ceased to be hyperinflationary, with effect on the financial periods starting from 1 January 2004. Therefore, the provisions of IAS 29 have no longer been adopted in preparing the consolidated and separate financial statements. Accordingly, the amounts expressed in the current measurement unit at 31 December 2003 have been treated as a basis for the carrying amounts in the consolidated and separate financial statements and do not represent appraised values, replacement cost, or any other measurement of the current value of assets or the prices at which transactions would take place at the current time.

d) Interest income and expenses

Interest income and expenses related to financial investments are recognised in the income statement at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over a relevant period. The effective interest rate is the exact rate which adjusts estimated future cash flows payable or receivable throughout the expected life of the financial instrument or, when appropriate, a shorter period, with the net carrying amount of the financial asset or financial liability.

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3. Significant accounting policies (*continued*)

d) Interest income and expenses (*continued*)

When calculating the effective interest rate, the Group and the Bank estimate future cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between the contractual parties, which are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fair value changes of derivative instruments held for hedging and other financial assets and liabilities at fair value are presented in the net trading income resulted from other financial instruments at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has recorded an impairment loss, the interest income is thereafter recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss applied on the net carrying value of the asset.

The subsequent upwards reassessments of the cash flows from loans and advances to clients further to a business combination are presented as part of the interest revenue.

Considering the source of revenue resulting from the upwards reassessments of the voluntary cash flows, the Group and the Bank adjusted the balance of the amortised cost of the loan portfolio with an amount calculated by discounting the expected future cash flows to the present value by using the initial effective interest rate. This adjustment is the result of a modification in the Group's and the Bank's estimates for the amounts that are to be collected, compared to the initial estimation at the initial valuation and recognition date.

e) Fees and commissions

Fee and commission income arises from financial services provided by the Group and the Bank: upfront fees, commitment fees, card fees, fees for cash management services, brokerage services, investment advice and financial planning, investment banking services, and asset management services.

Fee and commission income directly attributable to the financial asset or liability upon origination (both income and expense) is included in the measurement of the effective interest rate. Loan commitment fees are amortised together with the related direct costs and are recognised as an adjustment of the effective interest rate of the loan.

Other fee and commission income arising from the financial services provided by the Group, including investment management services, brokerage services, and account services fees, is recognised in the profit of the period when the related service is provided. Other fee and commission expense relates mainly to transaction and service fees, which are recognised when the services are provided.

f) Net trading income

Net trading income represents the difference between the gain and loss related to the trading assets and liabilities and includes realized and unrealized fair value changes and foreign exchange differences.

g) Net gain from the sale of financial instruments available-for-sale

Net gain from the sale of available-for-sale financial instruments includes gains and losses from trading financial instruments classified as available-for-sale and gains from the disposal of own equity instruments valued at cost. Net gain and loss from the sale of available-for-sale financial instruments are recognised in the income statement at the moment of selling the available-for-sale financial instruments. They represent the difference between the sale price and the amortized cost of the financial instruments classified as available-for-sale.

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3. Significant accounting policies (*continued*)

h) Dividends

Dividend income is recognised in profit or loss at the date when the right to receive such income is established. Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues. Dividends are reflected as a component of other operating income. Dividends are treated as a distribution of profit for the period in which they are declared and approved by the General Meeting of Shareholders.

For some of the Bank's subsidiaries, the only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these consolidated and separate financial statements prepared in accordance with IFRS, as endorsed by European Union, due to the differences between the applicable Romanian Accounting Standards and IFRS, as endorsed by the European Union. In case of the Bank, as presented in Note 2, starting with 1 January 2012, the IFRS standards endorsed by the European Union are applied as a legal base for the financial reporting.

i) Contribution to the Deposit Guarantee Fund

The retail deposits and certain legal entity deposits, including SME deposits, are guaranteed up to EUR 100,000 by the Bank Deposit Guarantee Fund (the "Fund") according to the regulations in force (Law 311/2015 regarding the deposit guarantee scheme and the Deposit Guarantee Fund).

The Romanian credit institutions are obliged to pay an annual contribution to the Deposit Guarantee Fund ("FGBD-Fondul de Garantare a Depozitelor Bancare"), in order to guarantee the clients' deposits in case of the credit institution's insolvency, as well as an annual contribution to the Resolution Fund ("Fondul de Rezolutie").

The Group and the Bank applied IFRIC 21 "Taxes", as this contribution to the Fund corresponds to a tax that needs to be fully recognized as an expense at the time the generating event occurs.

j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the leasing contract. Leasing facilities received are recognised as an integral part of the total lease expense, over the term of the leasing contract. Operating leasing expense is recognised as a component of operating expenses.

Minimum lease payments made under financial leases are apportioned between the interest expense and the reduction of the outstanding liability. The interest expense is allocated to each leasing period during the leasing term, so as to produce a constant interest rate on the remaining liability balance. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of leasing when the leasing adjustment is confirmed.

k) Income tax expense

Income tax for the year includes the current tax and the deferred tax. The income tax is recognised in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items.

Current tax is the tax payable with respect to the profit for the period, determined based on the percentages applied at the date of the consolidated statement of financial position and all the adjustments related to the previous periods. The adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.

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3. Significant accounting policies and methods (*continued*)

k) Income tax expense (*continued*)

Similar expense items include the prudential filters representing "positive differences between prudential value adjustments/expected losses determined based on the prudential regulations of the NBR applicable starting with 2012 financial year and impairment adjustments according to IFRS, related to the financial assets subject to such methodologies, to the extent to which they are deducted from own funds according to the applicable prudential regulations". From a tax point of view, prudential filters are deducted from the calculation of current tax and their reduction or cancellation is taxed in the order of their registration. For 2015, as a result of legislative changes, the prudential filters were determined at a level of 60% of the differences mentioned in the previous paragraph.

Deferred tax is determined based on the balance sheet liability method for the temporary differences between the fiscal base for the calculation of the tax on assets and liabilities and their accounting value used for reporting under the consolidated financial statements. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities resulting from transactions which are not business combinations and do not affect the accounting or tax profit and differences resulting from investments in subsidiaries, provided that they are not reversed in the near future.

Deferred tax is calculated based on the estimated method of realization or settlement of the assets' and liabilities' accounting value, by using the tax rates stipulated in the applicable legislation as at the date of the consolidated statement of financial position.

The temporary differences may arise in a business combination, so that an entity may recognise any resulting deferred tax assets or liabilities as identifiable assets and liabilities at the acquisition date. The temporary differences arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination.

According to the local tax regulations, the fiscal loss of the company that ceased to exist further to a legal merger through absorption can be acquired and utilised by the absorbing entity. The annual fiscal loss starting 2009, established through the tax statement shall be recovered from the taxable income of the next 7 consecutive years.

To report the unutilised fiscal losses, the deferred tax claims are recognised only to the extent to which it is probable to obtain taxable profit in the future after compensation with the tax loss from the previous years and with the recoverable tax on profit. Deferred tax claims are diminished to the extent to which the related tax benefits are unlikely to be achieved.

The additional taxes that arise from the distribution of dividends are recognised at the same date as the liability to pay the related dividend.

The tax rate used to calculate the current and deferred tax position at 31 December 2015 is 16% (31 December 2014: 16%).

l) Financial assets and liabilities

(i) Classifications

The Group and the Bank classify their financial assets and liabilities in the following categories:

Financial assets or financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading, and financial instruments designated at fair value through profit or loss at initial recognition.

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3. Significant accounting policies and methods (*continued*)

l) Financial assets and liabilities (*continued*)

(i) Classifications (continued)

A financial instrument is classified in this category if acquired principally for the purpose of sale or if so designated by the management. Derivatives are also categorized as held for trading unless the derivative is a designated and effective hedging instrument. The financial instruments at fair value through profit or loss comprise listed equity securities held by the Group and the Bank and derivative instruments.

Loans and advances and net lease investments are financial assets with fixed or determinable payments which are not quoted on an active market, other than those that the Group and the Bank intend to sell immediately or in the near future, those that the Group and the Bank, upon initial recognition, designate at fair value through profit or loss, those that the Group and the Bank, upon initial recognition, designate as available-for-sale or those for which the holder may not recover substantially all of its initial investment, for reasons other than credit deterioration. Loans and receivables comprise loans and advances to banks and customers and lease investments.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group and the Bank have the positive intention and ability to hold to maturity.

Available-for-sale financial assets are those financial assets that are designated as available-for-sale or are not classified as loans and advances, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale instruments include treasury bonds and other bonds eligible for discounting with central banks, investments in unit funds and shares, equity investments and other investment securities which are not held for trading or held-to-maturity.

(ii) Recognition

Financial assets and financial liabilities are initially recognized at fair value plus directly attributable transaction costs, in case of financial assets and financial liabilities other than those stated at fair value through profit or loss.

The Group and the Bank initially recognize loans and advances, deposits, issued bonds and subordinated liabilities on the date of their origination. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trading date at which the Group and the Bank became a party to the contractual provisions of the financial instrument.

(iii) Derecognition

The Group and the Bank derecognise a financial asset when the contractual rights to the cash flows resulting from the respective asset expire, or when the Group and the Bank transfer the rights to receive the contractual cash flows related to the financial asset within a transaction in which all the risks and benefits of ownership of the financial asset are substantially transferred. Any interest in the transferred financial assets created or retained by the Group and the Bank are recognised as a separate asset or liability.

Upon derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the transferred portion of the asset), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that would be recognised in other comprehensive income, is recognised in the income statement.

The Group and the Bank derecognise a financial liability when its contractual obligations are cancelled or expire.

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3. Significant accounting policies and methods (*continued*)

l) Financial assets and liabilities (*continued*)

(iii) Derecognition (continued)

The Group and the Bank enter into transactions whereby they transfer assets recognised on the consolidated financial position, but they retain either all risks or rewards of the transferred assets or a portion thereof. If all or a substantial portion of risks and rewards are retained, then the transferred assets are not derecognised from the consolidated and separate financial position. Transfers of assets with retention of all risks and rewards or of a substantial portion thereof include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a total rate of return swap on the transferred assets, the transaction is accounted for as a secured financial transaction similar to repurchase transactions. In transactions where the Group and the Bank neither retain nor transfer substantially the risks and rewards arising from the ownership of a financial asset, the asset is derecognised if control over such asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities, as appropriate. In transfers where control over the asset is retained, the Group and the Bank continue to recognize the asset to the extent of their continuing involvement, determined by the extent to which they are exposed to changes in the value of the transferred asset.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated and separate statement of financial position when and only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Incomes and expenses are presented on a net basis only when permitted by the accounting standards, or as gains and losses arising from a group of similar transactions such as in the Group's and the Bank's trading activity.

(v) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured upon initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairments on assets.

(vi) Fair value measurement

Fair value is the price that would be received after the sale of an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date, in principal, or, in its absence, the price on the most advantageous market to which the Group and the Bank have access at the respective date. The fair value of liability reflects its non-performance risk.

When available, the Group and the Bank measure the fair value of an instrument using the quoted price on an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price on an active market, then the Group and the Bank use valuation techniques that maximize the use of relevant observable inputs and minimise the use of unobservable inputs.

The selected valuation technique incorporates all of the factors that market participants would take into account when pricing a transaction.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Significant accounting policies and methods (*continued*)

l) Financial assets and liabilities (*continued*)

(vi) Fair value measurement (continued)

The best evidence of fair value of a financial instrument upon initial recognition is normally the transaction price – the fair value of a consideration given or received. If the Group and the Bank determine that the fair value upon initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price on an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value upon initial recognition and the transaction price.

Subsequently, that difference is recognised in the income statement on an appropriate basis over the life period of an instrument, but no later than when the valuation is wholly supported by observable market data or the transaction is closed.

The Group and the Bank recognise the transfers between hierarchical fair value levels as at the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

At each date of the consolidated and separate statement of financial position, the Group and the Bank assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired.

A financial asset or a group of financial assets is impaired only if there is objective evidence regarding its impairment as a result of one or more events occurred after the initial recognition ("loss generating event"), and the loss generating event(s) has an impact on the future cash flows of the asset that can be estimated reliably.

It is probable that the identification of a single event responsible for the impairment may be difficult. Impairment may have been caused by the combined effect of multiple events. The expected losses as a result of future events, regardless of their probability, are not recognised.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the updated value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current variable interest rate, specified in the contract. The asset's accounting value can be decreased directly or by using an impairment account. The expense with impairment losses is recognised in the statement of profit or loss.

If during a future period, an event that took place after the date of impairment recognition generates a decrease in the impairment expense, the formerly recognised impairment loss is restated either directly or through the adjustment of an impairment account. The impairment decrease is recognised in the statement of profit or loss.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Significant accounting policies and methods (*continued*)

l) Financial assets and liabilities (*continued*)

(vii) Identification and measurement of impairment (continued)

Loans and advances to customers and net lease investments

The Group and the Bank, based on their internal methodology for impairment assessment, have included information on the following loss events, as objective evidence for the impairment of loans and advances to customers or groups of customers and net lease investments:

(a) significant financial difficulty of the borrower (lessee) determined in accordance with the Group's and the Bank's internal rating system;
(b) a breach of contract, such as a default or delay in interest or principal payments (individually and in the same group of borrowers);
(c) the lender, due to economic or legal reasons relating to the borrower's or the lessee's financial difficulty, grants to the borrower certain concessions that the lender would not have otherwise considered, such as rescheduling the interest or principal payments;
(d) there are indications that the borrower will enter bankruptcy or other financial reorganization;
(e) credible information indicating a measurable decrease in the estimated future cash flows of a group of financial assets, starting from the date of initial recognition, although the decrease cannot be identified for each individual asset, including:

- unfavourable change in the payment behaviour of the Group's debtors, or
- national or local economic circumstances that can be correlated with the loss/depreciation of the Group's and Bank's assets.

The Group and the Bank assess whether objective evidence of impairment exists as described above, individually for loans to customers and net lease investments that are individually significant, and individually or collectively for loans to customers and net lease investments that are not individually significant.

If the Group and the Bank determine that no objective evidence of impairment exists, as presented above, with respect to an individually assessed financial asset, whether significant or not, they shall include the loans to customers and net lease investments into a group with similar credit risk characteristics and shall collectively assess them for impairment. The loans to customers and net lease investments individually assessed, for which an individual impairment is recognised or continues to be recognised, are no longer included in the groups with similar credit risk characteristics under the collective assessment. The calculation of the present value of the future cash flows of a collateralized loan and a net lease investment reflects the cash flows that may result from foreclosure, less the costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, loans and advances to customers and net lease investments are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due, according to the contractual terms (for example, grouping based on separate lines of business, type of loan, currency, maturity, debt service and so on).

The management considers that these selected characteristics are the best estimates of similar credit risk characteristics, being relevant for the estimation of future cash flows for groups of such loans and net lease investments, and being indicative of the debtors' ability to pay all amounts due according to the contractual terms. Future cash flows in a group of loans and advances to customers and net lease investments collectively evaluated for impairment are estimated on the basis of historical loss experience related to loans and net lease investments with credit risk characteristics similar to those of the Group and of the Bank.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Significant accounting policies and methods (*continued*)

l) Financial assets and liabilities (*continued*)

vii) Identification and measurement of impairment (continued)

Loans and advances to customers and net lease investments (continued)

Historical loss is adjusted on the basis of current observable data in order to reflect the effects of current conditions that did not affect the period on which the historical loss was calculated and to remove the effects of conditions in the historical period that do no longer apply.

The Group and the Bank regularly review the methodology and assumptions used to estimate future cash flows to reduce differences between estimated and actual losses.

Financial assets available-for-sale

For the financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity shall be restated directly from equity and recognised in profit or loss even though the financial asset has not been derecognised yet.

The amount of the cumulative loss that is released from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognised in income statement. Impairment losses recognised in the income statement as an investment in an instrument available-for-sale shall not be restated through profit or loss.

If, in a subsequent period, the fair value of an available-for-sale instrument increases and the increase can be objectively related to an event occurring after the impairment loss had been recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in result of the period.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unlisted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to or is to be settled by delivery of such an unlisted instrument, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the updated value of estimated future cash flows by using the current market rate of return for a similar financial asset. Such impairment losses are not restated in the income statement.

(viii) Designation at fair value through profit and loss

The Group and the Bank designate financial assets and liabilities at fair value through profit and loss when:

- they eliminate or reduce significantly an evaluation or recognition mismatch ("accounting error") which might have arisen from the measurement of the assets and liabilities or from the recognition of their gain or loss based on different principles;
- they are part of a group of financial assets or liabilities managed, evaluated and reported to the management on a fair value basis according to the risk management documentation / investment strategy; or
- they are hybrid contracts through which an entity can reflect the entire contract at fair value through profit or loss.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Significant accounting policies and methods (*continued*)

m) Cash and cash equivalents

Cash and cash equivalents comprise: cash at hand, unrestricted balances held with National Bank of Romania and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of fair value changes.

Cash and cash equivalents are carried at amortized cost in the consolidated and separate statement of financial position.

n) Assets and liabilities held for trading

Assets and liabilities held for trading are those assets and liabilities that the Group and the Bank acquire or incur principally for the purpose of selling or repurchasing them in the near future, or hold as part of a portfolio in order to obtain short-term profit or to maintain short-term position.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the consolidated and separate statement of the financial position and the transaction costs are recorded directly in the statement of profit and loss. All changes in fair value are recognised as part of net trading income in the income statement. Trading assets and liabilities may be reclassified after their initial recognition only in rare circumstances.

o) Derivatives

(i) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as assets or liabilities held for trading. Derivatives held for risk management purposes are measured at fair value in the consolidated and separate statement of the financial position.

When a derivative is not held for trading, and is not involved in a hedge transaction, all changes in its fair value are recognised immediately in the profit for the period, as a component of net trading income.

(ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (“host contract”). The Group and the Bank account for embedded derivatives separately from the host contract when the host contract is not itself carried through profit and loss, and the characteristics of the embedded derivatives are not clearly and closely related to the host contract. Separate embedded derivatives are accounted for depending on their classification and are presented in the consolidated and separate statement of the financial position together with the host contract.

p) Loans and advances and net lease investments

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and that the Group and the Bank do not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement through which it transfers to the lessee all the significant risks and rewards incidental to the property of an asset, the arrangement is presented under loans and advances. Consumer loans granted by the Bank’s subsidiaries to customers are also included in net lease investments.

Loans and advances and net lease investments are initially measured at fair value plus direct transaction costs, and subsequently measured at their amortized cost by using the effective interest method as described in the accounting policy 3(d) above, except when the Group and the Bank choose to carry the loans and advances and net lease investments at fair value through profit or loss as described in accounting note 3(l)(viii).

TRANSLATOR’S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Significant accounting policies and methods (*continued*)

p) Loans and advances and net lease investments (*continued*)

Loans, advances and net lease investments are stated at net value after deducting the provision for impairment. The provision is recorded based on the loans, advances and net lease investments, identified as impaired based on continuous assessment, in order to bring these assets to their recoverable amount.

q) Investment securities

Investment securities are initially measured at fair value plus direct transaction costs and subsequently accounted for depending on their classification either as held-to-maturity, at fair value through profit and loss, as available-for-sale or as loans and receivables.

(i) Held-to-maturity

Held-to-maturity investments are carried at amortized cost using the effective interest method. Any sale or significant reclassification of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group and the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

However, sales and reclassifications would not trigger a reclassification in any of the following circumstances: sales or reclassifications which are so close to maturity that changes in the market interest rate would not have a significant effect on the financial asset’s fair value; sales or reclassifications after the Group and the Bank have substantially collected the asset’s principal; sales or reclassifications attributable to non-recurring isolated events beyond the Group’s and the Bank’s control that could not have been reasonably anticipated.

(ii) Fair value through profit and loss

The Group and the Bank carry some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in accounting policy 3(n).

(iii) Available-for-sale

Debt securities such as treasury bills issued by the Government of Romania are classified as available-for-sale assets.

The Group and the Bank considered that the effective transaction prices would be situated between the informative BID-ASK quotations obtained, which are rather an interval within which the Group and the Bank could have realistically negotiated the quotations for each series and volume of its security portfolio, and thus, the Group used in its estimation an average price for each series. Other securities such as investments in unit funds are classified as available-for-sale assets and are carried at their fair values.

Other equity investments in listed or unlisted companies are classified as available-for-sale assets and are carried at the fair value. Where no reliable estimate of fair value is available, equity investments are stated at restated cost less impairment.

Interest income is recognised in profit and loss by using the effective interest method. Dividends are recognised in profit and loss when the Group and the Bank become entitled to the dividends. Foreign exchange gains or losses on available-for-sale securities are recognised in the profit and loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the fair value balance from equity is recognised in the profit or loss.

TRANSLATOR’S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Significant accounting policies and methods (*continued*)

q) Investment securities

(iv) Loans and advances

Investments in securities such as corporate bonds are classified as loans and advances and are held at amortized cost using the effective interest rate method.

r) Tangible assets

(i) Recognition and measurement

Tangible assets are stated at their cost or revalued amount less accumulated depreciation and impairment losses. Investment expenditure on property and equipment is capitalized and depreciated once the assets enter into use.

