

RAIFFEISEN BANK SA

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

31 DECEMBER 2015

Content

Declaration regarding the responsibility for preparation of the consolidated and separate financial statements

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In accordance with article 10, paragraph 1 from Accounting Law No. 82/1991, the responsibility for the accounting organization and management belongs to the administrator, to the person authorized for credit release or to other person in charge with administration of the entity.

Officially in charge as president of Raiffeisen Bank S.A. - parent company, in accordance with article 31 from Accounting Law No. 82/1991, I assume the responsibility for preparing the consolidated and separate financial statements as of 31 December 2015 and I confirm that:

a) accounting policies used for preparing the consolidated and separate financial statements as of 31 December 2015 are in accordance with Order of the National Bank of Romania No. 27/2010 and related amendments, which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union;

b) consolidated and separate financial statements prepared as of 31 December 2015 fairly reflect the financial position, statement of comprehensive income, statement of changes in equity, statement of cash flow and the related notes related to the activity developed in accordance with Order of the National Bank of Romania No. 27/2010 and related amendments, which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.



Steven van Groningen

President

REPORT OF THE FINANCIAL AUDITOR

To the shareholders of Raiffeisen Bank SA

Report on the Financial Statements

1. We have audited the accompanying financial statements of Raiffeisen Bank SA and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. We have also audited the separate statement of financial position of Raiffeisen Bank SA (the "Bank"), and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended presenting the following:

- Consolidated Net assets/ Total equity and reserves: 3,210,595 lei thousand
- Consolidated Profit for the year: 426,431 lei thousand
- Individual Net assets/ Total equity and reserves: 3,158,241 lei thousand
- Individual Profit for the year: 437,564 lei thousand

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion - The Group

6. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Order of the National Bank of Romania no. 27/2010 and related amendments and in accordance with International Financial Reporting Standards as adopted by the European Union.

Opinion - The Bank

7. In our opinion, the separate financial statements give a true and fair view of the financial position of the Bank as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with Order of the National Bank of Romania no. 27/2010 and related amendments and in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

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

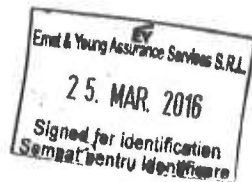
In accordance with the Order of National Bank of Romania no. 27/2010, article no. 16 point 1e), we have read the Separate Administrators' Report presented together with the separate financial statements. The Separate Administrators' Report is not part of the separate financial statements. In the Separate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

For and on behalf of

Ernst & Young Assurance Services SRL

Registered with the Chamber of Financial Auditors in Romania

Nr. 77/15 August 2001



Gelu Gherghescu

Registered with the Chamber of Financial Auditors in Romania

Bucharest, Romania

No. 1449/9 September 2002

25 March 2016

RAIFFEISEN BANK SA
Consolidated and Separate statement of comprehensive income
for the year ended
31 December 2015



<i>In RON thousands</i>	<i>Note</i>	Group		Bank	
		2015	2014	2015	2014
Interest income		1,285,375	1,367,632	1,284,598	1,367,057
Interest expense		(230,728)	(322,554)	(231,078)	(323,018)
Net interest income	7	1,054,647	1,045,078	1,053,520	1,044,039
Fees and commissions income		811,284	824,422	790,125	790,267
Fees and commissions expense		(181,278)	(144,399)	(180,919)	(144,315)
Net fee and commission income	8	630,006	680,023	609,206	645,952
Net trading income	9	288,517	280,745	288,261	277,909
Net gain from other financial instruments carried at fair value through profit and loss	21	4,835	33,772	4,835	34,034
Other operating income	10	27,041	28,210	54,120	45,449
Operating income		2,005,046	2,067,828	2,009,942	2,047,383
Operating expenses	11	(681,158)	(666,400)	(678,132)	(661,748)
Personnel expenses	12	(528,358)	(481,226)	(524,355)	(475,901)
Net impairment loss on financial assets	13	(289,012)	(313,986)	(289,012)	(313,986)
Share of gain from associates and joint ventures	22	3,245	4,898	-	-
Profit before income tax		509,763	611,114	518,443	595,748
Income tax expense	14,15	(83,332)	(98,621)	(80,879)	(94,380)
Net profit for the year		426,431	512,493	437,564	501,368
Other comprehensive income to be reclassified to profit and loss	34	60,220	441	61,805	1,993
Net gains (losses) on financial assets available-for-sale		71,545	440	71,583	323
Related tax of items to be reclassified to profit and loss		(11,766)	-	(11,772)	-
Other comprehensive income		59,779	440	59,811	323
Total comprehensive income for the year, net of income tax		486,210	512,933	497,375	501,691