Leasing agreements in which the Group and the Bank assume substantially all the risks and rewards of ownership are classified as finance leases. Tangible assets acquired by way of finance lease are stated at an amount equal to the lower between the fair value and the updated value of the minimum leasing payments from the leasing inception date, less accumulated depreciation and impairment losses.

(ii) Subsequent costs

The Group and the Bank recognise in the carrying amount of tangible assets the cost of replacing such an item when that cost is incurred or if it is probable that the future economic benefits embodied with the item may be transferred to the Group and to the Bank and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of each item of tangible assets. Assets acquired through leasing are depreciated over the shorter period between the lease term and their useful life. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements (average)	6 years
Computers	4 years
Furniture and equipment	2 – 24 years
Vehicles	4 - 5 years

The leasehold improvements are depreciated over the rental contract period, which varies between 1 and 50 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

s) Investment property

Investment property is property (land, buildings or parts of a building) held by the Group and the Bank to earn rent, for capital appreciation or both, rather than for:

- the use in production, the supply of goods or services or for administrative purposes; or
- the sale in the ordinary course of business.

Some properties include a part which is held for rent or for capital appreciation and a part which is used for the production of goods or services or administrative purposes.

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3. Significant accounting policies and methods (*continued*)

s) Investment property

(i) Recognition and measurement

Investment property is recognised as an asset when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the Group and the Bank; and
- the cost of the investment property can be measured reliably.

An investment property is measured initially at cost, including transaction costs. The cost of an investment property includes its purchase price (if purchased) and other directly attributable expenses (e.g. fees for legal services, property transfer taxes and other transaction costs).

The accounting policy for the subsequent measurement of the investment properties of the Group and the Bank is based on the fair value model. This policy is applied consistently for all the investment properties held by the Group and the Bank.

Gains or losses from the change in the fair value of the investment properties are recognised in profit or loss in the period in which they arise.

The fair value of the investment properties reflects the market conditions at the reporting date.

(ii) Transfers

Transfers to or from investment property are made when, and only when, there is a change in use of the asset. For the transfer of an investment property, measured at fair value, to tangible assets, the property's deemed cost for subsequent accounting is its fair value at the date of the change in use.

(iii) Derecognition

An investment property is derecognised on disposal or when it is permanently withdrawn from use and no future benefits are expected from its disposal.

The gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the period of the retirement or disposal.

t) Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at a revalued amount, which is its fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.

i) Goodwill and negative goodwill

Goodwill and negative goodwill arise on the acquisition of new subsidiaries. Goodwill represents the difference between the cost of acquisition and the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. Negative goodwill is recognised immediately in profit and loss, after reanalysing the manner of identification and valuation of the assets, liabilities and identifiable contingent liabilities and the measurement of the acquisition cost.

Subsequent measurement

Goodwill is measured at cost, less accumulated impairment losses. Negative goodwill is recognised immediately in the income statement, after the identification of the assets, liabilities and contingent liabilities and the measurement of the acquisition cost (for acquisitions, see Note 28).

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3. Significant accounting policies and methods (*continued*)

t) Intangible assets (*continued*)

(ii) Software

Costs associated with the development and maintenance of software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Bank, and that will probably generate economic benefits exceeding production costs for a period exceeding one year, are recognized as intangible assets. Subsequent expenditure on software assets is capitalised only if it increases the future performance of such assets, beyond initial specifications and lifespan. All other expenditure is reflected as an expense as incurred.

Amortisation is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible asset. The estimated useful lives of intangible assets are reviewed at the reporting date and are between 1 and 5 years.

u) Financial lease – lessee

Leasing contracts in which the Group assumes substantially all the risks and rewards of ownership were classified as financial leases. Upon initial recognition, leasing payments are recognised at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investments in real estate property, the leased assets are not recognized in the Group's consolidated statement of financial position.

v) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group generating cash flows and largely independent from other assets and groups. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of any goodwill allocated to the respective cash-generating unit (group of units) and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less the cost of sale of such asset or unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and the risks specific to the asset.

In respect of other assets, impairment losses are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in other assets than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

w) Deposits from customers

Deposits from customers are initially measured at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest method.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Significant accounting policies and methods (*continued*)

x) Debt securities issued and loans from banks and other financial institutions

Borrowings such as loans from banks and other financial institutions and debt securities issued are recognized initially at fair value, notably the proceeds from their issuance (fair value of consideration received) net of transaction costs occurred. Debt securities and loans from banks and other financial institutions are subsequently stated at amortized cost. The Group and the Bank classify capital instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instrument.

Outstanding bonds can be converted into shares, at the request of the bondholder, according to the prospectus. The conversion shall be made at a price per share that is established at the price fixing date or at the liquidation date, which is equal to the average of the daily maximum and minimum share price on the regular market, weighted with the daily volume traded on the regular market throughout the 90 days when the shares were transacted on the Bucharest Stock Exchange, immediately prior to the price fixing date of the liquidation date.

Share premiums result as the difference between the value of convertible bonds and the value of shares issued.

y) Provisions

A provision is recognized in the consolidated and separate statement of financial position when the Group and the Bank have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation can be measured reliably. Provisions' value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and, where appropriate, the risks specific to the liability.

Provisions for covering the risk of transforming off-balance sheet credit commitments into credits are considered at the time when the bank records in its off balance sheet a commitment with the risk of being converted into a credit. The calculation basis for these provisions includes exposures from commitments related to documentary credits, letters of credit, undrawn facility of bank loans and factoring commitments. The calculation is based on the probability of conversion into credit, the probability of default and loss given default.

z) Financial guarantees

Financial guarantees are contracts that require the Group and the Bank to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the lifespan of the financial guarantee. The guarantee liability is subsequently carried at the higher between the amortized amount and the present value of any expected payment (when a payment under the guarantee becomes probable).

aa) Employee benefits

(i) Short term 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.

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3. Significant accounting policies and methods (*continued*)

aa) Employee benefits (*continued*)

(ii) Defined contribution plan

In the normal course of business, the Bank and its subsidiaries make payments to the Romanian public pension funds on behalf of their employees for retirement, healthcare and unemployment allowances. All employees of the Bank and its subsidiaries are members and are also legally obliged to make specific contributions (included in the social security contributions) to the Romanian public pension plan (a State defined contribution plan). All relevant contributions to the Romanian public pension plan are recognized as an expense in the income statement as incurred. The Bank and its subsidiaries do not have any further obligations.

(iii) Other benefits

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

Based on the decision of the shareholders, the Board of Directors of the Bank decides in respect of the number of shares included in the employee loyalty plan. The fair value upon the grant date of share-based awards - stock options – to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the value of awards for which the related service and non-market related performance conditions are expected to be fulfilled, so that the amount ultimately recognized as an expense is based on the effective compensation for services and performance conditions which are not related to the market at the vesting date.

ab) Segment reporting

An operational segment is a component of the Group and of the Bank:

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

The Group's and the Bank's primary format for segment reporting is based on business segments.

ac) Earnings per share

The Group and the Bank presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders with the weighted average number of outstanding ordinary shares, affecting all potential ordinary shares, which comprise convertible securities and share options granted to employees.

ad) Treasury shares

Required own equity instruments (treasury shares) are deducted from shareholders' equity. No gain or loss is recognized in the income statement from the purchase, sale, issue or cancellation of the Group's and the Bank's own equity instruments.

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3. Significant accounting policies and methods (*continued*)

ae) Business Combinations

A business combination is accounted using the acquisition method at the date when the control is acquired, except for the cases when there are involved entities or parties under common control or the acquired entity is a subsidiary of an investment entity.

Each identifiable asset and liability is evaluated at fair value at the acquisition date. The non-controlling interests of the acquired entity, which represent current ownership interest and entitle the holder to a proportional share of the net assets in the event of liquidation, are measured either at fair value or proportionally with the acquired entity's net assets. Non-controlling interests that are not current ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquired entity from the aggregate of the consideration transferred, the amount of non-controlling interest in the acquired entity and fair value of interest in the acquired entity held immediately before the acquisition date. If the acquirer obtains a gain from a bargain purchase, this gain is recognised in the profit and loss after the management reassesses whether all the assets were acquired and all liabilities and contingent liabilities were assumed based on appropriate measurement.
The consideration transferred in a business combination is measured at the fair value of the assets transferred by the acquirer, the liabilities incurred or assumed and the equity instruments issued, but excludes the costs related to intermediation, advisory, legal, accounting, valuation and other professional or consulting services, general administrative costs and the costs incurred for issuing debt and equity instruments, that are recognised in the profit or loss.

af) New standards and interpretations that are not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015, and have not been applied in preparing these consolidated and separate financial statements.

A. Standards adopted by the European Union:

a) Amendments to IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2016)

Definition of materiality was modified for clarifying its applicability on the overall financial statements and each disclosure requirement in IFRS. Furthermore, the guidance on the sequence of the notes has been amended to clarify that entities have flexibility in disclosing accounting policies in the financial statements.
The Group and the Bank expect that such amendments will not have a material impact on the presentation of the consolidated and separate financial statements.

b) Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)

The amendments prevent the use of the revenue-based amortisation method for tangible assets and introduce restrictions on the applicability of this method for intangible assets. The Group and the Bank expect that the amendments will not have a material impact on the presentation of the consolidated and separate financial statements because they do not apply revenue-based methods of amortisation/depreciation.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Significant accounting policies and methods (*continued*)

af) New standards and interpretations that are not yet effective (*continued*)

A. Standards adopted by the European Union *(continued)*

c) Annual amendments to IFRS (2010 – 2012 and 2012 – 2014 cycles, most applicable to annual periods starting with 1 February 2015 or 1 January 2016)

The amendments introduce modifications of the standards. The amendments likely to impact the Group's and the Bank's activities are presented below:

- IFRS 8 – Operating segments: the amendments introduce requirements to disclose the judgements made in disclosing aggregated operating segments;
- IFRS 13 – Fair value measurement: the amendments clarify that the short-term payables and receivables with no stated interest may be disclosed in the fair value note at their invoiced amounts if the effect of discounting is immaterial;
- IAS 16 and IAS 38 – clarify the restatement of accumulated depreciation/amortisation at the revaluation date;
- IAS 24 – extend the definition of related parties;
- IAS 40 – Investment property: the amendments clarify the criteria of separation between investment property according to IAS 40 or a business combination according to IFRS 3;
- IFRS 7 – Financial instrument disclosures: the amendments clarify continuing involvement in a transferred asset.
- IAS 27 - The amendments allow an entity to assess its subsidiaries, associates and joint ventures in the consolidated and separate financial statements using the equity method. The Group and the Bank consider that these amendments will not have a material effect on the consolidated and separate financial statements.

B. Standards which have not been adopted by the European Union

a) IFRS 9 Financial Instruments (effective date: annual periods starting from January 1, 2018)

This standard replaces the provisions of IAS 39 „Financial instruments: recognition and evaluation" regarding the classification and assessment of financial assets.
Financial assets shall be classified by using one of two evaluation methods: at amortized cost and at fair value. A financial asset can be evaluated at amortized cost provided that the two following conditions are observed: assets must be held within the business model of the company - the objective being the management based on contractual return - and cash flows at the dates specified according to the contractual terms must be represented only by principal and interest. Subsequent profit or loss from the value adjustments of assets measured at fair value is reflected in the income statement, except for investments in capital instruments not held for trading, for which the standard allows the fair value measurement upon initial recognition, the subsequent value modifications being recognized under the comprehensive income.
Incurred loss model from IAS 39 is replaced with the expected loss model. Also, disclosure requirements are substantial.
The Bank is part of the implementation project of this standard - project started by the Group - currently being in the process of evaluating the financial instruments according to IFRS 9.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Significant accounting policies and methods (*continued*)

af) New standards and interpretations that are not yet effective (*continued*)

B. Standards that have not been adopted by the European Union *(continued)*

b) IFRS 15 – Revenue from Contracts with Customers (effective for annual periods starting on or after 1 January 2018)

Issued on May 28, 2014 the standard replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC – 31. The standard is applicable to contracts with customers, other than insurance, financial instruments, leasing contracts.
This standard prescribes a single model for the analysis of customer contracts and two approaches for revenue recognition - at a specific moment in time or during the contract, depending on the time of fulfilling the obligation under the contract.

The Group and the Bank do not believe that these amendments will have a significant effect on the separate financial statements as most contracts with customers are subject to other standards.

4. Financial risk management

a) Introduction

The Group and the Bank have exposures to the following risks derived from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Taxation risk

This note presents information about the Group's and the Bank's exposure to each of the above risks, the Group's and the Bank's objectives, policies and processes for measuring and managing risk. The most important types of financial risk to which the Group and the Bank are exposed: credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity instruments' price risk.

Risk management is part of all decisional and business processes that take place in the Group's and the Bank`s activity. The Board of Directors has the responsibility regarding the definition and monitoring of the general risk management framework for the Group and the Bank. The Bank's risk management is performed at two levels: a strategic level represented by the Board of Directors and the Leaders' Committee and an operational level represented by: Assets - Liabilities Committee (ALCO), Credit Policy and Approval Committee, Head Office Credit and Risk Committees (loan approval), Credit and Risk Committee of the branches/agencies, Workout Committee (CRW), the Bank's Leaders, Executive Directors and risk management structures within the Bank that are responsible for the definition and/or monitoring of risk management policies in their field of expertise. The Board of Directors periodically reviews the activity of these committees.

The Board of Directors monitors the compliance with the Group's and the Bank's risk policies and the adequacy of the general risk management framework in connection with the risks to which the Group and the Bank are exposed. The Risk Management Committee advises the Board of Directors regarding the risk appetite and the global strategy regarding the management of the current and future risks and assists the Board of Directors in overseeing the implementation of the strategy by the Leaders' Committee.

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4. Financial risk management (*continued*)

a) Introduction (*continued*)

The Group's and the Bank's risk management strategy aims at ensuring the capital adequacy to the defined risk appetite and focuses on the achievement of the budgeted ratios in a controlled risk environment which ensures both sound business continuity and the protection of the shareholders' and clients' interests. The risk appetite of the Group and the Bank is consistent with the adopted risk management strategies and policies and correlated with the general business strategy, own funds and experience in risk management.

Risk management policies and systems are reviewed regularly (mainly annually) with the participation of the Leaders' Committee and the responsible persons from different Departments involved, in order to reflect the changes in the market conditions, the products and services provided.

The crisis simulation process is an integral part of the risk management process.

The Group's and the Bank's Audit Committee reports to the Board of Directors and is responsible for monitoring compliance with the Bank's risk management procedures. The Audit Committee is assisted in these functions by the Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.
The Board of Directors and the Management of the subsidiaries which constitute the Group have responsibilities regarding significant risk management in correlation with their specific business characteristics and applicable laws and regulations.

b) Credit risk

(i) Credit risk management

The Group and the Bank are exposed to credit risk through the trading, lending, leasing, investment and guarantee issuing activities. The credit risk arising from trading and investment activities is mitigated by selecting only counterparties with good credit standing and by monitoring their activities and ratings, by using exposure limits and, when necessary, by requesting collaterals.

The Group's and the Bank's primary exposure to credit risk arises from loans and advances to customers. The amount of credit risk exposure is represented by the carrying amounts of the assets on the separate/ consolidated statement of financial position. The Group and the Bank are exposed to credit risk derived from other financial assets, including derivative instruments and debt investments; the current credit risk exposure in respect of these instruments is equal to the carrying amount of the assets in the separate/ consolidated statement of financial position. In addition, the Group and the Bank are exposed to off balance sheet credit risk from credit and guarantee commitments (see Note 38).

In order to minimize the risk, the Group and the Bank have defined procedures to assess customers before loan granting, to monitor their capacity to reimburse the principal and related interest during the entire loan period and to define exposure limits. In addition, the Group and the Bank have implemented procedures for monitoring the risks related to the loan portfolio and have defined exposure limits by types of loans, economic sectors, types of collateral, maturity and so on.

The Board of Directors has delegated the credit risk management responsibility to the Leaders' Committee, Credit Policy and Approval Committee, Head Office Credit and Risk committees (credit approval), Credit and Risk Committees in branches/ agencies and Workout Committee. Also, a Risk Management Division operates within the Bank and reports to the above mentioned Head Office Committees and has responsibilities for:

- The identification and assessment of specific risks within the lending activity;
- Monitoring the observance of internal policies specific for lending activities;

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4. Financial risk management (*continued*)

b) Credit risk (continued)

(***i) Credit risk management (continued)***

- Elaborating proposals for the reduction of specific risks, in order to maintain healthy standards in the lending activity;
- The approval and monitoring of the internal rating systems and of the internal models used in risk assessment;
- Monitoring the granted loans, in accordance with the client's financial performance, loan type, collateral type and debt service, in accordance with the internal lending policies and procedures;
- The approval and monitoring of ratios related to the establishment/modification of the branches' lending competences, according to specific internal policies;
- The periodic reviews and recommendations to the Leaders' Committee on the risk levels accepted by the Group and the Bank;
- Identifying, monitoring and controlling the credit risk at branch level and subsidiary level;
- The observance of the internal policies and procedures, the NBR regulations and the applicable legislation within the lending activity of the local units;
- The elaboration of proposals for reducing specific risks, in order to maintain certain lending standards at each branch level;
- The risk analysis with respect to new lending products/changes of loan products, including recommendations to the involved Departments;
- The approval of counterparty exposure limits;
- The periodical reporting to the Board of Directors and the Leaders' Committee on the evolution of significant risks (the implications of risk correlation, forecasts etc.);
- Loan portfolio analysis, both at individual level and by group of financial assets with similar characteristics in order to determine if there is any objective evidence of impairment, and assessment of impairment losses and related allowances in accordance with IFRS.

Each Branch/Agency implements at local level the Group's and the Bank's policies and regulations regarding credit risk, having loan approval competences established by the Leaders' Committee. Each Branch is responsible for the quality and performance of its loan portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Head Office approval.

The Internal Audit Department and the Internal Control Department carry out periodical reviews of the branches and agencies.

The Group and the Bank classified the exposures according to the risk level of the potential financial losses. The risk classification system is used to determine the risk monitoring activities and relations with the customers. The scoring system reflects different levels of default risk and is reviewed periodically.

(ii) Credit risk exposure

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's and the Bank's loans and advances, loan commitments, leasing investments and guarantees issued.

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4. Financial risk management (*continued*)

b) Credit risk (*continued*)

(ii) Credit risk exposure (continued)

The table below contains the on-balance and off-balance sheet exposures, split by economic sector concentration:

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Retail	43.53%	32.76%	43.38%	32.63%
Production	13.73%	15.99%	13.46%	15.74%
Trading	13.44%	16.10%	13.17%	15.83%
Constructions	6.92%	8.66%	6.84%	8.64%
Agriculture	4.58%	4.95%	4.54%	4.90%
Services	3.81%	4.77%	3.70%	4.60%
Transportation	2.95%	3.85%	2.71%	3.66%
Real estate	2.59%	2.85%	2.70%	2.85%
Energy	1.99%	2.11%	1.99%	2.09%
Financial institutions	1.99%	2.69%	1.89%	1.62%
Self-employed	1.01%	1.26%	1.62%	2.01%
Chemical industry	0.60%	0.46%	1.01%	1.27%
Mining	0.60%	0.90%	0.54%	0.84%
Telecommunications	0.53%	0.49%	0.53%	0.49%
Government institutions	0.06%	0.10%	0.06%	0.10%
Fishing	0.05%	0.04%	0.05%	0.04%
Other	1.62%	2.02%	1.81%	2.69%
	100,00%	**100,00%**	**100,00%**	**100,00%**

At 31 December 2015, the total on-balance and off-balance sheet exposure was RON 34,222,454 thousand (31 December 2014: RON 25,826,753 thousand) for the Group and RON 34,027,827 thousand (31 December 2014: RON 25,628,560 thousand) for the Bank.

The amounts presented above reflect the maximum accounting loss that would be recognized at the reporting date if the customers failed completely to perform their contractual obligations and if any collateral or security proved to be of no value.

The Group and the Bank hold guarantees for loans and advances to customers in the form of pledge over cash deposits, mortgage over property, guarantees and other pledges over equipment and/or receivables. The estimates of fair value are based on the collateral value assessed at the date of lending, except when a loan is individually assessed subsequently. Collateral is generally not held over loans and advances to banks.

The Group and the Bank use risk grades for loans both individually and collectively assessed. According to the Group's and the Bank's policies, an appropriate risk grade can be allocated to a loan, starting from the lowest risk (1) to highest risk (8).

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4. Financial risk management (*continued)*

b) Credit risk *(continued)*

Loan classification on risk grades is based on the customers' payment behavior and on impairment signs identified when performing the individual assessment, the risk grade (8) resulting mainly from the exposure linked to non-performing loans and loans for which the legal recovery process was initiated.

The exposures to credit risk for loans and advances to customers and net lease investments as at 31 December 2015 and 31 December 2014 are presented below:

		Group		Bank	
At amortised cost		**2015**	**2014**	**2015**	**2014**
Grade 1	Low risk	22,176,811	14,849,841	22,398,603	14,935,664
Grade 2-3	Moderate risk	1,027,444	976,134	724,409	787,847
Grade 4-6	Medium risk	774,293	842,108	774,236	838,329
Grade 7	High risk, impaired, not default	683,004	1,594,824	678,104	1,585,299
Grade 8	Impaired, default	3,350,763	1,903,546	3,164,661	1,707,182
Gross exposure		**28,012,315**	**20,166,453**	**27,740,013**	**19,854,321**
Allowance for impairment (individual and collective)		(2,786,701)	(2,503,490)	(2,632,486)	(2,337,129)
Net book value		**25,225,614**	**17,662,963**	**25,107,527**	**17,517,192**
Gross values, neither past due nor impaired					
Grade 1	Low risk	21,144,638	14,277,822	21,366,430	14,363,645
Grade 2-3	Moderate risk	384,771	761,109	148,285	631,978
Grade 4-6	Medium risk	346,310	303,232	346,310	303,232
Total		**21,875,719**	**15,342,163**	**21,861,025**	**15,298,855**

Gross values, past due but not impaired

	Group		Bank	
1-15 days	1,121,710	780,424	1,092,900	752,810
15-30 days	226,839	224,019	199,774	202,275
30-60 days	284,423	166,670	276,903	161,145
60-90 days	91,160	71,281	88,006	67,008
90-180 days	-	-	-	-
180 days +	-	-	-	-
Total	**1,724,132**	**1,242,394**	**1,657,583**	**1,183,238**

Gross value of loans and receivables with specific adjustments

Grade 4-6	Medium risk	378,697	83,526	378,640	79,747
Grade 7	High risk, impaired, not default	683,004	1,594,824	678,104	1,585,299
Grade 8	Impaired, default	3,350,763	1,903,546	3,164,661	1,707,182
Total		**4,412,464**	**3,581,896**	**4,221,405**	**3,372,228**
Impairment allowances					
Individual		(1,673,226)	(1,571,935)	(1,546,492)	(1,437,112)
Collective		(1,113,475)	(931,555)	(1,085,994)	(900,017)
Total allowances for impairment		**(2,786,701)**	**(2,503,490)**	**(2,632,486)**	**(2,337,129)**

The accompanying notes from pages 10 to 99 form an integral part of these financial statements.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Restructured exposures are represented by debt contracts in which certain concessions are granted to a debtor who is experiencing or is about to face difficulties in meeting its financial commitments, concessions which would not have been granted if the debtor had not been in financial difficulty. Outstanding loans classified according to the above definition are in amount of RON 2,712,962 thousand (2014: RON 2,701,951 thousand) at Group level and in amount of RON 2,631,727 thousand (2014: RON 2,646,149 thousand) at Bank level.

In addition, the Group's loan commitments as at 31 December 2015 were in amount of RON 6,210,137 thousand (2014: RON 5,660,300 thousand), whereas the Bank's were in amount of RON 6,287,813 thousand (2014: RON 5,774,541 thousand), mainly with counterparties graded 1-3.

Placements with banks and investments securities are neither past due nor impaired.

The Group holds cash and cash equivalents of RON 5,109,102 thousand, whereas the Bank holds cash and cash equivalents of 5,104,871 thousand as at December 31, 2015. The cash and cash equivalents are placed with the National Bank of Romania and with financial institutions with ratings between BB- and AAA, based on the ratings issued by Fitch, Moody's or Standard & Poor's.

As at 31 December 2015, investment securities available-for-sale include treasury bills and bonds issued by the Government of Romania, with S&P rating of BBB, BBB-, bonds issued by municipalities with rating BBB, bonds issued by the Republic of Montenegro with rating BB-, as well as certificates of participation issued by Raiffeisen Centrobank AG, with rating A-.

Individually impaired loans and securities

Individually impaired loans and securities are loans and securities with respect to which the Group and the Bank consider that difficulties may occur in collecting the principal and interest due according to the contractual terms of the loan / securities agreement.

Past due but not individually impaired loans and securities

Loans and securities with respect to which the interest or principal payments are past due, but the Group and the Bank believe that an individual impairment is not appropriate considering the value of the security/collateral available and/or the stage of collection of the amounts owed to the Group and the Bank.

Allowances for impairment

The Group and the Bank determine an allowance for impairment losses that represents an estimate of the incurred losses on the loan portfolio. The main components of this allowance are represented by an individual loan loss component that relates to individually significant exposures, and a collective loan loss component established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that may be subject to individual impairment.

As at 31 December 2015, the Group and the Bank changed the calculation methodology for the collective impairment allowances as follows:

- In the calculation methodology for unimpaired loans without impairment signs, the loss identification period has been set to 12/12 on each portfolio, resulting from the frequency with which clients are submitted to individual impairment analysis and from the fact that in the collective analysis provisions are calculated for clients which have DPD over 15 days;
- For restructured non-performing loans, there is a new methodology implemented for loan loss provisions similar to the methodology used for restructured defaulted loans and for loans to clients in insolvency.

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4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Write-off policy

Based on a specific analysis, the Group and the Bank may decide to derecognize a depreciated asset either through write-off or through off-balance registration. The analysis of financial assets subject to write-off is performed periodically with respect to assets which exceeded the recovery horizon and/or are fully provisioned (based on the assessment of significant changes affecting the financial performance of the borrower/issuer, changes causing the impossibility to pay the obligation, or changes resulting in insufficient amounts to cover the whole exposure after guarantee enforcement).

The Group and the Bank hold collateral against loans and advances to customers in the form of mortgages over land and buildings, pledges on equipment and inventories, insurance policies and other guarantees. The Group and the Bank have ownership rights over these guarantees until the end of the contract. The estimates of fair value are based on the collateral value assessed on the loan granting date and periodically updated afterwards. The pledges presented below do not include guarantees related to the lease contracts granted by BT Leasing IFN SA.

An analysis of the collateral values split per types of loans and advances granted to customers is presented below:

	Group		**Bank**	
In thousand RON	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Collaterals related to loans with moderate, medium and high risk and impaired loans				
Real-estate	4,815,218	3,978,817	4,794,456	3,956,129
Pledges	551,281	722,982	630,188	723,721
Other collateral	168,479	202,463	165,891	150,112
	5,534,978	**4,904,262**	**5,590,535**	**4,829,962**
Collaterals related to loans with low risk				
Real-estate	20,753,436	12,433,279	20,752,138	12,432,435
Pledges	2,419,066	2,038,509	2,419,066	2,077,432
Other collateral	2,256,358	1,600,049	2,113,349	1,601,237
	25,428,860	**16,071,837**	**25,284,553**	**16,111,104**
Total	**30,963,838**	**20,976,099**	**30,875,088**	**20,941,066**

Exposure to high-risk Eurozone countries

The economic recovery process speeded up in the Eurozone in 2015: the GDP rose by 1.5% YoY, according to the preliminary data published by Eurostat. The best evolution of the Eurozone in the last four years was influenced by the New European Economic Governance. Within this policy, there can be noticed the unprecedented expansionary monetary policy implemented by the European Central Bank, with spill-over effects on the credit markets (the decline of the financing costs and the re-launch of the credit activity) and on the FX markets (the depreciation of the EUR).

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4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Exposure to high-risk Eurozone countries (continued)

The acceleration of productive investments could be noticed (by more than 2% YoY in 2015, the best dynamics since 2007), an evolution confirming the fact that the region recovers after the crisis and it started a new economic cycle. The re-launch of investments had a positive impact on the private consumption, the main component of the GDP increasing by 1.7% YoY (the best performance since 2007). At the same time, the public consumption accelerated in 2015, this evolution being supported by the broader area of action after a severe adjustment process, in a context dominated by the acceleration of the economy and the decline of the financing costs (to record low levels).
Last but not least, the exports speeded up in 2015 (to 5% YoY), due to the depreciation of the real effective exchange rate of the Euro, which counterbalanced the deceleration of emerging economies.
However, at the beginning of 2016, the Euro Area economy seems to be affected by the wave of turbulences on the financial markets and by the confidence test on the banking sector in the region, given the full implementation of the Banking Union Project.
These aspects, together with the persistence of deflationary risks (given the dynamics of international oil prices), determined the European Central Bank to launch new expansionary measures in the spring of 2016.

c) Liquidity risk

Liquidity risk is generated by the Group's inability to meet its outstanding payment obligations at their due date. Liquidity risk has 2 components: the difficulty in procuring funds at maturity in order to refinance current assets or the inability to convert an asset into cash at a value near its fair value in a reasonable period of time. The Group is permanently acting to manage this type of risk.

The Group and the Bank have access to a diverse funding base. Funds are raised by using a broad range of instruments, including deposits from customers or from banks, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves the flexibility to attract funds, limiting the dependence on one type of financing and on one type of partner and leading to an overall decrease of financing costs. The Group tries to maintain a balance between continuity and flexibility in attracting funds, by signing financing contracts with different maturities and in different currencies. The Group continually assesses liquidity risk by identifying and monitoring changes in the financing contracts, and by diversifying the funding sources.

The Assets and Liabilities Management Committee (ALCO) of the Bank is responsible with the periodic review of liquidity indicators and with the establishment of corrective measures regarding balance sheet figures, so as to eliminate unacceptable deviations in terms of liquidity risk.

The Group's/the Bank's assets and liabilities analysed based on the residual maturity from 31 December 2015 and 31 December 2014 until the contract maturity date are presented below:

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4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Group

In RON thousand	Carrying amount	Gross value (inflow /outflow)	Less than 3 months	3-6 months	6-12 months	1-3 years	3 – 5 years	More than 5 years	Without maturity
31 December 2015									
Financial liabilities									
Deposits from banks	388,425	(388,426)	(388,426)	-	-	-	-	-	-
Deposits from customers	38,301,741	(38,385,329)	(26,497,881)	(4,522,049)	(3,758,138)	(1,962,696)	(1,342,097)	(302,468)	-
Loans from banks and other financial institutions and other subordinated liabilities	1,546,126	(1,748,518)	(358,187)	(37,595)	(109,305)	(386,806)	(222,882)	(633,743)	-
Total Financial liabilities	**40,236,292**	**(40,522,273)**	**(27,244,494)**	**(4,559,644)**	**(3,867,443)**	**(2,349,502)**	**(1,564,979)**	**(936,211)**	**-**
Financial assets									
Cash and cash equivalents	5,109,102	5,109,102	5,109,102	-	-	-	-	-	-
Placements with banks	3,797,692	3,839,454	3,528,979	42,549	55,544	54,905	114,251	43,226	-
Financial assets at fair value through profit and loss	161,028	161,028	81,476	-	-	-	-	-	79,552
Loans and advances to customers	24,894,560	36,551,876	5,539,447	2,542,523	4,464,850	6,751,512	4,311,692	12,941,852	-
Net finance lease investments	331,054	433,710	112,957	39,276	67,733	162,055	41,262	10,427	-
Investment securities, available-for-sale	12,242,959	13,493,655	9,895,090	433,319	127,090	999,877	1,007,612	946,311	84,356
Held-to-maturity securities	12,942	14,598	59	167	199	3,803	6,422	3,948	-
Total Financial assets	**46,549,337**	**59,603,423**	**24,267,110**	**3,057,834**	**4,715,416**	**7,972,152**	**5,481,239**	**13,945,764**	**163,908**
Net position		**19,081,150**	**(2,977,384)**	**(1,501,810)**	**847,973**	**5,622,650**	**3,916,260**	**13,009,553**	**163,908**

The accompanying notes from pages 10 to 99 form an integral part of these financial statements.

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4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Group

In RON thousand	**Carrying amount**	**Gross value (inflow /outflow)**	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 – 5 years**	**More than 5 years**	**Without maturity**
31 December 2014									
Financial liabilities									
Deposits from banks	133,348	(133,512)	(133,512)	-	-	-	-	-	-
Deposits from customers	29,994,916	(30,114,863)	(20,297,654)	(4,160,831)	(2,630,301)	(1,137,007)	(1,727,961)	(161,109)	-
Loans from banks and other financial institutions and other subordinated liabilities	1,447,430	(1,659,521)	(573,848)	(57,096)	(99,111)	(270,123)	(225,032)	(434,311)	-
Total Financial liabilities	**31,575,694**	**(31,907,896)**	**(21,005,014)**	**(4,217,927)**	**(2,729,412)**	**(1,407,130)**	**(1,952,993)**	**(595,420)**	**-**
Financial assets									
Cash and cash equivalents	4,234,181	4,234,181	4,234,181	-	-	-	-	-	-
Placements with banks	2,387,058	2,421,710	2,184,961	17,976	62,511	32,371	114,443	9,448	-
Financial assets at fair value through profit and loss	143,931	143,931	72,188	-	-	-	-	-	71,743
Loans and advances to customers	17,418,689	25,528,451	4,903,185	2,243,839	3,827,864	4,649,991	3,216,122	6,687,450	-
Net finance lease investments	244,274	356,257	104,454	28,261	32,662	43,095	109,427	32,412	5,946
Investment securities, available-for-sale	10,771,835	11,732,981	8,787,523	204,273	211,598	1,136,241	611,649	703,635	78,062
Held-to-maturity securities	-	-	-	-	-	-	-	-	-
Total Financial assets	**35,199,968**	**44,417,511**	**20,286,492**	**2,494,349**	**4,134,635**	**5,861,698**	**4,051,641**	**7,432,945**	**155,751**
Net position		**12,509,615**	**(718,522)**	**(1,723,578)**	**1,405,223**	**4,454,568**	**2,098,648**	**6,837,525**	**155,751**

The accompanying notes from pages 10 to 99 form an integral part of these financial statements.

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4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Bank

In RON thousand	**Carrying amount**	**Gross value (inflow /outflow)**	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 – 5 years**	**More than 5 years**	**Without maturity**
31 December 2015									
Financial liabilities									
Deposits from banks	388,425	(388,426)	(388,426)	-	-	-	-	-	-
Deposits from customers	38,395,292	(38,478,888)	(26,571,597)	(4,522,009)	(3,758,131)	(1,982,589)	(1,342,094)	(302,468)	-
Loans from banks and other financial institutions and other subordinated liabilities	1,401,494	(1,596,414)	(343,774)	(22,568)	(79,761)	(308,425)	(213,606)	(628,280)	-
Total Financial liabilities	**40,185,211**	**(40,463,728)**	**(27,303,797)**	**(4,544,577)**	**(3,837,892)**	**(2,291,014)**	**(1,555,700)**	**(930,748)**	**-**
Financial assets									
Cash and cash equivalents	5,104,871	5,104,871	5,104,871	-	-	-	-	-	-
Placements with banks	3,782,508	3,824,187	3,521,503	34,758	55,544	54,905	114,251	43,226	-
Financial assets at fair value through profit and loss	56,819	56,819	28,410	-	-	-	-	-	28,409
Loans and advances to customers	25,107,527	36,679,635	5,454,195	2,554,340	4,508,115	6,829,682	4,350,163	12,983,140	-
Net finance lease investments	84,886	84,886	-	-	-	-	-	-	84,886
Investment securities, available-for-sale	12,332,576	13,581,970	9,961,086	432,454	127,090	998,148	988,542	946,311	128,339
Total Financial assets	**46,469,187**	**59,332,368**	**24,070,065**	**3,021,552**	**4,690,749**	**7,882,735**	**5,452,956**	**13,972,677**	**241,634**
Net position		**18,868,640**	**(3,233,732)**	**(1,523,025)**	**852,857**	**5,591,721**	**3,897,256**	**13,041,929**	**241,634**

The accompanying notes from pages 10 to 99 form an integral part of these financial statements.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

In RON thousand	Carrying amount	Gross value (inflow /outflow)	Less than 3 months	3-6 months	6-12 months	1-3 years	3 – 5 years	More than 5 years	Without maturity
31 December 2014									
Financial liabilities									
Deposits from banks	133,348	(133,512)	(133,512)	-	-	-	-	-	-
Deposits from customers	30,045,502	(30,165,468)	(20,340,938)	(4,160,831)	(2,630,220)	(1,144,409)	(1,727,961)	(161,109)	-
Loans from banks and other financial institutions and other subordinated liabilities	1,343,711	(1,547,525)	(570,217)	(44,707)	(94,547)	(254,595)	(169,353)	(414,106)	-
Total Financial liabilities	**31,522,561**	**(31,846,505)**	**(21,044,667)**	**(4,205,538)**	**(2,724,767)**	**(1,399,004)**	**(1,897,314)**	**(575,215)**	**-**
Financial assets									
Cash and cash equivalents	4,225,966	4,225,966	4,225,966	-	-	-	-	-	-
Placements with banks	2,378,906	2,413,545	2,176,796	17,976	62,511	32,371	114,443	9,448	-
Financial assets at fair value through profit and loss	52,311	52,311	26,155	-	-	-	-	-	26,156
Loans and advances to customers	17,517,192	25,538,122	4,830,061	2,246,327	3,847,519	4,692,214	3,228,300	6,693,701	-
Net finance lease investments	74,856	74,856	-	-	-	-	-	-	74,856
Investment securities, available-for-sale	10,852,865	11,814,012	8,836,176	204,273	211,598	1,136,241	611,649	703,635	110,440
Total Financial assets	**35,102,096**	**44,118,812**	**20,095,154**	**2,468,576**	**4,121,628**	**5,860,826**	**3,954,392**	**7,406,784**	**211,452**
Net position		**12,272,307**	**(949,513)**	**(1,736,962)**	**1,396,861**	**4,461,822**	**2,057,078**	**6,831,569**	**211,452**

The accompanying notes from pages 10 to 99 form an integral part of these financial statements.

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

4. Financial risk management (*continued*)

d) Market risk

Market risk represents the current or prospective risk that the earnings of the Group or the Bank and the value of financial instruments held may be negatively affected by adverse market movements in interest rates, foreign exchange rates or other financial ratios. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on investments.

d1) Interest rate risk in the banking book

Interest rate risk represents the current or future risk for profit and capital to be negatively affected as a result of adverse changes in interest rates.

The Group and the Bank undertake the interest rate risk resulting from:
- Fixed income security trading (interest rate risk from trading activities)

- Funds raised and placed in relation to non-bank customers (interest rate risk from banking activities).

- The main sources of interest rate risk are represented by the imperfect correlation between the maturity dates (for fixed interest rates) or the pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of interest rate curves related to interest bearing assets and liabilities).

- The management of interest bearing assets and liabilities is carried out in the context of the Group's/the Bank's exposure to interest rate fluctuations. The Group and the Bank use a mix of fixed and variable interest bearing instruments to control the mismatch between the dates on which the interest on assets and liabilities is adjusted to the market rates or the maturity mismatch between assets and liabilities.

- Interest rate risk is managed by monitoring the interest rate GAP (mismatch) and by means of a system of limits and indicators approved on maturity bands (time intervals) for interest reset.
- The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Treasury Department.

- Interest rate risk management within the limits is accompanied by the analysis of the sensitivity of the Group's/the Bank's financial assets and liabilities to different standard interest rate scenarios.

An analysis of the interest bearing assets' and liabilities' sensitivity to interest rate increases or decreases on the market is set out below at Group/Bank level:

	Group				Bank			
In RON thousand	200 basis points Increase	200 basis points Decrease	100 basis points Increase	100 basis points Decrease	200 basis points Increase	200 basis points Decrease	100 basis points Increase	100 basis points Decrease
At 31 December 2015								
Average for the period	193	(193)	96	(96)	1,050	(1,050)	525	(525)
Minimum for the period	(18,614)	45	(9,307)	22	(18,614)	137	(9,307)	69
Maximum for the period	26,777	(11)	13,389	(5)	26,777	(15)	13,389	(7)
At 31 December 2014								
Average for the period	1,963	(1,963)	982	(982)	1,553	(1,553)	776	(776)
Minimum for the period	(23,860)	23,860	(11,930)	11,930	(26,305)	26,305	(13,153)	13,153
Maximum for the period	22,709	(22,709)	11,355	(11,355)	21,667	(21,667)	10,834	(10,834)

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4. Financial risk management (*continued*)

d) Market risk (*continued*)

d1) Interest rate risk in the banking book (continued)

In the sensitivity analysis regarding interest rate variation, the Group and the Bank have calculated the impact of potential market interest rates changes on the interest margin for the future financial periods, by taking into consideration the interest rate resetting date with respect to the balance sheet assets and liabilities, as follows: the Group and the Bank separated fixed interest assets and liabilities from variable interest assets and liabilities, using the following split for each category: less than 1 month, 1 – 3 months, 3 – 6 months, 6 – 12 months, 1 – 2 years, 2 - 3 years, 3 – 4 years, 4 - 5 years, 5 – 7 years, 7 - 10 years, 10 – 15 years, 15 – 20 years and over 20 years. For the variable rate assets and liabilities, the future interest cash flows were recomputed by modifying the interest rate by +/- 100 and +/-200 basis points.

Following the sensitivity analysis performed by the Group and the Bank in accordance with the methodology presented above, it can be observed that the impact on future profit is limited. The most significant impact is noticed on the 15-20 month bucket, which gives the Group and the Bank sufficient time to adjust to the financial market conditions. The average for the period included in the previous table represents the average monthly impact of interest rate changes over the Group's and the Bank's profit (according to the methodology presented above). The minimum included in the table represents the potential impact of interest rate changes on the profit for the respective bucket, notably 6-12 months. The maximum represents the annual potential impact of interest rate changes on the profit for the respective bucket, notably 15-20 years.