The consolidated and separate statement of comprehensive income are to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on pages 6 to 118.

The consolidated and separate financial statements were approved by the Management Board on 21 March 2016 and were signed on its behalf by:


Steven van Groningen
President


Bogdan Popa
Vice-president & Chief Financial Officer

RAIFFEISEN BANK SA
Consolidated and Separate statement of financial position
for the year ended
31 December 2015



In RON thousand	Note	Group		Bank	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
Assets					
Cash and cash with Central Bank	16	6,981,390	7,853,134	6,981,376	7,853,128
Trading assets	17	527,133	83,636	527,218	83,636
Derivative assets held for risk management	18	1,956	3,417	1,956	3,414
Loans and advances to banks	19	1,138,893	904,144	1,138,893	904,128
Loans and advances to customers	20	18,153,586	16,110,075	18,153,586	16,110,075
Investment securities	21	4,115,797	3,219,254	4,094,689	3,199,110
Investment in associates and joint ventures	22	102,192	112,103	76,761	76,761
Other assets	26	149,691	166,602	153,194	168,463
Deferred tax assets	25	15,714	27,843	15,598	27,547
Property and equipment	23	212,958	227,347	212,695	227,170
Intangible assets	24	87,223	81,218	87,159	81,153
Total assets		31,486,533	28,788,773	31,443,125	28,734,585
Liabilities					
Trading liabilities	17	37,902	54,055	37,902	54,314
Derivative liabilities held for risk management	18	5,332	7,047	5,276	7,046
Deposits from banks	27	627,082	533,021	627,082	533,022
Deposits from customers	28	23,739,592	21,067,858	23,743,196	21,073,872
Loans from banks and other financial institutions	29	1,624,475	1,476,873	1,624,475	1,476,873
Current tax liabilities		16,167	31,586	16,095	30,454
Other liabilities	31	441,861	563,497	440,740	561,084
Debt securities issued	29	739,694	740,287	746,285	746,890
Subordinated liabilities	32	950,436	923,655	950,436	923,655
Provisions	30	93,397	60,509	93,397	60,509
Total liabilities		28,275,938	25,458,388	28,284,884	25,467,719
Equity					
Share capital	33	1,200,000	1,200,000	1,200,000	1,200,000
Retained earnings		1,729,380	1,934,870	1,677,572	1,871,930
Other reserves	34	281,215	195,515	280,669	194,936
Total equity		3,210,595	3,330,385	3,158,241	3,266,866
Total liabilities and equity		31,486,533	28,788,773	31,443,125	28,734,585

The consolidated and separate statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on pages 6 to 118.