The interest rates for the local currency and the main foreign currencies as at 31 December 2015 and 2014 were as follows:

Currency	**Interest rate**	**31 December 2015**	**31 December 2014**
Romanian Leu (RON)	Robor 3 months	1.02%	1.70%
Euro (EUR)	Euribor 3 months	(0.131%)	0.0780%
Euro (EUR)	Euribor 6 months	(0.040%)	0.1710%
US Dollar (USD)	Libor 6 months	0.84615%	0.3628%

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Notes to the separate and consolidated financial statements

4. Financial risk management (*continued*)

d) Market risk (*continued*)

d1) Interest rate risk in the banking book (continued)

The table below presents the interest margin position for the interest bearing instrument portfolio of the Group as at 31 December 2015:

In RON thousand	**Up to 6 months**	**6 – 12 months**	**1-3 years**	**3 – 5 years**	**Over 5 years**	**Fixed**	**Total**
Financial assets							
Cash and cash equivalents	5,109,102	-	-	-	-	-	5,109,102
Placements with banks	3,645,404	7,496	35,817	82,114	26,861	-	3,797,692
Financial assets at fair value through profit and loss	161,028	-	-	-	-	-	161,028
Loans and advances to customers	20,534,707	1,572,855	1,055,950	647,841	692,288	390,919	24,894,560
Net lease investments	331,054	-	-	-	-	-	331,054
Available-for-sale securities	11,229,020	14,830	176,657	401,122	418,207	3,123	12,242,959
Held-to-maturity investments	210	-	2,975	6,103	3,654	-	12,942
	41,010,525	**1,595,181**	**1,271,399**	**1,137,180**	**1,141,010**	**394,042**	**46,549,337**
Financial liabilities							
Deposits from banks	388,425	-	-	-	-	-	388,425
Deposits from customers	31,726,858	5,958,255	553,668	22,841	40,119	-	38,301,741
Loans from banks and other financial institutions, subordinated debt and bonds issued	1,463,568	2,518	9,625	2,401	68,014	-	1,546,126
	33,578,851	**5,960,773**	**563,293**	**25,242**	**108,133**	**-**	**40,236,292**
Net position	**7,431,674**	**(4,365,592)**	**708,106**	**1,111,938**	**1,032,877**	**394,042**	**6,313,045**

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Notes to the separate and consolidated financial statements

4. Financial risk management (*continued*)

d) Market risk (*continued*)

d1) Interest rate risk in the banking book (continued)

The table below presents the interest margin position for the interest bearing instruments portfolio of the Group as at 31 December 2014:

In RON thousand	**Up to 6 months**	**6 – 12 months**	**1-3 years**	**3 – 5 years**	**Over 5 years**	**Fixed**	**Total**
Financial assets							
Cash and cash equivalents	4,234,181	-	-	-	-	-	**4,234,181**
Placements with banks	2,201,017	57,925	17,495	101,660	8,961	-	**2,387,058**
Financial assets at fair value through profit and loss	143,931	-	-	-	-	-	**143,931**
Loans and advances to customers	13,161,036	2,469,276	552,962	641,814	1,926	591,675	**17,418,689**
Net lease investments	244,274	-	-	-	-	-	**244,274**
Available-for-sale securities	9,787,806	15,286	425,091	215,611	326,292	1,749	**10,771,835**
Held-to-maturity investments	-	-	-	-	-	-	**-**
	29,772,245	**2,542,487**	**995,548**	**959,085**	**337,179**	**593,424**	**35,199,968**
Financial liabilities							
Deposits from banks	133,348	-	-	-	-	-	**133,348**
Deposits from customers	25,000,340	4,907,598	35,924	19,725	31,329	-	**29,994,916**
Loans from banks and other financial institutions, subordinated debt and bonds issued	1,403,550	-	-	-	43,880	-	**1,447,430**
	26,537,238	**4,907,598**	**35,924**	**19,725**	**75,209**	**-**	**31,575,694**
Net position	**3,235,007**	**(2,365,111)**	**959,624**	**939,360**	**261,970**	**593,424**	**3,624,274**

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Notes to the separate and consolidated financial statements

4. Financial risk management (*continued*)

d) Market risk (*continued*)

d1) Interest rate risk in the banking book (continued)

The table below presents the interest margin position for the interest bearing portfolio of the Bank as at 31 December 2015:

In RON thousand	Up to 6 months	6 – 12 months	1-3 years	3 – 5 years	Over 5 years	Fixed	Total
Financial assets							
Cash and cash equivalents	5,104,871	-	-	-	-	-	**5,104,871**
Placements with banks	3,630,220	7,496	35,817	82,114	26,861	-	**3,782,508**
Financial assets at fair value through profit and loss	56,819	-	-	-	-	-	**56,819**
Loans and advances to customers	20,833,594	1,558,149	1,009,513	623,065	692,288	390,918	**25,107,527**
Net lease investments	-	-	-	-	-	-	**-**
Available-for-sale securities	11,320,656	14,830	176,657	399,133	418,207	3,092	**12,332,576**
	40,946,160	**1,580,475**	**1,221,987**	**1,104,312**	**1,137,356**	**394,010**	**46,384,301**
Financial liabilities							
Deposits from banks	388,425	-	-	-	-	-	**388,425**
Deposits from customers	31,820,464	5,958,211	553,668	22,830	40,119	-	**38,395,292**
Loans from banks and other financial institutions, subordinated debt and bonds issued	1,333,481	-	-	-	68,013	-	**1,401,494**
	33,542,370	**5,958,211**	**553,668**	**22,830**	**108,132**	**-**	**40,185,211**
Net position	**7,403,790**	**(4,377,736)**	**668,319**	**1,081,482**	**1,029,224**	**394,010**	**6,199,090**

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Notes to the separate and consolidated financial statements

4. Financial risk management (*continued*)

d) Market risk (*continued*)

d1) Interest rate risk in the banking book (continued)

The table below presents the interest margin position for the interest bearing portfolio of the Bank as at 31 December 2014:

In RON thousand	Up to 6 months	6 – 12 months	1-3 years	3 – 5 years	Over 5 years	Fixed	Total
Financial assets							
Cash and cash equivalents	4,225,966	-	-	-	-	-	**4,225,966**
Placements with banks	2,192,865	57,925	17,495	101,660	8,961	-	**2,378,906**
Financial assets at fair value through profit and loss	52,311	-	-	-	-	-	**52,311**
Loans and advances to customers	13,319,686	2,457,886	519,696	626,323	1,926	591,675	**17,517,192**
Net lease investments		-	-	-	-	-	
Available-for-sale securities	9,868,880	15,286	425,091	215,611	326,292	1,705	**10,852,865**
	29,659,708	**2,531,097**	**962,282**	**943,594**	**337,179**	**593,380**	**35,027,240**
Financial liabilities							
Deposits from banks	133,348	-	-	-	-	-	**133,348**
Deposits from customers	25,050,926	4,907,598	35,924	19,725	31,329	-	**30,045,502**
Loans from banks and other financial institutions, subordinated debt and bonds issued	1,299,831	-	-	-	43,880	-	**1,343,711**
	26,484,105	**4,907,598**	**35,924**	**19,725**	**75,209**	**-**	**31,522,561**
Net position	**3,175,603**	**(2,376,501)**	**926,358**	**923,869**	**261,970**	**593,380**	**3,504,679**

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version

4. Financial risk management (*continued*)

d) Market risk (*continued*)

d2) Currency risk

The Group and the Bank are exposed to currency risk through open positions generated by foreign currency transactions. The Group and the Bank manage the currency risk based on strict open position and "stop-loss" limits monitored in real time. There is also a risk that the values of net monetary assets and liabilities in foreign currency will change when translated into RON as a result of exchange rate variation.

The Group and the Bank manage the exposure to market risk by daily monitoring the market value of the held-for-trading portfolio in relation to a system of risk limits approved by the Assets and Liabilities Committee. The held-for-trading portfolio includes fixed-income securities issued on the Romanian or the European market (treasury securities, bonds whose issuers have ratings higher than the sovereign rating), denominated in RON, EUR and USD, as well as shares issued by Romanian entities and traded on the Bucharest Stock Exchange (which are not directly exposed to interest rate and currency risk, but are exposed to price risk).

The Group's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2015 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other**	**Total**
Monetary assets					
Cash and cash equivalents	2,721,324	2,253,978	31,735	102,065	5,109,102
Placements with banks	2,543,639	580,541	646,034	27,478	3,797,692
Financial assets at fair value through profit or loss	157,614	3,414	-	-	161,028
Loans and advances to customers	17,860,632	6,251,835	267,172	514,921	24,894,560
Net lease investments	127,430	201,500	2,124	-	331,054
Available-for-sale securities	8,143,699	3,681,505	417,755	-	12,242,959
Held-to-maturity investments	-	12,942	-	-	12,942
Other assets	358,300	25,102	2,971	2,362	388,735
Total monetary assets	**31,912,638**	**13,010,817**	**1,367,791**	**646,826**	**46,938,072**
Monetary liabilities					
Deposits from banks	280,144	90,642	17,482	157	388,425
Deposits from customers	25,127,434	11,507,300	1,435,741	231,266	38,301,741
Loans from banks and other financial institutions, other subordinated debts and bonds issued	162,826	951,907	174,606	256,787	1,546,126
Provisions for other risks and loan commitments and other liabilities	634,537	232,510	9,205	192,087	1,068,339
Total monetary liabilities	**26,204,941**	**12,782,359**	**1,637,034**	**680,297**	**41,304,631**
Net currency position	**5,707,697**	**228,458**	**(269,243)**	**(33,471)**	**5,633,441**

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version

4. Financial risk management (*continued*)

d) Market risk (*continued*)

d2) Currency risk (continued)

The Group's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2014 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other**	**Total**
Monetary assets					
Cash and cash equivalents	2,498,045	1,493,023	163,068	80,045	**4,234,181**
Placements with banks	833,367	1,214,637	295,349	43,705	**2,387,058**
Financial assets at fair value through profit or loss	142,718	1,213	-	-	**143,931**
Loans and advances to customers	12,706,307	4,481,233	231,149	-	**17,418,689**
Net lease investments	84,313	157,416	2,545	-	**244,274**
Available-for-sale securities	7,480,087	2,665,696	626,052	-	**10,771,835**
Other assets	169,054	11,354	2,322	892	**183,622**
Total monetary assets	**23,913,891**	**10,024,572**	**1,320,485**	**124,642**	**35,383,590**
Monetary liabilities					
Deposits from banks	877	34,916	97,332	223	**133,348**
Deposits from customers	19,505,627	9,403,531	937,969	147,789	**29,994,916**
Loans from banks and other financial institutions, other subordinated debts and bonds issued	549,001	738,986	159,443	-	**1,447,430**
Provisions for other risks and loan commitments and other liabilities	328,260	32,871	5,022	1,893	**368,046**
Total monetary liabilities	**20,383,765**	**10,210,304**	**1,199,766**	**149,905**	**31,943,740**
Net currency position	**3,530,126**	**(185,732)**	**120,719**	**(25,263)**	**3,439,850**

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4. Financial risk management (*continued*)

d) Market risk (*continued*)

d2) Currency risk (continued)

The Bank's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2015 are presented below:

In RON thousand	RON	EUR	USD	Other	Total
Monetary assets					
Cash and cash equivalents	2,719,873	2,251,565	31,735	101,698	5,104,871
Placements with banks	2,536,403	573,011	646,034	27,060	3,782,508
Financial assets at fair value through profit or loss	56,199	620	-	-	56,819
Loans and advances to customers	17,940,898	6,384,536	267,172	514,921	25,107,527
Net lease investments	-	-	-	-	-
Available-for-sale securities	8,215,842	3,698,979	417,755	-	12,332,576
Other assets	327,652	21,194	2,971	998	352,815
Total monetary assets	**31,796,867**	**12,929,905**	**1,365,667**	**644,677**	**46,737,116**
Monetary liabilities					
Deposits from banks	280,144	90,642	17,482	157	388,425
Deposits from customers	25,205,493	11,522,792	1,435,741	231,266	38,395,292
Loans from banks and other financial institutions, other subordinated debts and bonds issued	87,547	882,554	174,606	256,787	1,401,494
Provisions for other risks and loan commitments and other liabilities	610,942	227,713	9,205	191,833	1,039,693
Total monetary liabilities	**26,184,126**	**12,723,701**	**1,637,034**	**680,043**	**41,224,904**
Net currency position	**5,612,741**	**206,204**	**(271,367)**	**(35,366)**	**5,512,212**

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4. Financial risk management (*continued*)

d) Market risk (*continued*)

d2) Currency risk (continued)

The Bank’s monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2014 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other**	**Total**
Monetary assets					
Cash and cash equivalents	2,496,759	1,486,246	163,038	79,923	**4,225,966**
Placements with banks	828,407	1,211,973	295,349	43,177	**2,378,906**
Financial assets at fair value through profit or loss	52,311	-	-	-	**52,311**
Loans and advances to customers	12,713,975	4,570,748	232,469	-	**17,517,192**
Net lease investments	69,520	5,336	-	-	**74,856**
Available-for-sale securities	7,565,952	2,660,861	626,052	-	**10,852,865**
Other assets	145,213	9,755	2,307	13	**157,288**
Total monetary assets	**23,872,137**	**9,944,919**	**1,319,215**	**123,113**	**35,259,384**
Monetary liabilities					
Deposits from banks	877	34,916	97,332	223	**133,348**
Deposits from customers	19,556,213	9,403,531	937,969	147,789	**30,045,502**
Loans from banks and other financial institutions, other subordinated debts and bonds issued	547,202	637,066	159,443	-	**1,343,711**
Provisions for other risks and loan commitments and other liabilities	315,934	28,656	4,992	1,692	**351,274**
Total monetary liabilities	**20,420,226**	**10,104,169**	**1,199,736**	**149,704**	**31,873,835**
Net currency position	**3,451,911**	**(159,250)**	**119,479**	**(26,591)**	**3,385,549**

e) Taxation risk

The Group and the Bank are committed to ensure a sustainable tax risk management by building and maintaining an efficient, effective and transparent tax function within the organization. The Group and the Bank strictly comply with and apply the legal regulations on taxes and duties.

The Romanian tax legislation provides for detailed and complex rules and has faced many changes in the recent years. The interpretation and practical implementation of tax legislation may vary and there is a risk that certain transactions could be construed differently by the tax authorities as compared to the Group’s and the Bank's treatment.

Moreover, the conversion to IFRS involved supplementary fiscal implications for the Romanian banks, which are not fully regulated and may generate tax related risk.

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4. Financial risk management (*continued*)

e) Taxation risk (*continued*)

The Romanian Government has a number of agencies that are authorized to conduct the audit of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters, but to other legal and regulatory topics in which the respective agency may be interested. It is likely that the Group and the Bank will continue to be subject to regular controls, as new laws and regulations are issued.
In this context, a detailed analysis was performed in order to identify accounting treatment differences with fiscal impact, both in terms of current tax and deferred tax.

f) Business environment

(i) Macroeconomic evolutions and the banking market

2015 was a reference year in Romania from an economic point of view, considering the following aspects: the position of the economy (at the beginning of a new cycle); the dynamics of the economy potential (including the contribution of production factors to this evolution); the consolidation of macro-financial stability.

According to the preliminary estimates of the National Institute of Statistics (NIS), the GDP increased by 3.7% YoY in 2015, the best evolution since 2008. Last year, the real value of the GDP (adjusted with the consumer price dynamics) was 7% higher compared to the level of 2008 (in nominal terms, the GDP hit a new record of EUR 155 billion in 2015).

The dynamics of fixed investments should be noticed (by 6.9% in January-September 2015), an evolution supported by the consolidation of the positive climate in the private sector and by the European economic re-launch (with spill-over effects on exports).

The decline of the financing costs (to record low levels), the redress of credit markets and the increase of direct foreign investments (by 25% YoY to over EUR 3 billion) contributed to the positive dynamics of fixed investments in 2015.

At the same time, private consumption (the main component of the GDP) speeded-up in 2015 (increase by over 5.6% in 9 months), due to the increase in the actual available income of the population (given the decline of the VAT for food and food services (from 24% to 9% starting 1 June), the improvement of the labour market climate, the drop of fuel prices at international level and the re-launch of the credit markets, in a context of declining financing costs to historical low levels.

As concerns the aggregate supply, 2015 was the year of economic growth distributed across the main sectors. The dynamics of the construction sector should be noticed, but also the performance continuity in the IT&C sector (over 10% YoY). At the same time, the decline of the VAT for food and food services and the better tax compliance determined the increase of the trade/ vehicle repairment/ transportation & warehousing/HORECA sector. On the other hand, the primary sector decreased last year, due to the unfavourable weather climate.

In the financial economy, a decline of consumer prices can be noticed starting June 2015, due to the VAT drop for food and food services.

The low level of inflationary pressures (under the effect of supply shocks) corroborated with the high degree of financial stability determined the National Bank of Romania to continue reducing the interest rate within the monetary policy during the first quarter of 2015, towards the lowest historical level of 1.75%.

The credit market stabilized and changed its trend in 2015, under the influence of several factors: the acceleration of the economy; the decline of financing costs; the improvement of supply after a severe and prolonged adjustment. According to the NBR statistics, the average non-governmental loans declined by 0.9% YoY in 2015, as the increase of the RON component (by 12.8% YoY) was counterbalanced by the decrease of the foreign currency component (by 10.9% YoY).

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4. Financial risk management (*continued*)

f) Business environment (*continued*)

(i) Macroeconomic evolutions and the financial market (continued)

On the other hand, the volume of the non-governmental deposits rose on average by 7% YoY in 2015, towards maximum records (RON 253.5 billion at the end of 2015), an evolution also supported by the Government allocations from December 2015.

Consequently, in 2015 the loans/deposits ratio continued to decline to low historical levels (85.8% in December), reflecting the excess of liquidity in the economy and the structural changes in the banking sector.

This sector entered a new cycle in 2015, an evolution supported by several factors: the dynamics of the domestic demand; the decline of the financing costs; the sale of non-performing loans.

The non-performing loans ratio continued the downward trend in 2015, reaching 11.65% in November (the lowest level of the past five years), according to the NBR statistics.

Last, but not least, the Romanian banking sector is characterised by a high capital adequacy ratio: 17.51% at the end of last year (almost twice the minimum level of 8%).

(ii) The law of giving in payment

In November 2015, the Romanian Parliament approved the law that defines giving in payment, according to which mortgage debtors are allowed to hand back to banks the mortgaged assets in order to extinguish the debt.

The law of giving in payment regulates the debtor's right to settle entirely the debt arising from a loan contract by transferring to the lender the ownership right on the mortgage under certain regulated conditions.

The President of Romania has sent the law back for re-examination. On 18 December 2015, the Central European Bank issued at its own initiative a notice with regard to this law project. The notice mentioned the unjustified potentially negative impact that some of the provisions may have on the Romanian economy and the financial stability.

The main aspects, discussed also with the representatives of the National Bank of Romania, refer to:

- The retroactive application of the law, which covers also current loan contracts and not only contracts concluded after ratification;
- Type of loans – the initial project covered all loan contracts between individuals and credit institutions, guaranteed by real estate properties. The proposals of the National Bank included limitations only to residential real estates and the exclusion of "Prima Casa" program.
- The value of the loan – the initial project included all loan contracts regardless of loan value. The current proposals limit the application of the law only to contracts under 150.000 EUR
- Social aspects – the initial project included all types of debtors. The current proposal introduces a minimum indebtedness degree of 65%.

At the beginning of March 2016, the Romanian Senate approved a new project of this law with significant changes from the initial version, but the law has not been voted by the Chamber of Deputies as at the approval date of these financial statements.

(iii) Directive 2014/17/EU of the European Parliament and of the Council

The project law of the National Authority for Consumer Protection (NACP), which transposes the requirements of Directive 17/2014 of the European Parliament, refers to loans in foreign currency granted to consumers with respect to which the exchange rate varies by more than 20% at a certain date during the loan period as compared to the granting date. In such case, the banking or non-banking financial institutions are required to offer certain options to consumers in order to sustain them and reduce the loan costs.

4. Financial risk management (*continued*)

f) Business environment (*continued*)

(iii) Directive 2014/17/EU of the European Parliament and of the Council (continued)

Given the uncertainties surrounding this legislative project, the management cannot estimate accurately the developments which could have an impact on the Romanian banking sector and consequently the effect of this law, if any, on the herein financial statements.

g) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's and the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior or natural disasters that lead to business disruption. Operational risks arise from all of the Group's and the Bank's operations and are faced by all business entities.

The Group's and the Bank's objective is to manage operational risk in order to ensure a reasonable achievement of performance targets (efficiency and effectiveness), information objectives (credibility, integrity, continuity) and to mitigate the losses resulting from the materialization of this risk category.

In order to reduce the inherent risk in the operational activities of the Group and the Bank, a general risk management framework was developed for managing these risks, in accordance with the defined business objectives, the assumed risk appetite, the applicable national and international laws and regulations and the internal norms and policies on operational risk, which are part of the corporate governance framework.