The consolidated and separate financial statements were approved by the Management Board on 21 March 2016 and were signed on its behalf by:


Steven van Grønningen
President


Bogdan Popa
Vice-president & Chief Financial Officer

Group

<i>In RON thousand</i>	Share capital	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2014	1,200,000	(8,234)	165,288	1,715,493	3,072,547
Net profit for the year	-	-	-	512,493	512,493
Other comprehensive income, net of income tax	-	-	440	-	440
Total comprehensive income for the year, net of income tax	-	-	440	512,493	512,933
Distribution to reserves	-	-	29,787	(29,787)	-
Distribution of dividends	-	-	-	(263,329)	(263,329)
Purchase of treasury shares	-	(6,074)	-	-	(6,074)
Sale of treasury shares	-	14,308	-	-	14,308
Balance at 31 December 2014	1,200,000	-	195,515	1,934,870	3,330,385
Balance at 1 January 2015	1,200,000	-	195,515	1,934,870	3,330,385
Net profit for the year	-	-	-	426,431	426,431
Other comprehensive income, net of income tax	-	-	59,779	-	59,779
Total comprehensive income for the period, net of income tax	-	-	59,779	426,431	486,210
Distribution to reserves	-	-	25,921	(25,921)	-
Distribution of dividends	-	-	-	(606,000)	(606,000)
Balance at 31 December 2015	1,200,000	-	281,215	1,729,380	3,210,595

Bank

<i>In RON thousand</i>	Share capital	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2014	1,200,000	(8,235)	164,506	1,653,545	3,009,816
Net profit for the year	-	-	-	501,368	501,368
Other comprehensive income, net of income tax	-	-	323	-	323
Total comprehensive income for the period, net of income tax	-	-	323	501,368	501,691
Appropriation of profit to reserves	-	-	29,787	(29,787)	-
Increase/Decrease due to business combination	-	-	320	10,133	10,453
Distribution of dividends	-	-	-	(263,329)	(263,329)
Purchase of treasury shares	-	(6,074)	-	-	(6,074)
Sale of treasury sale	-	14,309	-	-	14,309
Balance at 31 December 2014	1,200,000	-	194,936	1,871,930	3,266,866
Balance at 1 January 2015	1,200,000	-	194,936	1,871,930	3,266,866
Net profit for the year	-	-	-	437,564	437,564
Other comprehensive income, net of income tax	-	-	59,811	-	59,811
Total comprehensive income for the year, net of income tax	-	-	59,811	437,564	497,375
Appropriation of profit to reserves	-	-	25,922	(25,922)	-
Distribution of dividends	-	-	-	(606,000)	(606,000)
Balance at 31 December 2015	1,200,000	-	280,669	1,677,572	3,158,241

The consolidated and separate statement of changes in shareholders' equity is to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on pages 6 to 118.

In RON thousand	Note	Group		Bank	
		2015	2014	2015	2014
Cash flows from operating activities					
Net profit for the year		426,431	512,493	437,564	501,368
Adjustments for non-cash items:					
Depreciation and amortization	11	79,280	74,441	79,170	74,319
Net impairment loss on financial assets (release from recoveries is not included)	13	376,432	368,933	376,432	368,933
Group share of gain from associates and joint ventures	22	(3,245)	(4,898)	-	-
Loss/gain on the sale of property, plant and equipment and of intangible assets		1,430	6,655	1,399	6,669
Net charge of provisions	10,11	52,002	18,340	52,002	18,340
Income tax expense	14,15	83,332	98,621	80,879	94,380
Fair value adjustments		(254)	2,054	(312)	1,939
Net interest income	7	(1,054,647)	(1,045,078)	(1,053,520)	(1,044,039)
Unrealized foreign exchange losses		5,842	2,663	5,842	2,663
Income from dividends		(3,612)	(722)	(30,083)	(18,080)
Operating profit before changes in operating assets and liabilities		(37,009)	33,502	(50,627)	6,492
Change in operating assets:					
(Increase)/Decrease in trading assets and derivatives held for risk management		(443,497)	75,755	(443,582)	75,749
Decrease in loans and advances to banks		12,208	62,579	12,192	62,591
Increase in loans and advances to customers		(1,147,741)	(1,103,272)	(1,147,741)	(1,103,273)
Increase in investment securities		(789,556)	(230,605)	(788,559)	(225,761)
Decrease/(Increase) in other assets		15,885	(20,377)	14,274	(20,316)
Purchase of loan portfolio		(1,084,690)	-	(1,084,690)	-
Proceeds from sale of loans		88,361	54,950	88,361	54,950
Change in operating liabilities					
Decrease in trading liabilities		(16,153)	(6,642)	(16,412)	(6,456)
Increase in deposits from banks		91,121	36,855	91,120	36,856
Increase in deposits from customers		2,477,873	1,478,349	2,475,463	1,480,882
(Decrease)/Increase in other liabilities		(169,670)	100,003	(167,244)	102,961
Taxation paid		(69,475)	(92,907)	(67,275)	(89,429)
Interest paid		(246,817)	(322,243)	(247,167)	(322,251)
Interest received		1,305,985	1,326,768	1,305,196	1,325,888
Cash flows from operating activities		(13,175)	1,392,715	(26,691)	1,378,883
Investing activities					
Proceeds from sale of property, plant and equipment		1,027	2,599	994	2,613
Acquisition of property, plant and equipment	23	(37,122)	(45,509)	(36,934)	(45,505)
Acquisition of intangible assets	24	(35,204)	(24,612)	(35,166)	(24,607)
Acquisition of investment in associates and joint ventures	22	(38,400)	(30,416)	-	(30)
Proceeds from investment in associates and joint ventures	22	51,556	37,896	-	366
Dividends received		3,612	722	30,083	18,080
Cash flows used in investing activities		(54,531)	(59,320)	(41,023)	(49,083)

<i>In RON thousand</i>	Note	Group		Bank	
		2015	2014	2015	2014
Financing activities					
Purchase of treasury shares	33	-	8,234	-	8,234
Cash from loans from banks		1,287,915	173,971	1,287,915	173,971
Repayments of loans from banks		(1,238,382)	(402,485)	(1,238,382)	(402,485)
Cash from debt securities issued		-	496,400	-	500,000
Repurchase of debt securities issued		(614)	-	(614)	-
Cash from subordinated liabilities		-	89,642	-	89,642
Dividends paid		(606,000)	(263,329)	(606,000)	(263,329)
Cash flow from financing activities		(557,081)	102,433	(557,081)	106,033
Net increase in cash and cash equivalents		(624,787)	1,435,828	(624,795)	1,435,833
Cash and cash equivalents at 1 January		8,732,043	7,296,215	8,732,037	7,296,204
Cash and cash equivalents at 31 December		8,107,256	8,732,043	8,107,242	8,732,037

Analysis of cash and cash equivalents

<i>In RON thousand</i>	Note	Group		Bank	
		2015	2014	2015	2014
Cash and cash equivalents comprise:					
Cash on hand	16	1,373,384	1,385,888	1,373,370	1,385,882
Cash with Central Bank	16	5,608,006	6,467,246	5,608,006	6,467,246
		6,981,390	7,853,134	6,981,376	7,853,128
Loans and advances to banks – less than 3 months		1,125,866	878,909	1,125,866	878,909
Cash and cash equivalents in the cash flow statement		8,107,256	8,732,043	8,107,242	8,732,037

The consolidated and separate statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on pages 6 to 118.

1. REPORTING ENTITY

Raiffeisen Bank SA (the "Bank") started its operations on 1 July 2002 upon the merger by acquisition of Raiffeisen Bank Romania SA by Banca Agricola Raiffeisen SA through issue of shares. The merger between the two banks was finalized on 30 June 2002 with the purpose of streamlining the operations of the Raiffeisen Group in Romania.

The Bank is licensed by the National Bank of Romania to conduct banking activities. The current registered office is located at Sky Tower Building, Calea Floreasca, no 246 C, district 1, Bucharest, Romania.

The consolidated and separate financial statements of the Bank for the year ended 31 December 2015 comprise the Bank and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in corporate and retail banking, brokerage, leasing and asset management services.