The primary responsibility for the development and implementation of controls addressing operational risk is assigned to the senior management within each business unit. These responsibilities are consistent with the general operational risk management standards of the Group and the Bank in the following areas:

- requirements for appropriate segregation of duties, including independent authorization of transactions;
- requirements for dual control principle implementation on transactions processing and any other activity associated with a significant level of risk;
- requirements for transaction reconciliation and monitoring;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- establishment of relevant indicators and associated acceptability limits regarding operational risk;
- requirements for periodic assessment of existing operational risks and implementation of adequate controls and procedures to address the identified risks;
- operational loss reporting requirements and proposed remediation actions;
- a formalized approach to business continuity with a focus on the IT infrastructure (public services, hardware, software, human resources) due to its high degree of support in business activities;
- training and professional development programmes for all business lines and for all the Group's and the Bank's employees; development of ethical and business standards;
- IT risk as a component of operational risk;
- computation of capital requirements for operational risk;
- risk mitigation, including insurance where the underlying risk is not controllable.

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Notes to the separate and consolidated financial statements

4. Financial risk management (*continued*)

g) Operational risk (continued)

The Internal Audit, the Internal Control and the Executive Management of the Group and the Bank monitor the compliance with the Group's and the Bank`s standards through regular on-site and off-site inspections. The results of internal audit, operational risk monitoring and control are discussed with the management of the audited business units and a summary is submitted to the Executive Risk Manager and the Group's and the Bank's Management.

h) Capital management

The Group's and the Bank's own funds are based on the applicable legal requirements on regulatory capital and include:

- Tier I, which includes subscribed and paid in capital, share premiums, eligible reserves from which the following are deducted: the value of intangible assets, treasury shares, 50% of the applicable prudential filters, unrealized gains form the securities portfolios, taxes and penalties related to untaxed reserves and operations under preferential conditions;
- Tier II, which includes reserves from fixed assets revaluation and the amount of subordinated loans from which 50% of the applicable prudential filters is deducted.

The own funds computation as at 31 December 2015 was prepared in accordance with EU Regulation No. 575/2013 of the European Parliament and related national legislation.

The own funds as at 31 December 2015 and 31 December 2014, based on the applicable regulations, together with the related capital requirements were as follows:

	Group		**Bank**	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Tier 1 capital	5,808,329	3,351,606	5,655,552	3,243,828
Tier 2 capital	376,497	373,532	376,497	373,036
Total capital	**6,184,826**	**3,725,138**	**6,032,049**	**3,616,864**
Credit risk	19,855,143	14,740,681	19,591,248	14,566,082
Market risk and commodity risk	4,236,125	3,449,587	4,168,805	3,399,351
Operational risk	3,495,554	3,061,304	3,333,266	2,913,934
Credit valuation adjustment	10,510	-	8,690	-
Total capital requirement	**27,597,332**	**21,251,572**	**27,102,009**	**20,879,367**

Note: The computation of the Group's and the Bank's Own Funds includes the profit for financial years ended 31 December 2015 and 31 December 2014. The regulatory capital computation as at 31 December 2015 and 31 December 2014 was prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

5. Use of estimates and judgements

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the given circumstances.

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5. Use of estimates and judgements (*continued*)

Impairment losses on loans and advances

The Group and the Bank review their loan portfolio (including net investments in lease) to assess the impairment thereof, at least semi-annually (on a monthly basis for the Bank). In determining whether an impairment loss should be recorded in the consolidated/ separate income statement, the Group and the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans/ lease receivables before the decrease can be identified for an individual loan/ receivable in that portfolio. For example, the observable data might be the un-favourable changes in the customers' payment behaviour from within a group or due to economic, national or local circumstances which correlate with default incidents of a debtors' group.

The management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience, including assessing the effects of uncertainty on the local financial markets related to valuation of assets and operating environment of debtors. The loan impairment assessment considers the visible effects of current market conditions on the individual/collective assessment of loans and advances to customers' impairment. Hence, the Group and the Bank have estimated the impairment loss provision for loans and advances to customers based on the internal methodology and assessed that no further provision for impairment losses is required except as already provided for in the consolidated and separate financial statements.

To the extent that the net present value of the cash flows estimated by the Group differs by +/-5 percent, the impairment allowance for loans and advances to customers would be estimated to RON 57,467 thousand higher or RON 55,772 thousand lower.

To the extent that the net present value of the cash flows estimated by the Bank differs by +/-5 percent, the impairment allowance for loans and advances to customers would be estimated to RON 56,547 thousand higher or RON 54,985 thousand lower.

Fair value of financial instruments

The Group and the Bank measure the fair value of financial instruments by using the following fair value hierarchy:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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5. Use of estimates and judgements (*continued*)

Fair value of financial instruments (continued)

The objective of valuation techniques is to derive the fair value, that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

The availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair value. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not traded in an active market (for example bonds) is determined by using valuation techniques. The management uses its judgment to select the valuation method and makes assumptions that are mainly based on market conditions existing at the date of the consolidated/ separate statement of the financial position.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in determination of the fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of prepayments and appropriate discount rates. The Group's and the Bank's percentage of this type of instruments in the portfolio is not significant.

In case the interest rates on financial assets available-for-sale differed by + / - 1.5% and the prices of financial assets at fair value through profit and loss differed by + / - 10% from the management's estimates, the carrying amount of the Group's financial assets at fair value in profit or loss account and financial assets available-for-sale would have an estimated value of RON 628,166 thousand lower than the fair value at 31 December 2015 of which RON 9,437 thousand in profit and loss account and RON 618,729 thousand in other comprehensive income, or RON 637,345 thousand higher than fair value at 31 December 2015 of which RON 9,437 thousand in profit and loss account and RON 627,908 thousand in other comprehensive income.

In case the interest rates on financial assets available-for-sale differed by + / - 1.5% and the prices of financial assets at fair value through profit and loss would differed by + / - 10% from the management's estimates, the carrying amount of the Bank's financial assets at fair value in profit or loss account and financial assets available-for-sale would have an estimated value of RON 625,054 thousand lower than the fair value at 31 December 2015 of which RON 9,023 thousand in profit and loss account and RON 616,031 thousand in other comprehensive income, or RON 634,266 thousand higher than fair value at 31 December 2015 of which RON 9,023 thousand in profit and loss account and RON 625,243 thousand in other comprehensive income.

The table below presents financial instruments measured at fair value at the end of the reporting period, by fair value levels:

Group *- In RON thousand*	**Note**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable input**	**Level 3 - Valuation techniques – unobservable input**	**Total**
31 December 2015					
Financial assets at fair value through profit and loss	19	155,386	5,642	-	161,028
Available-for-sale securities	22	11,964,967	274,869	3,123	12,242,959
31 December 2014					
Financial assets at fair value through profit and loss	19	143,396	535	-	143,931
Available-for-sale securities	22	10,709,801	60,285	1,749	10,771,835

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5. Use of estimates and judgements (*continued*)

Fair value of financial instruments (continued)

Bank

In RON thousand	Note	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
31 December 2015					
Financial assets at fair value through profit and loss	19	51,177	5,642	-	56,819
Available-for-sale securities	22	12,054,615	274,869	3,092	12,332,576
31 December 2014					
Financial assets at fair value through profit and loss	19	51,776	535	-	52,311
Available-for-sale securities	22	10,790,875	60,285	1,705	10,852,865

During 2014, the Group and the Bank have reclassified the available-for-sale portfolio of debt securities and government bonds from Level 2 to Level 1, based on market analysis and increased liquidity for these types of instruments measured at fair value. This increased liquidity observed for 2014 is also supported by the trading activities conducted on a significant part of the securities and government bonds portfolio in early 2015 to partially finance Volksbank Romania S.A. acquisition (please see note 28 "Volksbank Romania S.A. acquisition").

The Group and the Bank have classified the fair value of the Visa Europe shares held on Level 2, following the transaction concluded between Visa Europe and Visa Inc., as described in note 22 ("Investment securities").

Financial assets and liabilities

The Bank considered that the effective transaction prices would be situated between the informative BID-ASK quotations obtained, which are rather an interval within which the Bank could have realistically negotiated the quotations for each series and taking into account the volume of its portfolio, and thus, the Bank used an average price for each series in its estimation.

The Group's and the Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group and the Bank have determined that it meets the description of trading assets and liabilities set out in accounting policy 3(k);
- In classifying financial assets as "held-to-maturity", the Group and the Bank have determined that it has both the positive intention and ability to hold the assets until their maturity date as required by its accounting policy.

If the Group and the Bank fail to keep these investments to maturity other than for the specific circumstances mentioned in IAS 39, they will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortized cost.

If the entire class of held-to-maturity investments is tainted, the fair value would not be significantly different from the carrying amount.

Business combination

According to IFRS 3, an acquirer of a business recognises the assets acquired and liabilities assumed at their acquisition-date fair values. The fair value of Volksbank Romania S.A.'s assets and liabilities was determined based a valuation report prepared by PriceWaterhouseCoopers Management Consultants S.R.L., an independent valuator member of ANEVAR.

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5. Use of estimates and judgements (*continued*)

Business combination (continued)

The valuation report was prepared based on the facts and circumstances that existed on the date on which the Group took control over Volksbank Romania SA (7 April 2015) and the final version was received in December 2015 – at this date, the acquisition accounting was considered to be final. Changes in estimates determined by subsequent facts and circumstances arising after the date of control, were not included in the acquisition accounting and were booked separately, in accordance with the applicable standards.

The fair values of Volksbank Romania S.A.'s assets and liabilities at acquisition date are presented in Note 28 and the related significant judgments include:

- For the loan portfolio: net risk fee to be reimbursed to clients, CHF conversion haircut and implementation outcome, value of the expected and incurred losses;
- Restructuring related costs: investments in progress, obsolete tangible and intangible assets, personnel related liabilities, etc.;
- Provisions for risks and charges: mainly related to litigations and other risks.

The Bank and the Group have analysed the credit and deposit contracts acquired from Volksbank Romania S.A from a legal point of view. Further to this analysis, there were no significant legal and operational risks identified other than those already covered by provisions according to the bank's policies.

6. Segment reporting

The business segment reporting format is the Group's and Bank's primary basis of segment reporting. Transactions between business segments are conducted at arm's length. Segment assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

The Group's and Bank's segment reporting comprises the following main business segments:

- *Corporate customers* - within corporate banking the Group and the Bank provide corporations with a range of banking products and services, including lending and deposit taking, providing cash management, foreign commercial business, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions.
- *SME* - is a client segment for which the Group and the Bank developed and provided personalized products, easy to access and which cover their business needs: loans, saving products, current account transactions.
- *Individuals* - the Group and the Bank provide individuals with a range of banking products and services, including lending (consumer loans, vehicles purchase, personal needs, and mortgages), savings and deposit taking business, payment services and securities business.
- *Treasury* - incorporating of work services for cash.
- *Leasing and customer finance* - within leasing the Group includes financial products and services provided by the leasing and consumer finance entities of the Group.
- *Other* - the Group and the Bank incorporate in this category the services offered by other financial entities within the Group: asset management, brokerage, factoring and real estate.

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6. Segment reporting (*continued*)

The tables below presents financial information per segments in the consolidated/separated statement of financial position and the operational result before net expenses with the impairment allowance for loans and advances to customers, for the financial year ended at 31 December 2015, and comparative data for 2014.

Business segments as at 31 December

Group

In RON thousand	**Corporate banking**		**SME**		**Retail Banking**		**Treasury**		**Leasing and consumer finance**		**Others**		**Eliminations & adjustments**		**Un-allocated**		**Group**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Business segment assets	**9,714,532**	**8,720,326**	**2,854,636**	**2,265,642**	**13,313,602**	**7,016,456**	**21,430,309**	**17,605,977**	**576,518**	**408,560**	**426,234**	**257,258**	**(736,739)**	**(478,292)**	**-**	**-**	**47,579,092**	**35,795,927**
Total Assets	**9,714,532**	**8,720,326**	**2,854,636**	**2,265,642**	**13,313,602**	**7,016,456**	**21,430,309**	**17,605,977**	**576,518**	**408,560**	**426,234**	**257,258**	**(736,739)**	**(478,292)**	**-**	**-**	**47,579,092**	**35,795,927**
Business segment liabilities	**10,618,081**	**8,102,086**	**5,665,921**	**3,916,053**	**23,613,971**	**18,768,294**	**1,286,070**	**1,120,249**	**446,908**	**290,004**	**193,450**	**73,430**	**(486,122)**	**(271,452)**	**-**	**-**	**41,338,279**	**31,998,664**
Total liabilities	**10,618,081**	**8,102,086**	**5,665,921**	**3,916,053**	**23,613,971**	**18,768,294**	**1,286,070**	**1,120,249**	**446,908**	**290,004**	**193,450**	**73,430**	**(486,122)**	**(271,452)**	**-**	**-**	**41,338,279**	**31,998,664**
Equity															**6,240,813**	**3,797,263**	**6,240,813**	**3,797,263**
Total liabilities and equity	**10,618,081**	**8,102,086**	**5,665,921**	**3,916,053**	**23,613,971**	**18,768,294**	**1,286,070**	**1,120,249**	**446,908**	**290,004**	**193,450**	**73,430**	**(486,122)**	**(271,452)**	**6,240,813**	**3,797,263**	**47,579,092**	**35,795,927**

6. Segment reporting (*continued*)

Business segments as at 31 December

Group

In RON thousand	Corporate banking		SME		Retail Banking		Treasury		Leasing and consumer finance		Others		Eliminations & adjustments		Un-allocated	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Net interest income	373,111	352,657	184,108	179,116	937,955	388,317	140,038	178,907	39,758	36,107	276,958	40,100	357	471	1,952,285	1,175,675
Net commission income	121,897	122,519	178,022	166,000	160,730	120,432	(1,996)	(564)	637	878	28,559	17,524	(863)	(1,240)	486,986	425,549
Net trading income	25,096	22,906	32,003	26,234	42,241	36,154	80,088	41,511	318	738	399	(1,064)	(268)	316	179,877	126,795
Net gain from sale of available-for-sale financial instruments	-	-	-	-	-	-	151,579	338,784	-	-	70,761	298	(132)	-	222,208	339,082
Contribution to the Bank Deposit Guarantee Fund	(24,250)	(16,459)	(12,772)	(8,305)	(58,286)	(48,388)	-	-	-	-	-	-	-	-	(95,308)	(73,152)
Other operating income (*)	24,433	14,800	605	313	43,749	20,583	-	-	31,121	21,534	1,673,486	10,263	(14,582)	(4,829)	1,758,812	62,664
Total Income	**520,287**	**496,423**	**381,966**	**363,358**	**1,126,389**	**517,098**	**369,709**	**558,638**	**71,834**	**59,257**	**2,050,163**	**67,121**	**(15,488)**	**(5,282)**	**4,504,860**	**2,056,613**
Personnel expenses	(174,113)	(141,722)	(130,274)	(103,904)	(281,667)	(187,518)	(19,025)	(14,636)	(15,443)	(14,656)	(56,220)	(11,986)	-	-	(676,742)	(474,422)
Operating expenses	(69,857)	(82,454)	(46,021)	(58,727)	(85,350)	(133,580)	(16,660)	(14,273)	(15,338)	(6,622)	(237,301)	(10,559)	8,706	5,498	(461,821)	(300,717)
Advertising and promotional expenses	(3,655)	(1,713)	(4,978)	(4,184)	(8,049)	(9,309)	(542)	(513)	(396)	(254)	(949)	(268)	-	-	(18,569)	(16,241)
Depreciation and amortization	(17,859)	(18,898)	(9,909)	(9,302)	(42,239)	(21,448)	(6,604)	(6,980)	(11,977)	(6,961)	(3,074)	(2,559)	-	-	(91,662)	(66,148)
Other expenses	(12,451)	(3,796)	(13,598)	(2,689)	(125,712)	(5,357)	(2,951)	(557)	(1,469)	(7,923)	(1,546)	(104)	-	-	(157,727)	(20,426)
Total Expenses	**(277,935)**	**(248,583)**	**(204,780)**	**(178,806)**	**(543,017)**	**(357,212)**	**(45,782)**	**(36,959)**	**(44,623)**	**(36,416)**	**(299,090)**	**(25,476)**	**8,706**	**5,498**	**(1,406,521)**	**(877,954)**
Operational result before impairment losses for assets and provisions for other risks and loan commitments	**242,352**	**247,840**	**177,186**	**184,552**	**583,372**	**159,886**	**323,927**	**521,679**	**27,211**	**22,841**	**1,751,073**	**41,645**	**(6,782)**	**216**	**3,098,339**	**1,178,659**

(*) The gain from acquisition is presented in the business segment “Other Group”

6. Segment reporting (*continued*)

Business segments as at 31 December

Bank

In RON thousand	Corporate		SME		Individuals		Treasury		Other		TOTAL	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Gross loans	11,027,416	9,968,087	3,077,213	2,489,885	13,635,384	7,396,349	-	-	-	-	**27,740,013**	**19,854,321**
Provisions	(1,650,588)	(1,465,337)	(335,670)	(303,791)	(646,228)	(568,001)	-	-	-	-	**(2,632,486)**	**(2,337,129)**
Loans net of provisions	9,376,829	8,502,750	2,741,543	2,186,094	12,989,155	6,828,348	-	-	-	-	**25,107,527**	**17,517,192**
Securities and other treasury operations	-	-	-	-	-	-	12,602,106	11,067,977	-	-	12,602,106	**11,067,977**
Treasury and inter-bank operations	-	-	-	-	-	-	8,674,668	6,442,071	-	-	8,674,668	**6,442,071**
Tangible and intangible assets	125,856	118,600	64,729	58,376	164,071	134,602	46,831	43,808	8,014	4,742	**409,501**	**360,128**
Other assets	211,847	98,975	48,364	21,172	160,376	53,506	106,704	52,121	21,572	6,370	**548,863**	**232,144**
Total Assets	**9,714,532**	**8,720,325**	**2,854,636**	**2,265,642**	**13,313,602**	**7,016,456**	**21,430,309**	**17,605,977**	**29,586**	**11,112**	**47,342,665**	**35,619,512**
Deposits from customers	9,873,482	7,833,095	5,235,410	3,616,805	23,286,400	18,595,602	388,425	133,348	-	-	**38,783,717**	**30,178,850**
Loans from banks and other financial institutions	343,304	101,197	338,896	263,128	23,776	81,407	279,166	503,321	-	-	**985,142**	**949,053**
Subordinated liabilities	-	-	-	-	-	-	416,352	394,658	-	-	**416,352**	**394,658**
Other liabilities	401,295	167,794	91,615	36,120	303,795	91,285	202,127	88,922	40,861	10,869	**1,039,693**	**394,990**
Total Liabilities	**10,618,081**	**8,102,086**	**5,665,921**	**3,916,053**	**23,613,971**	**18,768,294**	**1,286,070**	**1,120,249**	**40,861**	**10,869**	**41,224,904**	**31,917,551**
Equity	-	-	-	-	-	-	-	-	6,117,761	3,701,961	**6,117,761**	**3,701,961**
Total Liabilities and Equity	**10,618,081**	**8,102,086**	**5,665,921**	**3,916,053**	**23,613,971**	**18,768,294**	**1,286,070**	**1,120,249**	**6,158,622**	**3,712,830**	**47,342,665**	**35,619,512**

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6. Segment reporting (*continued*)

Business segments as at 31 December

Bank

In RON thousand	Corporate banking		SME		Retail banking		Treasury		Other		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Net interest income	373,111	352,657	184,108	179,116	937,955	388,317	140,038	178,907	274,682	38,605	**1,909,894**	**1,137,602**
Net fee and commission income	121,897	122,519	178,022	166,000	160,730	120,432	(1,996)	(564)	(1,137)	-	**457,516**	**408,387**
Net trading income	25,096	22,906	32,003	26,234	42,241	36,154	80,088	41,511	-	-	**179,428**	**126,805**
Net gain from sale of available-for-sale financial instruments	-	-	-	-	-	-	151,579	338,784	70,507	-	**222,086**	**338,784**
Contribution to the Banking Deposits Guarantee Fund	(24,250)	(16,459)	(12,772)	(8,305)	(58,286)	(48,388)	-	-	-	-	**(95,308)**	**(73,152)**
Other operational income (*)	24,433	14,800	605	313	43,749	20,583	-	-	1,663,692	3,772	**1,732,479**	**39,468**
Total Income	**520,287**	**496,423**	**381,966**	**363,358**	**1,126,389**	**517,098**	**369,709**	**558,638**	**2,007,744**	**42,377**	**4,406,095**	**1,977,894**
Staff expenses	(174,113)	(141,722)	(130,274)	(103,904)	(281,667)	(187,518)	(19,025)	(14,636)	(45,245)	(2,627)	**(650,324)**	**(450,407)**
Operational expenses	(69,857)	(82,454)	(46,021)	(58,727)	(85,350)	(133,580)	(16,660)	(14,273)	(225,669)	(2,117)	**(443,557)**	**(291,151)**
Marketing and advertising expenses	(3,655)	(1,713)	(4,978)	(4,184)	(8,049)	(9,309)	(542)	(513)	(923)	(37)	**(18,147)**	**(15,756)**
Depreciation and amortisation	(17,859)	(18,898)	(9,909)	(9,302)	(42,239)	(21,448)	(6,604)	(6,981)	(1,005)	(756)	**(77,616)**	**(57,385)**
Other expenses	(12,451)	(3,796)	(13,598)	(2,689)	(125,712)	(5,357)	(2,951)	(557)	(1,546)	(104)	**(156,258)**	**(12,503)**
Total Expenses	**(277,935)**	**(248,583)**	**(204,780)**	**(178,806)**	**(543,017)**	**(357,212)**	**(45,782)**	**(36,960)**	**(274,388)**	**(5,641)**	**(1,345,902)**	**(827,202)**
Operational result before impairment losses for assets and provisions for other risks and loan commitments	**242,352**	**247,840**	**177,186**	**184,552**	**583,372**	**159,886**	**323,927**	**521,678**	**1,733,356**	**36,736**	**3,060,193**	**1,150,692**

(*) The gain from acquisition is presented in the business segment "Other Group"

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version

7. Financial assets and liabilities

Accounting classifications and fair value

Group

In RON thousand	Note	Financial assets at fair value through profit and loss (*)	Loans and receivables (including net lease investments)	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2015							
Financial Assets							
Cash and cash equivalents	17	-	-	-	5,109,102	5,109,102	5,109,102
Placements with banks	18	-	-	-	3,797,692	3,797,692	3,797,692
Financial assets at fair value through profit and loss	19	161,028	-	-	-	161,028	161,028
Loans and advances to customers	20	-	24,894,560	-	-	24,894,560	25,280,986
Net lease investments	21	-	331,054	-	-	331,054	331,054
Investment securities, available-for-sale	22	-	-	12,242,959	-	12,242,959	12,242,959
Investment securities, held-to-maturity	22	-	-	-	12,942	12,942	12,944
Total financial assets		**161,028**	**25,225,614**	**12,242,959**	**8,919,736**	**46,549,337**	**46,935,765**
Financial Liabilities							
Deposits from banks	29	-	-	-	388,425	388,425	388,425
Deposits from customers	30	-	-	-	38,301,741	38,301,741	38,339,782
Loans from banks and other financial institutions	31	-	-	-	1,129,702	1,129,702	1,129,702
Other subordinated loans	32	-	-	-	416,424	416,424	416,424
Total financial liabilities		**-**	**-**	**-**	**40,236,292**	**40,236,292**	**40,274,333**

(*) This category includes just held-for-trading financial assets

TRANSLATOR’S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities (continued)

Accounting classifications and fair value (continued)

Group

In RON thousand	Note	Financial assets at fair value through profit and loss (*)	Loans and receivables (including net lease investments)	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2014							
Financial Assets							
Cash and cash equivalents	17	-	-	-	4,234,181	4,234,181	4,234,181
Placements with banks	18	-	-	-	2,387,058	2,387,058	2,387,058
Financial assets at fair value through profit and loss	19	143,931	-	-	-	143,931	143,931
Loans and advances to customers	20	-	17,418,689	-	-	17,418,689	17,790,541
Net lease investments	21	-	244,274	-	-	244,274	244,274
Investment securities, available-for-sale	22	-	-	10,771,835	-	10,771,835	10,771,835
Total financial assets		**143,931**	**17,662,963**	**10,771,835**	**6,621,239**	**35,199,968**	**35,571,820**
Financial Liabilities							
Deposits from banks	29	-	-	-	133,348	133,348	133,348
Deposits from customers	30	-	-	-	29,994,916	29,994,916	30,009,256
Loans from banks and other financial institutions	31	-	-	-	1,052,687	1,052,687	1,052,687
Other subordinated loans	32	-	-	-	394,743	394,743	394,743
Total financial liabilities		-	-	-	**31,575,694**	**31,575,694**	**31,590,034**

(*) This category includes just held-for-trading financial assets

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities (*continued*)

Accounting classifications and fair value (continued)

Bank

In RON thousand	Note	Financial assets at fair value through profit and loss (*)	Financial assets held-to-maturity	Loans and receivables	Financial assets available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2015								
Financial Assets								
Cash and cash equivalents	16	-	-	-	-	5,104,871	5,104,871	5,104,871
Placements with banks	17	-	-	-	-	3,782,508	3,782,508	3,782,508
Financial assets at fair value through profit and loss	18	56,819	-	-	-	-	56,819	56,819
Loans and advances to customers	19	-	-	25,107,527	-	-	25,107,527	25,493,953
Investment securities, available-for-sale	22	-	-	-	12,332,576	-	12,332,576	12,332,576
Total financial assets		**56,819**	**-**	**25,107,527**	**12,332,576**	**8,887,379**	**46,384,301**	**46,770,727**
Financial Liabilities								
Deposits from banks	29	-	-	-	-	388,425	388,425	388,425
Deposits from customers	30	-	-	-	-	38,395,292	38,395,292	38,433,333
Loans from banks and other financial institutions	31	-	-	-	-	985,142	985,142	985,142
Other subordinated loans	32	-	-	-	-	416,352	416,352	416,352
Total financial liabilities		**-**	**-**	**-**	**-**	**40,185,211**	**40,185,211**	**40,223,252**

(*) This category includes just held-for-trading financial assets

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities (continued)

Accounting classifications and fair value (continued)

Bank

In RON thousand	Note	Financial assets at fair value through profit and loss (*)	Financial assets held-to-maturity	Loans and receivables	Financial assets available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2014								
Financial Assets								
Cash and cash equivalents	16	-	-	-	-	4,225,966	4,225,966	4,225,966
Placements with banks	17	-	-	-	-	2,378,906	2,378,906	2,378,906
Financial assets at fair value through profit and loss	18	52,311	-	-	-	-	52,311	52,311
Loans and advances to customers	19	-	-	17,517,192	-	-	17,517,192	17,882,269
Investment securities, available-for-sale	20	-	-	-	10,852,865	-	10,852,865	10,852,865
Total financial assets		**52,311**	**-**	**17,517,192**	**10,852,865**	**6,604,872**	**35,027,240**	**35,392,317**
Financial Liabilities								
Deposits from banks	29	-	-	-	-	133,348	133,348	133,348
Deposits from customers	30	-	-	-	-	30,045,502	30,045,502	30,059,842
Loans from banks and other financial institutions	31	-	-	-	-	949,053	949,053	949,053
Other subordinated loans	32	-	-	-	-	394,658	394,658	394,658
Total financial liabilities		**-**	**-**	**-**	**-**	**31,522,561**	**31,522,561**	**31,536,901**

(*) This category includes just held-for-trading financial assets

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version

8. Net interest income

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Interest income				
Loans and advances to customers *(i)*	1,593,043	1,417,496	1,583,187	1,413,270
Current accounts held with banks	8,991	15,959	8,982	15,948
Available-for-sale securities	230,686	314,987	230,294	314,988
Placements with banks	16,389	12,476	16,225	12,409
Net lease investments	36,684	36,620	-	-
Increase of the recoverable value of the acquired loans *(ii)*	531,147	-	531,147	-
Total interest income	*2,416,940*	1,797,538	2,369,835	1,756,615
Interest expense				
Deposits from customers	420,791	571,251	421,304	572,477
Loans from banks and other financial institutions	43,129	47,221	37,969	43,237
Deposits from banks	625	3,299	625	3,299
Net lease investments	110	92	43	-
Total interest expense	*464,655*	621,863	459,941	619,013
Net interest income	**1,952,285**	**1,175,675**	**1,909,894**	**1,137,602**

(i) Interest income for the year ended at 31 December 2015 includes interest income on impaired loans amounting RON 173,654 thousand (2014: RON 172,017 thousand) for the Group and RON 166,441 thousand (2014: RON 163,635 thousand for the Bank).

The interest income and expense related to the financial assets and liabilities, others than those held at fair value through profit and loss, are determined using the effective interest rate method.

(ii) The increase of the recoverable value of the newly acquired loans includes the impact from the changes in estimates regarding the recoverability of the impaired loans portfolio acquired from Volksbank Romania S.A. at the current reporting date as compared with the acquisition date.

9. Net fee and commission income

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Fee and commission income				
Transactions	559,957	472,971	539,345	457,930
Loans management, factoring and guarantees issuance	42,802	40,864	42,807	40,879
Finance lease management	231	266	-	-
Other fee and commission income	95	34	95	34
Total fee and commission income	*603,085*	*514,135*	*582,247*	*498,843*
Fee and commission expense				
Bank commissions	89,090	74,196	88,872	74,061
Transactions	25,264	12,589	22,789	10,428
Commissions for loans	879	1,236	12,204	5,402
Other fees and commissions	866	565	866	565
Total fee and commission expense	*116,099*	*88,586*	*124,731*	*90,456*
Net fee and commission income	**486,986**	**425,549**	**457,516**	**408,387**

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10. Net trading income

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Net income from foreign exchange transactions *(i)*	144,314	120,882	143,961	120,888
Net income/ (expense) from financial assets at fair value through profit and loss	1,575	(7,264)	1,140	(6,561)
Net income from foreign exchange position revaluation	33,988	13,177	34,327	12,478
Net trading income	**179,877**	**126,795**	**179,428**	**126,805**

(i) Net income from foreign exchange transactions also includes the realized and unrealized gains and losses from spot and forward contracts.

11. Net gain from sale of available-for-sale financial instruments

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Gain from sale of available-for-sale financial instruments	368,265	408,359	368,072	408,061
Losses from sale of available-for-sale financial instruments	(146,057)	(69,277)	(145,986)	(69,277)
Total	**222,208**	**339,082**	**222,086**	**338,784**

12. Other operating income

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Income from operational lease	18,852	12,157	-	-
Dividend income	3,258	1,912	9,800	3,956
Other operating income	86,102	48,595	72,079	35,512
Total	**108,212**	**62,664**	**81,879**	**39,468**

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13. Net impairment losses on assets, provisions for other risks and loan commitments

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Impairment losses for assets *(i)*	784,429	679,092	776,351	653,199
Loans and net lease investments written-off	27,946	7,595	22,144	136
Provisions for other risks and loan commitments	56,460	14,382	57,059	13,727
Recoveries from loans and net lease investments previously written-off	(71.211)	(38.046)	(60.490)	(21.417)
Net impairment losses on assets and provisions for other risks and loan commitments	**797,624**	**663,023**	**795,064**	**645,645**

(i) Impairment losses on assets include the following:

In RON thousand	Note	Group 2015	Group 2014	Bank 2015	Bank 2014
Loans and advances to customers	20	875,194	658,268	874,532	653,190
Net lease investments	21	7,703	17,047	-	-
Equity investments	22	(106)	-	(807)	-
Other assets	26	(3,506)	3,788	(2,533)	9
Property and equipment	23,24	(94,856)	(11)	(94,841)	-
Net impairment losses		**784,429**	**679,092**	**776,351**	**653,199**

14. Personnel expenses

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Wages and salaries	486,100	341,732	467,771	324,846
Contribution to social security	72,225	64,367	68,933	60,843
Bonuses and share payments to employees	60,685	24,904	57,824	22,974
Meal tickets and other taxes related to personnel	23,254	20,182	22,505	19,538
Contribution to health fund	30,738	20,725	29,655	19,784
Contribution to unemployment fund	3,740	2,512	3,636	2,422
Total	**676,742**	**474,422**	**650,324**	**450,407**

The number of the Group's active employees as at 31 December 2015 was 7,227 (31 December 2014: 6,576) and the Bank's active employees were 6,854 (31 December 2014: 6,236)

The average number of the Group's and the Bank's employees during 2015 and 2014 was:

Category	**Average number of employees during 2015**		**Average number of employees during 2014**	
	Group	**Bank**	**Group**	**Bank**
Leading positions	7.09	6.60	4.33	3.00
Operational positions	128.48	110.50	85.89	72.67
TOTAL	**135.57**	**117.10**	**90.22**	**75.67**

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14. Personnel expenses (continued)

The expenses related to the share-based payment transactions is included in the wages and salaries and amounts to RON 80,742 thousand during 2015 (2014: RON 20,073 thousand), both for the Group and the Bank. In 2015, the Bank granted purchase options for a number of 19,956,000 shares to employees and administrators, with a vesting period of less than 3.3 years.

The Bank established a Stock Options Plan, in which the employees with good performances may exercise their right and option to purchase a number of shares issued by the Bank. The granting terms and conditions are the following:

Shares granted in 2015 19,956,000

Granting date	Number of shares	Contractual vesting period	Vesting conditions
Shares granted to employees at 29/12/2015	19,956,000	3 years and 3 months	Achievement of performance and prudential indicators during 2015. Achieving the Bank's objectives regarding completion of the implementation of new accounting and reporting rules.

Shares granted in 2014 10,553,469

Granting date	Number of shares	Contractual vesting period	Vesting conditions
Shares granted to employees at 14 May 2014	10,553,469	2 years and 11 months	Achievement of performance and prudential indicators during 2014. Achieving the Bank's objectives regarding completion of the implementation of new accounting and reporting rules.

15. Other operating expenses

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Operating lease (rent)	103,834	82,246	108,287	83,825
Repairs and maintenance	97,102	66,498	96,193	65,433
Materials and stationery	39,293	30,703	36,734	27,915
Postage and telecommunications	34,179	21,894	33,240	21,071
Advertising, marketing, protocol and sponsorship expenses	37,011	26,804	35,739	26,064
Security and protection	9,618	22,242	9,518	22,242
Taxes	18,652	6,062	16,949	7,443
Electricity and heating	20,359	16,210	19,773	15,580
Travel and transportation	14,992	12,404	14,562	12,020
Audit, advisory and consultancy	2,380	1,639	2,022	1,326
- out of which, audit fees	*1,430*	*899*	*1,122*	*667*
- out of which, other advisory and consultancy	*950*	*740*	*900*	*659*
Other professional fees, including legal expenses	67,565	6,841	67,409	6,977
Insurance costs	9,314	8,155	8,774	7,557
Write-off and loss on disposal of tangible and intangible assets	94,011	398	93,351	44
Other operating expenses	89,807	35,288	75,411	21,913
Total	**638,117**	**337,384**	**617,962**	**319,410**

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16. Income tax expense

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Current tax expense at 16% (2014: 16%) of taxable profits determined in accordance with the Romanian Law	4,921	109,714	(11)	106,848
Deferred tax expense/(revenue)	(152,223)	(36,531)	(152,528)	(36,131)
Total income tax expense/(revenue)	**(147,302)**	**73,183**	**(152,539)**	**70,717**

Tax reconciliation

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Profit before tax	**2,300,715**	**515,636**	**2,265,129**	**505,047**
Taxation at statutory rate of 16% (2014: 16%)	**368,114**	**82,502**	**362,421**	**80,807**
Non-deductible expenses and non-taxable revenues and other permanent differences	(92,303)	(6,895)	(93,032)	(10,090)
Effect of losses carried forward	(423,113)	(2,424)	(421,928)	-
Income tax expense/(revenue)	**(147,302)**	**73,183**	**(152,539)**	**70,717**

17. Cash and cash equivalents

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Minimum reserve requirement *(i)*	4,156,382	3,532,691	4,156,382	3,532,691
Cash on hand	841,547	594,719	841,514	594,692
Current accounts held with other banks *(ii)*	111,173	106,771	106,975	98,583
Total	**5,109,102**	**4,234,181**	**5,104,871**	**4,225,966**

(i) As at 31 December 2015, the minimum reserve requirement held with the National Bank of Romania was set at 8% for RON and 14% for balances denominated in USD or EUR (31 December 2014: 10% for RON and 14% for USD and EUR). Minimum reserve balance may fluctuate on a daily basis. The interest paid by the National Bank of Romania for the reserves held by the banks was 0.14% - 0.27% per year for the reserves in RON, 0.09% - 0.31% per year for reserves denominated in EUR and 0.07% - 0.11% per year for reserves denominated in USD. Minimum required reserve can be used by the Bank for daily activities as long as the average monthly balance is maintained equal or above the minimum level imposed by the National Bank of Romania.

(ii) Current accounts held with other banks are at immediate disposal of the Group and the Bank and unencumbered.

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18. Placements with banks

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Sight and term deposits placed to other banks	3,422,499	1,965,092	3,407,315	1,956,940
Reverse repo transactions *(ii)*	100,400	199,427	100,400	199,427
Loans and advances to banks *(i)*	274,793	222,539	274,793	222,539
Total	**3,797,692**	**2,387,058**	**3,782,508**	**2,378,906**

(i) Loans and advances to banks include investment securities reclassified by the Group during 2008 and 2010 from available-for-sale category to loans and receivables (see note 22 (v)) as well as further acquisitions.

(ii) The reverse repurchase agreements amounting RON 100,400 thousand were concluded with commercial banks; in 2014 their amount was RON 199,427 thousand.

19. Financial assets at fair value through profit and loss

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Trading assets	161,028	143,931	56,819	52,311
Total	**161,028**	**143,931**	**56,819**	**52,311**

As at 31 December 2015, the Group owns shares quoted on the Bucharest Stock Exchange S.A and on stocks exchange from Austria, Germany and France.

As at 31 December 2015, the Group owns significant investments amounting to RON 110,139 thousand in the following entities: SIF Moldova S.A., SIF Muntenia SA and SIF Oltenia S.A. (31 December 2014: RON 115,203 thousand).

20. Loans and advances to customers

The Group’s and Bank’s commercial lending is concentrated on Romanian companies and individuals. The concentration of loans and advances to customers by industry as at 31 December 2015 and 31 December 2014, is the following:

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20. Loans and advances to customers (continued)

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Individuals	13,758,761	7,488,008	13,633,430	7,396,349
Manufacturing	3,391,176	3,058,372	3,372,420	3,039,615
Trading	3,264,798	3,032,515	3,207,234	2,974,304
Agriculture	1,268,937	985,714	1,268,248	985,025
Construction	1,127,896	1,092,481	1,127,801	1,092,386
Services	1,115,208	969,188	1,114,086	968,066
Real estate	698,339	634,258	739,208	634,088
Transportation	661,549	658,935	661,345	658,731
Free lancers	538,882	480,573	538,883	480,573
Energy	531,070	394,615	531,070	394,615
Financial institutions	426,795	386,413	498,283	278,512
Chemical industry	164,419	169,590	314,868	294,998
Mining industry	162,019	96,763	164,432	169,590
Telecommunication	156,468	73,563	156,468	73,563
Governmental bodies	17,761	18,843	17,761	18,843
Fishing industry	15,784	8,647	15,785	8,647
Others	315,392	295,002	378,691	386,416
Total loans and advances to customers before impairment allowance (*)	**27,615,254**	**19,843,480**	**27,740,013**	**19,854,321**
Less provisions for impairment allowance on loans	(2,720,694)	(2,424,791)	(2,632,486)	(2,337,129)
Total loans and advances to customers, net of provisions	**24,894,560**	**17,418,689**	**25,107,527**	**17,517,192**

(*) Total loans and advances before impairment allowance is diminished by the adjustments for fair value for the portfolio of loans transferred from Volksbank Romania SA, determined on the basis of the valuation report and the events after the acquisition date until the reporting date.

At 31 December 2015 the balance of these adjustments was of RON 805,524 thousand (31 December 2014: RON 0 thousand). The reversal of these adjustments, further to the review of the voluntary cash flows, is booked as Interest income – see note 8(ii).

Movement in allowance for impairment losses on loans and advances to customers:

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Balance at 1 January	2,424,791	2,435,803	2,337,129	2,352,737
Net impairment change (Note 13)	875,194	658,268	874,532	653,190
Effect of discounting the current value	104,648	114,198	104,648	114,198
Impairment allowances on written off loans (Note 4b)	(729,798)	(797,145)	(729,682)	(796,663)
Sold provisions debts taken at acquisition	5,653	-	5,653	-
FX gain/loss	40,206	13,667	40,206	13,667
Balance at 31 December	**2,720,694**	**2,424,791**	**2,632,486**	**2,337,129**

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20. Loans and advances to customers (continued):

Movement in individual allowance for impairment losses on loans and advances to customers:

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Balance at 1 January	1,516,863	1,445,382	1,437,112	1,365,227
Net impairment change	532,104	373,120	531,638	373,042
Effect of discounting the current value	51,049	12,320	51,049	12,320
Impairment allowances on written off loans	(483,815)	(256,730)	(483,699)	(256,248)
Transfer of Impairment allowances from individual to collective	(4,629)	(61,864)	(4,629)	(61,864)
Sold provisions debts taken at acquisition	5,653	-	5,653	-
FX gain/loss	9,369	4,635	9,368	4,635
Balance at 31 December	**1,626,594**	**1,516,863**	**1,546,492**	**1,437,112**

Movement in collective allowance for impairment losses on loans and advances to customers:

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Balance at 1 January	907,928	990,421	900,017	987,510
Net impairment change	343,090	285,148	342,894	280,148
Effect of discounting the current value	53,599	101,878	53,599	101,878
Impairment allowances on written off loans	(245,983)	(540,415)	(245,983)	(540,415)
Transfer of Impairment allowances from individual to collective	4,659	61,864	4,629	61,864
FX gain/loss	30,837	9,032	30,838	9,032
Balance at 31 December	**1,094,100**	**907,928**	**1,085,994**	**900,017**

21. Net finance lease investments

The Group acts as a lessor under finance lease, mainly for financing motor vehicles and equipment. The lease agreements are denominated in EUR, RON and MDL and typically run for a period between two and five 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 interest rates. The lease receivables are secured by the underlying assets and by other collateral. The breakdown of investments in leases according to their maturity is presented below:

In RON thousand	**2015**	**2014**
Investments in leases less than one year (gross)	219,966	184,854
Investments in leases between one and five years (gross)	213,744	171,403
Total investment in leases, gross	433,710	356,257
Unearned finance income	(36,649)	(33,284)
Total investments in leases, net unearned finance income	397,061	322,973
Impairment allowances	(66,007)	(78,699)
Total net leasing investment	**331,054**	**244,274**

21. Net finance lease investments (continued)

The lease contracts are generated and managed through BT Leasing Transilvania IFN S.A., BT Leasing Moldova S.R.L., and BT Operational Leasing S.A. Net lease investments include also consumer loans granted to the Group's customers by BT Direct IFN S.A.

The provision for net lease investments can be further analysed as follows:

In RON thousand	**2015**	**2014**
Balance at beginning of the year	78,699	69,529
Net impairment provision expense (Note 13)	7,703	17,047
Written – off lease investment (Note 4b)	(20,395)	(7,874)
Foreign exchange difference	-	(3)
Balance at the end of the year	**66,007**	**78,699**

22. Investment securities

	Group		**Bank**	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Investment securities available-for-sale				
Unlisted debt and other fixed income instruments:	***11,915,553***	***10,579,324***	***11,895,223***	***10,579,324***
Treasury securities issued by the Romanian Government, out of which:	8,413,107	7,878,702	8,392,777	7,878,702
- discount certificates	*577,853*	*41,898*	*577,853*	*41,898*
- coupon certificates	*29,323*	*33,694*	*29,323*	*33,694*
- Benchmark bonds (RON)	*7,183,869*	*7,245,046*	*7,163,539*	*7,245,046*
- Treasury certificates with coupon (EUR)	*622,062*	*558,064*	*622,062*	*558,064*
EURO bonds issued by Romanian Government on external markets	2,902,986	2,014,285	2,902,986	2,014,285
USD bonds issued by Romanian Government on external markets	417,755	626,052	417,755	626,052
Bonds, out of which:	181,705	60,285	181,705	60,285
- issued by Bucharest Municipality	*153,234*	*50,203*	*153,234*	*50,203*
- issued by Alba Iulia Municipality	*491*	*544*	*491*	*544*
- issued by Republic of Montenegro	-	*9,538*	-	*9,538*
- issued by Transelectrica	*27,980*	-	*27,980*	-
Shares	***121,229***	***84***	***121,144***	-
Unit funds	***164,006***	***151,159***	***274,069***	***232,316***
Certificates of participation	***39,048***	***39,520***	***39,048***	***39,520***
Equity investments measured at cost, out of which:	***3,123***	***1,748***	***3,092***	***1,705***
Gross value	*3,131*	*1,756*	*3,092*	*1,705*
Allowances for impairment	(8)	(8)	-	-
Total investment securities available-for-sale	**12,242,959**	**10,771,835**	**12,332,576**	**10,852,865**

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22. Investment securities (cont.)

As at 31 December 2015, treasury securities held by the Group amounting to 29,000 thousand lei (31 December 2014: 28,450 thousand lei) were pledged for current operations (RoCLEAR, SENT, MASTERCARD and VISA).

Treasury securities issued by the Romanian Government have maturities between 2016 and 2044.

As at 31 December 2015, the Group concluded repo transactions with other financial institutions, having as supporting assets available-for-sale investment securities amounting to 276,319 thousand lei (31 December 2014: 503,215 thousand lei).

The Alba Iulia municipal bonds bear variable interest rates (Robid 6M + Robor 6M)/2 + 1.5% (31 December 2015: 2.5%; 31 December 2014: 3.5%). RON denominated bonds issued by Bucharest Municipality bear fixed interest rates of 2.80%, respectively of 3.58%. The Group has bonds issued by Transelectrica, with a fixed interest rate of 6.10%.

Realized gains on disposal of available-for-sale financial assets reclassified from other comprehensive income to profit or loss amounted to RON 222,208 thousand (2014: RON 339,082 thousand) with the related tax of RON 35,553 thousand for the Group and RON 222,086 thousand (2014: RON 338,784 thousand) with the related tax of RON 35,534 thousand for the Bank.

Reclassification of available-for-sale investment securities into loans and receivables

Starting with 2008, the Group reclassified euro-bonds from available-for-sale investments into loans and receivables under the amendment to IAS 39 "Financial Instruments - Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosure " (presented in accounting policies at 3p(iv)). The Group has identified the financial assets that fulfilled the conditions imposed by this category (non-derivative financial assets with fixed or determinable payments that are not quoted on an active market) and held for the foreseeable future.

The value of securities classified as "loans and receivables" at the end of 2014 was RON 162,801 thousand.

In 2015 the Group purchased and classified as loans and receivables, corporate bonds issued by JP Morgan, Citigroup Global Market, IMOCredit IFN and International Investment Bank amounting to RON 78,725 thousand.

The movement of investment securities classified in the category "Loans and receivables" in 2015 is reflected in the table below:

	2015
Balance 1 January 2015	162,801
FX difference opening balance	483
Acquisitions	78,725
Decreases	(29,320)
Coupon for bonds	10,822
Coupon cashed during the year	(10,850)
Amortization of the difference between nominal value and acquisition value	50
Balance 31 December 2015	**212,711**

(vi) The impairment allowance for equity investments can be further analysed:

In RON thousand	**2015**	**2014**
Balance as at 1 January	**8**	**8**
Acquisition related adjustments	106	-
Net income from impairment reversal (Note 13)	(106)	-
Balance as at 31 December	**8**	**8**

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22. Investment securities (continued):

The movement in investment securities may be summarized as follows:

In RON thousand	**Group** Available-for-sale	**Bank** Available-for-sale
As at 1 January 2015	**10,771,835**	**10,852,865**
Exchange rate differences	103,431	103,431
Additions (acquisitions and increase in value)	40,023,120	40,031,695
Disposals (sale, redemption and decrease in value)	38,655,427	38,655,415
As at 31 December 2015	**12,242,959**	**12,332,576**
As at 1 January 2014	**8,886,331**	**8,936,455**
Exchange rate differences	51,689	51,689
Additions (acquisitions and increase in value)	29,728,660	29,759,137
Disposals (sale, redemption and decrease in value)	27,894,845	27,894,416
As at 31 December 2014	**10,771,835**	**10,852,865**

On 23 November 2015 a SPA transaction was signed between Visa Europe and Visa Inc. Following this transaction, the Bank received a notice related to its share of the transaction, which includes a cash component, a number of convertible shares and a component contingent on the future performance of Visa Inc. On 19 February 2016, the claim period against Visa Europe’s decision on individual compensation expired.

Taken into consideration the above and the uncertainty related to the expected result of the potential litigations and to the limited transferability of the preferential shares, the management estimated a fair value of the Visa Europe shares which is equal to the cash component of the transaction.

The closing of the transaction between Visa Europe and Visa Inc. is expected at the end of the second quarter of 2016.

In 2015 the Group acquired and classified as held-to-maturity investments bonds totalling RON 12,942 thousand (in 2014: RON 0).

23. Equity Investments

Thousand RON	**2015**	**2014**
Participations of which:		
- Gross participations	126,186	116,856
- Impairment allowance for participations	(41,300)	(42,000)
Total net participations	**84,886**	**74,856**

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23. Equity Investments (*continued*)

The effect of changes in impairment allowance for Bank's participation:

Thousand RON	**2015**	**2014**
Balance as at 1 January	42,000	42,000
Impairment allowance acquired through acquisitions	106	-
Income from impairment reversal (note 13)	(806)	-
Balance as at 31 December	**41,300**	**42,000**

Related party	**Head Office**	**% of shares owned**	**Capital**	**Reserves**	**Unaudited profit/(loss) 2015**
BT Leasing Transilvania IFN S.A.	Cluj-Napoca, str. G. Baritiu nr.1	100,00%	45,001	28,419	8,679
BT Securities S.A.	Cluj-Napoca, Bd. 21 Decembrie 1989 nr.104	99.40%	22,470	(6,727)	463
BT Direct IFN S.A.	Cluj-Napoca, str. G. Baritiu nr.1	100.00%	26,880	2,271	3,659
BT Building SRL	Cluj-Napoca, str. G. Baritiu nr.8	100.00%	448	7,335	1,061
BT Investments SRL	Cluj-Napoca, Bd. Eroilor nr.36	100.00%	50,940	8,350	618
BT Asset Management SAI SA	Cluj-Napoca, Bd. 21 Decembrie 1989 nr. 104	80.00%	7,166	13,688	9,184
Compania de Factoring SRL	Bucuresti, Sos. Bucuresti-Ploiesti nr. 43	100.00%	54,900	(54,870)	526
BT Solution Agent de Asigurare SRL	Cluj-Napoca, str. G. Baritiu nr.1	99.95%	20	-	184
BT Safe Agent de Asigurare	Cluj-Napoca, str. G. Baritiu nr.1	99.99%	77	15	275
BT Intermedieri Agent de Asigurare SRL	Cluj-Napoca, str. G. Baritiu nr.1	99.99%	507	101	746
BT Operational Leasing SA	Bucuresti, Sos. Bucuresti-Ploiesti nr. 43	94.73%	3,494	(758)	2,647
BT Leasing Moldova SRL	Republica Moldova, Chisinau, str. A. Puskin nr. 60	100.00%	4,290	400	1,580
BT Asiom Agent de Asigurare SRL	Cluj-Napoca, str. G. Baritiu nr.1	99.95%	20	4	278
Transilvania Imagistica SA	Bucuresti, Sos. Bucuresti-Ploiesti nr. 43	89.71%	1,000	(1,718)	(889)
Improvement Credit Collection SRL	Bucuresti, Sos. Bucuresti-Ploiesti nr. 43	100.00%	901	1,696	6,175
Total			**218,114**	**(1,794)**	**35,186**

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24. Property and equipment and investment property

Group

In thousand RON	Land and buildings	Computers and equipment	Vehicles	Assets in progress	Total
Gross carrying amount					
Balance 1 January 2014	**342,794**	**244,426**	**69,814**	**11,164**	**668,198**
Property and equipment additions	3,105	9,683	17,124	31,845	61,757
Transfers from investment in progress	11,968	14,324	7,921	-	34,213
Revaluations	(3,426)	163	919	-	(2,344)
Disposals	(2,721)	(12,039)	(13,093)	(34,213)	(62,066)
Reclassification as stock available-for-sale	(1,011)	-	-	-	(1,011)
Balance 31 December 2014	**350,709**	**256,557**	**82,685**	**8,796**	**698,747**
Balance 1 January 2015	**350,709**	**256,557**	**82,685**	**8,796**	**698,747**
Property and equipment additions	107	11,376	28,166	55,112	94,761
Investment property additions	33,701	-	-	-	33,701
Balance of property and equipment acquired through acquisition	43,839	89,288	9,222	11,909	154,258
Balance of investment property acquired through acquisition	3,374	-	-	-	3,374
Reclassification of stocks from investment property	1,094	-	-	-	1,094
Transfers from investment in progress	10,054	12,332	16,123	0	38,509
Revaluations	(1,629)	369	1,165	-	(95)
Disposals	(33,365)	(62,173)	(18,001)	(44,466)	(158,005)
Reclassification as stock available-for-sale	(416)	-	(111)	-	(527)
Balance 31 December 2015	**407,468**	**307,749**	**119,249**	**31,351**	**865,817**
Depreciation and impairment					
Balance 1 January 2014	**137,183**	**162,231**	**40,557**	-	**339,971**
Charge for the year	10,619	23,905	9,364	-	43,888
Accumulated depreciation of disposals	(1,787)	(11,397)	(10,913)	-	(24,097)
Accumulated depreciation related to revaluation	(747)	23	-	-	(724)
Provision for impairment	-	-	-	-	-
Reversal depreciation provision	-	-	(11)	-	(11)
Depreciation related to reclassification to stocks available-for-sale	(1)	-	-	-	(1)
Balance 31 December 2014	**145,267**	**174,762**	**38,997**	-	**359,026**
Balance 1 January 2015	**145,267**	**174,762**	**38,997**	-	**359,026**
Charge for the year	17,726	29,023	14,960	-	61,709
Accumulated depreciation of disposals	(23,865)	(48,652)	(15,188)	-	(87,705)
Accumulated depreciation related to revaluation	(244)	105	322	-	183
Depreciation related to acquisition	20,384	53,103	6,866	-	80,353
Impairment related to acquisition	9,941	13,936	-	2,906	26,783
Provision for impairment	-	-	-	670	670
Reversal of provision for impairment	(9,941)	(13,936)	(15)	(3,576)	(27,468)
Balance 31 December 2015	**159,268**	**208,341**	**45,942**	-	**413,551**
Net carrying amount					
Balance at 1 January 2015	**205,442**	**81,795**	**43,688**	**8,796**	**339,721**
Balance at 31 December 2015	**248,200**	**99,408**	**73,307**	**31,351**	**452,266**

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24. Property and equipment and investment property (*continued*)

Bank

In thousand RON	Land and buildings	Computers and equipment	Vehicles	Assets in progress	Total
Gross carrying amount					
Balance 1 January 2014	**333,009**	**232,522**	**31,126**	**10,371**	**607,028**
Property and equipment additions	1,902	9,292	952	24,264	36,410
Transfers from investment in progress	11,968	14,060	-	-	26,028
Revaluations	(744)	163	919	-	338
Disposals	(2,178)	(11,426)	(3,561)	(26,028)	(43,193)
Reclassification as stock available-for-sale	-	-	-	-	-
Balance 31 December 2014	**343,957**	**244,611**	**29,436**	**8,607**	**626,611**
Balance 1 January 2015	**343,957**	**244,611**	**29,436**	**8,607**	**626,611**
Property and equipment additions	107	10,578	-	35,941	46,626
Balance of property and equipment acquired through acquisition	43,839	89,288	9,222	11,909	154,258
Balance of investment property acquired through acquisition	3,374	-	-	-	3,374
Reclassification of stocks from investment property	952	-	-	-	952
Transfers from investment in progress	10,055	12,149	-	-	22,204
Revaluations	(1,629)	369	1,165	-	(95)
Disposals	(33,365)	(61,767)	(14,979)	(27,059)	(137,170)
Reclassification as stock available-for-sale	(416)	-	(111)	-	(527)
Balance 31 December 2015	**366,874**	**295,228**	**24,733**	**29,398**	**716,233**
Balance 1 January 2014	**135,723**	**158,224**	**24,035**	**-**	**317,982**
Charge for the year	10,486	22,441	2,553	-	35,480
Accumulated depreciation of disposals	(1,777)	(11,173)	(3,446)	-	(16,396)
Accumulated depreciation related to revaluation	(140)	23	-	-	(117)
Balance 31 December 2014	**144,292**	**169,515**	**23,142**	**-**	**336,949**
Balance 1 January 2015	**144,292**	**169,515**	**23,142**	**-**	**336,949**
Charge for the year	17,655	27,441	3,186	-	48,282
Depreciation related to acquisition	20,384	53,103	6,866	-	80,353
Accumulated depreciation of disposals	(23,865)	(48,318)	(14,427)	-	(86,610)
Accumulated depreciation related to revaluation	(244)	105	322	-	183
Impairment related to acquisition	9,941	13,936	-	2,906	26,783
Provision for impairment	-	-	-	670	670
Reversal of provision for impairment	(9,941)	(13,936)	-	(3,576)	(27,453)
Balance 31 December 2015	**158,222**	**201,846**	**19,089**	**-**	**379,157**
Net carrying amount					
Balance at 1 January 2015	**199,665**	**75,096**	**6,294**	**8,607**	**289,662**
Balance at 31 December 2015	**208,652**	**93,382**	**5,644**	**29,398**	**337,076**

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24. Property and equipment and investment property (*continued*)

As at 31 December 2015 the Group included in property and equipment leased equipment with a net carrying amount RON 4,733 thousand (2014: RON 5,671 thousand) and intangibles acquired through finance lease, with a net book value of RON 0 thousand (2014: RON 76 thousand) and the Bank has not included intangible assets lease products acquired. As at 31 December 2015, the Group had pledged property, equipment or intangible assets of RON 2,014 thousand (2014: RON 2,720 thousand) and the Bank did not have intangibles pledged. Property and equipment as at 31 December 2015 were revaluated by an independent evaluator. If the assets of the Group had been booked under the cost model, the carrying amount recognized would have been: land and buildings RON 216,456 thousand (2014: RON 170,787 thousand), computers and equipment RON 99,017 thousand (2014: RON 81,567 thousand), vehicles RON 72,464 thousand (2014: RON 42,708 thousand).
If the assets of the Bank had been booked under the cost model, the carrying amount recognized would have been: land and buildings RON 181,230 thousand (2014: RON 169,387 thousand), computers and equipment RON 92,991 thousand (2014: RON 74,868 thousand), vehicles RON 4,801 thousand (2014: RON 5,314 thousand).

25. Intangible assets (including goodwill)

In RON thousand	Group		Bank
Gross carrying amount	**Goodwill**	**Software**	**Software**
Balance at 1 January 2014	**376**	**139.358**	**135.285**
Additions (including additions through merger)	-	10,222	9,414
Revaluation	-	56	56
Disposals	-	(2,912)	(2,727)
Balance at 31 December 2014	**376**	**146,724**	**142,028**
Balance at 1 January 2015	**376**	**146,724**	**142,028**
Additions	-	31,296	30,402
Additions through merger	-	116,504	116,504
Revaluation	-	682	682
Disposals		(122,361)	(122,320)
Balance at 31 December 2015	**376**	**172,845**	**167,296**
Accumulated amortization			
Balance at 1 January 2014	-	**55,128**	**52,377**
Charge for the year	-	22,260	21,905
Disposals	-	(2,904)	(2,720)
Balance at 31 December 2014	-	**74,484**	**71,562**
Balance at 1 January 2015		**74,484**	**71,562**
Balance amortization at merger		37,561	37,561
Charge for the year	-	29,953	29,334
Disposals	-	(43,625)	(43,586)
Balance of impairment acquisition	-	68,058	68,058
Impairment charge	-	4,824	4,824
Reversal impairment charge	-	(72,882)	(72,882)
Balance at 31 December 2015	-	**98,373**	**94,871**
Net carrying amount			
1 January 2015	**376**	**72,240**	**70,466**
31 December 2015	**376**	**74,472**	**72,425**

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25. Intangible assets (including goodwill) *(continued)*

Impairment testing for cash generating units included in the goodwill

For the purpose of impairment testing, the goodwill is allocated to the Group's operating divisions which represent the lowest level at which the goodwill is monitored for internal management purposes.

As at December 31, 2015 the goodwill allocated to BT Leasing Transilvania IFN S.A was RON 376 thousand (31 December 2014: RON 376 thousand).

If the Group's intangible assets had been booked using the cost model, the recognized book value would have been RON 73,762 thousand (2014: RON 72,098 thousand) and the Bank's RON 71,715 thousand (31 December 2014: RON 70,324 thousand).

26. Deferred tax assets and liabilities

31 December 2015		**Group**			**Bank**	
In RON thousand	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Loans and advances to customers (including net lease investments)	-	(19)	(19)	-	-	-
Investment securities, available-for-sale	-	(208,697)	(208,697)	-	(223,724)	(223,724)
Financial assets at fair value through profit and loss	398	-	398	-	-	-
Tangible and intangible assets	678	(27,608)	(26,930)	678	(27,608)	(26,930)
Other assets	1,008	-	1,008	38	-	38
Unused fiscal loss	896,657	-	896,657	896,657	-	896,657
Provisions and other liabilities	49,494	-	49,494	48,723	-	48,723
Total	**948,235**	**(236,324)**	**711,911**	**946,096**	**(251,332)**	**694,764**
Net temporary differences			711,911			694,764
Deferred tax asset at 16%			113,906			111,162

31 December 2014		**Group**			**Bank**	
In RON thousand	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Loans and advances to customers (including net lease investments)	-	(29,005)	(29,005)	-	(31,460)	(31,460)
Investment securities, available-for-sale	-	(226,181)	(226,181)	-	(239,455)	(239,455)
Financial assets at fair value through profit and loss	481	-	481	-	-	-
Tangible and intangible assets	-	(28,012)	(28,012)	-	(28,012)	(28,012)
Other assets	515	-	515	-	-	-
Provisions and other liabilities	25,703	-	25,703	25,703	-	25,703
Total	**26,699**	**(283,198)**	**(256,499)**	**25,703**	**(298,927)**	**(273,224)**
Net temporary differences			(256,499)			(273,224)
Deferred tax liability at 16%			**41,040**			**43,716**

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26. Deferred tax assets and liabilities (continued):

Movement in deferred tax assets and liabilities during 2015	**Group**				**Bank**			
In RON thousand	**31 December 2014**	**Increase**	**Decrease**	**31 December 2015**	**31 December 2014**	**Increase**	**Decrease**	**31 December 2015**
Deferred tax assets								
Deferred tax assets related to retained earnings from specific impairment provisions	(17)	(1,543)	(1,491)	(69)	-		-	-
Deferred tax assets related to financial assets at fair value through profit and loss	(77)	-	(13)	(64)	-	-	-	-
Deferred tax assets related to property, equipment and intangible assets	-	(108)	-	(108)	-	(108)	-	(108)
Deferred tax assets related to other assets	(83)	(214)	(136)	(161)	-	(28)	(22)	(6)
Deferred tax assets related to other provisions and liabilities	(4,112)	(7,999)	(4,192)	(7,919)	(4,112)	(7,796)	(4,112)	(7,796)
Deferred tax assets from unused fiscal loss	-	(143,465)	-	(143,465)	-	(143,465)	-	(143,465)
Total	**(4,289)**	**(153,329)**	**(5,832)**	**(151,786)**	**(4,112)**	**(151,397)**	**(4,134)**	**(151,375)**
Deferred tax liabilities								
Deferred tax liabilities related to loans and advances to customers (including net finance lease investments)	4,658	-	4,586	72	5,034	-	5,034	-
Deferred tax liabilities related to securities available-for-sale	36,189	77,151	79,949	33,391	38,312	77,433	79,949	35,796
Deferred tax assets related to property, equipment and intangible assets	4,482	173	238	4,417	4,482	173	238	4,417
Total	**45,329**	**77,324**	**84,773**	**37,880**	**47,828**	**77,606**	**85,221**	**40,213**
Total deferred tax liabilities	**41,040**	**(76,005)**	**78,941**	**(113,906)**	**43,716**	**(73,791)**	**81,087**	**(111,162)**

26. Deferred tax assets and liabilities (continued):

Movement in deferred tax assets and liabilities during 2014

In RON thousand	Group				Bank			
	31 December 2013	Increase	Decrease	31 December 2014	31 December 2013	Increase	Decrease	31 December 2014
Deferred tax assets								
Deferred tax assets related to retained earnings from specific impairment provisions	(11,082)	(6)	(11,071)	(17)	(10,848)	-	(10,848)	-
Deferred tax assets related to financial assets at fair value through profit and loss	(76)	(7)	(6)	(77)	-	-	-	-
Deferred tax assets related to other assets	(16)	(82)	(15)	(83)	-	-	-	-
Deferred tax assets related to other provisions and liabilities	-	(4,112)	-	(4,112)	-	(4,112)	-	(4,112)
Total	**(11,174)**	**(4,207)**	**(11,092)**	**(4,289)**	**(10,848)**	**(4,112)**	**(10,848)**	**(4,112)**
Deferred tax liabilities								
Deferred tax liabilities related to loans and advances to customers (including net finance lease investments)	47,878	617	43,837	4,658	47,624	-	42,590	5,034
Deferred tax liabilities related to securities available-for-sale	16,747	70,514	51,072	36,189	18,535	73,515	53,738	38,312
Deferred tax assets related to property, equipment and intangible assets	4,674	85	277	4,482	4,674	85	277	4,482
Total	**69,299**	**71,216**	**95,186**	**45,329**	**70,833**	**73,600**	**96,605**	**47,828**
Total deferred tax liabilities	**58,125**	**67,009**	**84,094**	**41,040**	**59,985**	**69,488**	**85,757**	**43,716**

26. Deferred tax assets and liabilities (*continued*):

The deferred tax assets resulted from the fiscal losses of Volksbank Romania S.A. have been recognized in the present financial statements starting with the effective date of the merger, considering the interpretation of IAS 12 „Income taxes" rules and guidelines with regard to the recognition of deferred tax assets resulting from business combinations, correlated with the Romanian legislation.

The accounting policy used to estimate the recoverability of this fiscal loss has taken into account the significant uncertainty regarding the fiscal treatment of the bargaining gain and the reconstitution of the reserves previously deducted by Volksbank Romania S.A. For these issues mentioned above, individual fiscal solutions have been requested from local fiscal authorities and until the approval date of the present financial statements no answer has been yet received from the Ministry of Public Finance.

Also, the amount recognized as deferred tax assets considered the budgeted results of each entity in the Group as approved by the General Shareholders' Meeting. The remaining unrecognized tax assets as at 31 December 2015 is RON 86,587 thousand (31 December 2014: RON 0).

27. Other assets

	Group		**Bank**	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Amounts under settlement	37,616	22,911	37,602	22,897
Inventories	112,861	59,303	95,495	39,498
Prepayments	21,016	20,421	19,335	19,783
Sundry debtors	62,254	34,623	55,081	28,843
VAT and other taxes to be received	15,738	3,778	826	732
Other instruments to be settled	39,107	44,626	39,107	44,626
Current tax asset	132,651	-	133,769	-
Other assets	9,393	14,548	859	4,043
Less impairment allowance for other assets	(41,901)	(16,588)	(29,259)	(3,134)
Total	**388,735**	**183,622**	**352,815**	**157,288**

The evolution of impairment allowance of other assets during 2015 is presented below:

	Group		**Bank**	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Balance at 1 January	16,588	12,804	3,134	3,123
Impairment charge (Note 13)	(3,506)	3,788	(2,533)	9
Impairment allowance booked through acquisition	29,177	-	29,016	-
Allowance for written off exposures	(360)	-	(360)	-
Exchange rate differences	2	(4)	2	2
Balance at 31 December	**41,901**	**16,588**	**29,259**	**3,134**

Inventories in the Bank include purchased assets held-for-sale amounting to RON 65,052 thousand detailed as follows: buildings RON 36,359 thousand, land RON 26,726 thousand, equipment RON 851 thousand, vehicles RON 1,107 thousand and furniture RON 9 thousand (2014: RON 34,386 thousand with the following components: buildings RON 25,426 thousand, land RON 8,100 thousand, equipment RON 851 thousand and furniture RON 9 thousand).

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27. Other assets *(continued)*

Inventories in the Group include purchased assets held-for-sale amounting to RON 76,177 thousand detailed as follows: buildings RON 37,829 thousand, land RON 27,622 thousand, equipment RON 7,503 thousand, vehicles RON 3,209 thousand and furniture RON 14 thousand (2014: RON 48,311 thousand with the following components: buildings RON 27,050 thousand, land RON 9,019 thousand, equipment RON 9,043 thousand, vehicles RON 3,190 thousand and furniture RON 9 thousand).

28. Volksbank Romania S.A. acquisition

On December 10, 2014 the Group signed a contract to acquire 100% of the shares of Volksbank Romania SA, followed by a period during which the approvals necessary to complete the transaction, from the Competition Council and the National Bank of Romania, were obtained. The Group took control over Volksbank Romania SA on April 7, 2015.
In the 9 months period until 30 December 2015, (effective date of the merger), Volksbank Romania SA contributed to the Group's results with a net profit of RON 394,604 thousand. If the acquisition had taken place before 1 January 2015, the management estimates that the contribution to the net consolidated results would have been RON 404,604 thousand. This estimated result is based on the assumptions that the preliminary fair value adjustment recorded at the acquisition date would have remained the same if the acquisition had taken place on 1 January 2015.

Compensation paid

The fair value of the compensation fully transferred at the acquisition date was RON 357,955 thousand, and on 11 July 2015 an amount of RON 11,048 thousand was paid back by the seller in accordance with the acquisition contract. Consequently, the final value of the compensation was RON 346,907 thousand.
From this amount, EUR 58,000 thousand (RON 262,421 thousand equivalent as at 31 December 2015) have been transferred to an escrow account to cover certain risks that may rise in a timeframe of almost 1 year after the acquisition date. The risks did not materialise and the amount was transferred to the sellers with value date 1 March 2016.
The Bank did not issue new shares for Volksbank Romania S.A. acquisition.

Separately recognised transactions

At the acquisition date, the Group transferred to the former shareholders of Volksbank Romania SA the outstanding balance of the parent financing lines in amount of EUR 451 million and CHF 206 million.

Acquired assets and liabilities

The table below presents the assets and liabilities recognized at acquisition date (before the assignment of the financing lines from the former shareholders to the Group), according to the details from note 5:

In thousand RON	**Fair value at acquisition date**
Cash, cash equivalents and placements at banks	2,683,458
Debt securities	1,603,065
Loans and advances to customers (net)	5,779,601
Other assets	144,029
Deposits from banks and clients	(4,367,107)
Loans from banks and financial institutions	(2,857,201)
Other liabilities and provisions	(988,338)
Total net assets acquired	**1,997,507**

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28. Volksbank Romania S.A. acquisition (continued)

At the acquisition date the gross value of the loans and advances to customers was RON 8,839,416 thousand out of which an amount of RON 3,059,815 thousand was estimated as being uncollectible.

Bargaining gain

The Group result for the year ended on 31 December 2015 include the gain from Volksbank Romania SA acquisition in amount of RON 1,650,600 thousand. Bargaining gain has been determined as a difference between the compensation paid (acquisition price in amount of RON 346,907 thousand) and the fair value of the assets and liabilities of Volksbank Romania SA at the takeover date (in amount of RON 1,997,507 thousand).

The transaction resulted in a gain due to the circumstances in the fall of the year 2014 on the banking market in Romania, which was a buyers' market, as well as the time pressure for the sellers in closing the transaction. The sellers accepted the minimisation of losses in Romania by recovering a significant part of the intragroup funding, agreeing to an adjustment on the net assets in accordance with the very prudent approach of the buyer, adjustment which was reflected in the price paid. The management of risks existing in Volksbank Romania after closing the transaction and the circumstances more favourable than at the acquisition date, which were reanalysed after closing the transaction, led to a valuation of the net assets higher than the price paid.

Operational expenses related to Volksbank Romania S.A. acquisition and merger

Acquisition related expenses are the acquisition costs incurred by the Group to complete the business combination. These costs included intermediation fees, legal fees, accounting, valuation and other professional and consultancy charges, general administrative expenses.

The costs associated with the acquisition and integration of Volksbank Romania SA were RON 55.730 thousand and they were included in “ Other operational expenses” on the Profit and Loss account.

29. Deposits from banks

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Sight deposits	342,765	22,389	342,765	22,389
Term deposits	45,660	110,959	45,660	110,959
Total	**388,425**	**133,348**	**388,425**	**133,348**

30. Deposits from customers

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Current accounts	11,666,350	6,988,569	11,714,624	7,007,704
Sight deposits	561,097	161,016	561,097	161,017
Term deposits	25,521,282	22,368,677	25,566,720	22.405,425
Collateral deposits	553,012	476,654	552,851	471,356
Total	**38,301,741**	**29,994,916**	**38,395,292**	**30,045,502**

Deposits from customers can be also analysed as follows:

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30. Deposits from customers *(continued)*

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Retail customers	23,286,325	18,612,097	23,286,251	18,595,406
Corporate customers	15,015,416	11,382,819	15,109,041	11,450,096
Total	**38,301,741**	**29,994,916**	**38,395,292**	**30,045,502**

31. Loans from banks and other financial institutions

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Loans from commercial banks	88,823	64,555	-	-
Romanian banks	*61,996*	*38,128*	-	-
Foreign banks	*26,827*	*26,427*	-	-
Loans from development banks	647,122	359,498	591,385	320,419
Repurchase agreements	276,319	503,321	276,319	503,321
Other funds from financial institutions	117,438	125,313	117,438	125,313
Total	**1,129,702**	**1,052,687**	**985,142**	**949,053**

The interest rate range for loans from banks and financial institutions was as follows:

	2015 Minimum	2015 Maximum	2014 Minimum	2014 Maximum
EUR	0.50%	Euribor 3m+5.50%	1.08%	Euribor 3m+5.50%
LEI	0.00%	Robor 3m+ 1.45%	0.00%	0.50%
USD	Libor 6m+0.51%	Libor 6m+4.50%	0.84%	4.86615%

32. Other subordinated liabilities

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Loans from financial institutions	370,176	348,872	370,176	348,871
Convertible Bonds	46,248	45,871	46,176	45,787
Total	**416,424**	**394,743**	**416,352**	**394,658**

Subordinated liabilities include the amount of EUR 45 million equivalent of RON 203,603 thousand (2014: EUR 45 million, equivalent of RON 201,695 thousand) representing three subordinated loans: one in amount of EUR 15 million received in 2013, at EURIBOR 6M +6.2% due in 2018, one in amount of EUR 25 million received in 2013, at EURIBOR 6M+6.2% due in 2023 and one received in 2012 in amount of EUR 5 million at EURIBOR 6M+6.50% due in 2018; and one amount of USD 40 million equivalent of RON 165,908 thousand received in 2014 at LIBOR 6M+5.80% and due in 2023.

The Bank has issued EUR 30 million convertible bonds (RON 134,541 thousand equivalent) during 2013, bearing a coupon of EURIBOR 6M+ 6.25% interest and due in 2020. The outstanding bonds include the option of the holder to convert them into shares. During 2014, the Bank converted bonds amounting to EUR 20,072,238 (88,318,847 RON equivalent) as follows: RON 49,444,546 share capital increase and RON 38,873,301 share premium. During 2015, the Bank did not convert bonds. As at 31 December 2015, the outstanding convertible bonds amounted to EUR 9,927,762 (44,918,159 RON equivalent) and on 31 December 2014, the outstanding convertible bonds amounted to EUR 9,927,762 (44,497,222 RON equivalent).

Accrued interest on subordinated debt amounts to RON 1,257 thousand (2014: RON 995 thousand).

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33. Provisions for other risks and loan commitments

The following items are included under Provisions for other risks and loan commitments:

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Provisions for loan commitments	52,127	23,921	52,135	23,921
Provisions for employee benefits as compensated absences	5,934	1,213	5,000	500
Provisions for other employee benefits	1,538	26,149	-	25,203
Provisions for other risks and charges (*)	648,600	729	648,461	-
Total	**708,199**	**52,012**	**705,596**	**49,624**

(*) Provisions for other risks and charges include mainly provisions for litigations and other risks recognized after the merger with Volksbank Romania S.A.

34. Other liabilities

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Amounts under settlement	219,578	156,540	202,101	155,060
Other payable taxes	44,868	86,579	42,747	84,669
Sundry debtors	36,421	25,766	25,836	16,711
Lease liabilities *(i)*	1,311	1,415	-	-
Other liabilities	57,962	45,734	63,413	45,210
Total	**360,140**	**316,034**	**334,097**	**301,650**

(i) Future minimum lease payments under finance leases and the present value of the net minimum lease payments are as follows:

In RON thousand	**2015**	**2014**
Minimum lease payments		
2015	-	454
2016	523	454
2017	124	454
2018	729	206
Total minimum lease payments	**1,376**	**1,568**
Less future interest	(65)	(153)
Present value of minimum lease payments	**1,311**	**1,415**

35. Share capital

The statutory share capital of the Bank as at 31 December 2015 was represented by 3,026,003,679 ordinary shares of RON 1 each (31 December 2014: 2,608,623,861 shares of RON 1 each). The shareholding structure of the Bank is presented in Note 1.

The share capital increased by incorporating statutory reserves (in amount of RON 406,823,021) and by conversion of bonds (in amount of RON 10,556,797) were registered with the Trade Register in 2015.

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35. Share capital (*continued*)

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Subscribed capital paid at Trade Register	3,026,004	2,608,624	3,026,004	2,608,624
Hyper(inflation adjustments (IAS 29)	89,899	89,899	89,899	89,899
Share capital adjustment with unrealized revaluation reserves of tangible assets	(3,398)	(3,398)	(3,398)	(3,398)
Total	**3,112,505**	**2,695,125**	**3,112,505**	**2,695,125**

36. AFS reserve and other reserves

As at December 31, 2015 and December 31, 2014 the reserves include the following items:

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
General banking risks *(i)*	77,893	77,893	77,893	77,893
Statutory reserve *(ii)*	302,696	188,348	294,640	181,384
Fair value gains/ (losses) recognised in equity, net of tax, on available-for-sale instruments	175,510	189,897	187,928	201,142
Total	**556,099**	**456,138**	**560,461**	**460,419**

Statutory reserves (ii)

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
At 1st of January	188,348	161,977	181,384	156,132
Appropriations from profit	114,348	26,371	113,256	25,252
Total	**302,696**	**188,348**	**294,640**	**181,384**

(i) The general banking risk reserve includes amounts set aside in accordance with local banking regulations for future losses and other unforeseen risks or contingencies. They are separately disclosed as appropriations of profit. The general banking risks reserve is appropriated from the statutory gross profit at the rate of 1% on the balance of the assets carrying specific banking risks. The general banking risk reserve was set up, starting with financial year 2004 until the end of financial year 2006.

(ii) Statutory reserves represent accumulated transfers from retained earnings in accordance with local banking regulations that require that 5% of the Bank's and subsidiaries' net profit be transferred to a non-distributable statutory reserve until the reserve reaches 20% of the Bank's and subsidiaries' share capital.

The statutory reserves are not distributable.

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37. Related-party transactions

Transactions with shareholders

During the year ended 31 December 2015, the following transactions were carried out with the shareholders:

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Liabilities				
Current accounts, deposits, accruals	92,004	83,182	92,004	83,182
Loans from financial institutions	286,893	317,734	231,156	278,654
Subordinated loans	166,353	147,278	166,353	147,278
Subordinated securities	20,422	20,250	20,350	20,167
Income statement				
Interest and commission income	14	52	14	52
Performance fee income	133	-	-	-
Interest and commission expense	21,460	24,080	19,937	22,484

Transactions with key management personnel

During the year ended 31 December 2015, the following transactions were carried out with key personnel and related parties:

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Assets				
Loans to key personnel and related parties, accruals and provisions	73,324	30,378	23,608	29,437
Liabilities				
Current accounts with BT, deposits and accruals	32,352	24,478	30,214	22,183
Commitments to key personnel	7,021	4,058	6,742	3,831
Income statement				
Interest and commission income	3,690	3,293	1,664	3,242
Interest and commission expense	423	549	373	469

The total salaries paid to the Board of Director's members and executive management of the Group during 2015 amounted to RON 11,405 thousand (2014: RON 11,073 thousand), and of the Bank amounted to RON 7,957 thousand (December 31, 2014: RON 7,367 thousand).

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38. Commitments and contingencies

At any time the Group and the Bank have outstanding commitments to extend loans. These commitments are in the form of approved limits for credit cards and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Maturities are not concentrated in a specific period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by categories. The amounts are reflected in the table assuming that they have been fully granted.

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would have been recognized at the balance sheet date if counterparties had completely failed to meet the contractual terms and conditions

	Group		**Bank**	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Guarantees issued	1,756,296	2,030,581	1,761,395	2,035,632
Loan commitments	4,453,841	3,629,719	4,526,418	3,738,607
Total	**6,210,137**	**5,660,300**	**6,287,813**	**5,774,239**

Commitments to customers were provisioned in the amount of RON 52,127 thousand (2014: RON 23,921 thousand) at the Group level, while the Bank booked provisions in amount of RON 52,135 thousand (2014: RON 23,921 thousand).

Expenses with future rent payments were in amount of RON 84.094 thousand (2014: RON 190,965 thousand).

Outstanding currency transaction at 31 December 2015 were:

Forward transactions

Transactions with corporate clients:					
Purchases	150,000	USD	equivalent	620,628	RON
	847,938	RON	equivalent	207,000	USD
	6,781,950	RON	equivalent	1,500,000	EUR
Transactions with banks:					
Purchases	12,100,000	EUR	equivalent	13,263,800	USD
	4,000,000	GBP	equivalent	5,969,341	CHF
	12,874,690	GBP	equivalent	17,545,543	EUR
	7,000,000	CAD	equivalent	4,598,094	EUR
	65,600,130	USD	equivalent	60,000,000	EUR
	1,250,000	EUR	equivalent	923,063	GBP
	10,927,143	USD	equivalent	10,000,000	EUR
	9,000,000	EUR	equivalent	9,787,500	CHF
	31,000,000	EUR	equivalent	139,989,656	LEI
	155,000	USD	equivalent	637,130	LEI
	261,796,420	RON	equivalent	57,900,000	EUR
	621,465	RON	equivalent	150,000	USD

TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version

Notes to the consolidated and separate financial statements

39. Earnings per share

The calculation of basic earnings per share was based on net consolidated profit attributable to ordinary shareholders of the parent (the Bank) of RON 2,446,129 thousand (as at 31 December 2014: RON 441,085 thousand) and on the weighted average of the ordinary shares outstanding during the year.

The diluted earnings per share is calculated based on the adjusted consolidated net profit attributable to ordinary shareholders of the parent (the Bank) in amount of RON 2,448,530 thousand (31 December 2014: RON 442,418 thousand) and the weighted average number of the ordinary shares outstanding during the year plus the weighted number of the ordinary shares that would have been issued further to the conversion of all potential shares into ordinary shares

	Group	
	2015	**2014**
Ordinary shares issued as at 1 January	2,608,623,861	2,206,436,324
Effect of shares issued as at 1 December	417,379,818	775,444,490
Weighted average number of shares as at 31 December	3,026,003,679	2,981,880,814
Weighted average number of diluted shares as at 31 December	3,045,717,596	3,006,792,482

40. Events subsequent to the date of the consolidated financial position

Retail loans portfolio acquisition

On February 29, 2016 the acquisition of a Retail loan portfolio from Bank of Cyprus Public Company Limited Nicosia Romania branch was completed. The fair value of the acquired portfolio was RON 7,955 thousand (EUR 1,780 thousand at transaction date).

Acquisition of investment banking business

On March 11, 2016, Banca Transilvania Financial Group acquired Capital Partners through BT Securities. Following this transaction, the Group will take over the investment banking business, the brand and a specialized team.

Horia Ciorcila	George Calinescu
President	Deputy CEO-CFO

Refer to the originally signed Romanian version	Refer to the originally signed Romanian version

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