The main activity of the Bank is to provide day-to-day banking services to corporate and individual clients. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium term facilities, bank guarantees and letters of credit. The Group also provides financial consultancy services for small and medium enterprises operating in Romania, financial leasing services, loan services in locative system, asset management services and brokerage services. The Group operates through the Head Office located in Bucharest and through its network of 510 branches as at 31.12.2015 (2014: 527 branches).

The Bank is managed in accordance with the dual management system by a Supervisory Board made up of 6 members and a Management Board made up of 7 members.

The members of the Supervisory Board as of December 31, 2015 are as follows:

- Karl Sevelde - Chairman
- Martin Gröll – Deputy Chairman
- Johann Strobl– Member
- Klemens Josef Breuer – Member
- Peter Lennkh – Member
- Anca Ileana Ioan –Independent Member

The structure of the Management Board as of December 31, 2015 is as follows:

- Steven van Groningen – President;
- Cristian Sporis - Vice-president, coordinating the Corporate Division;
- James D. Stewart. Jr. – Vice-president, coordinating the Treasury and Capital Markets Division;
- Carl Rossey – Vice-president, coordinating the Operations and IT Division;
- Vladimir Kalinov – Vice-president, coordinating the Retail Division;
- Mircea Busuioceanu - Vice-president, coordinating the Risk Division;
- Bogdan Popa - Vice-president, coordinating the Accounting and Financial Controlling Division.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with Order no. 27/2010 of the National Bank of Romania and subsequent amendments, which require that these consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The accounting records of the Bank are maintained in RON in accordance with the Romanian accounting law and the National Bank of Romania banking regulations. Starting with 2012 National Bank of Romania issued regulations through which the International Financial Reporting Standards as adopted by the European Union ("IFRS") become basis of accounting for banks. As such the statutory accounts of the Bank and of Raiffeisen Banca pentru Locuinte are in line, in all material respects, with these standards.

The non – banking subsidiaries, associates and joint ventures prepare financial statements in accordance with the Romanian accounting law and the National Bank of Romania banking regulations ("statutory accounts") except for ICS Raiffeisen Leasing S.R.L which prepares financial statements in accordance with the Moldavian accounting law.

These accounts have been restated to reflect the existing differences between the statutory accounts and IFRS. Accordingly, such adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements into line, in all material respects, with IFRS.

b) Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following significant items from the consolidated statement of financial position:

- derivative financial instruments are measured at fair value;
- financial instruments held for trading and those designated at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- liabilities for cash-settled share based payment arrangements are measured at fair value.

c) Functional and presentation currency

The elements included in the financial statements of each Group entity are evaluated by using the currency of the primary economic environment in which the entity operates ("functional currency"). These consolidated and separate financial statements are presented in Romanian Lei ("RON"), which is the functional and presentation currency of the Bank, rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of consolidated and separate financial statements in accordance with IFRS as endorsed by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. BASIS OF PREPARATION (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The management judgments in applying accounting policies which have a significant impact on the consolidated and separate financial statements as well as highly uncertain estimates are disclosed in Note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Bank holds:

- 100% (2014: 100%) investment in Raiffeisen Services S.R.L., a company providing financial services with the exception of those related to services rendered on the capital markets;
- 99.99% (2014: 99.99%) investment in Raiffeisen Asset Management S.A., an asset management company with the purpose of administrating funds.

Until 30 April 2014 the Bank held 100% of Raiffeisen Capital and Investment S.A., a brokerage company providing stock exchange brokerage services to local and foreign customers. Starting with 1st of May the Bank merged with its subsidiary.

The Group has consolidated the financial statements of its subsidiaries in accordance with IFRS 10 "Consolidated Financial Statements".

The Bank classified the investment in subsidiaries as financial assets available for sale and evaluated them at cost due to the fact that these investments are equity instruments for which there is no active market for identical instruments and their fair value cannot be reliably estimated. Fair value requires significant judgement by management.

(ii) Joint venture

The Group holds interests in the following joint ventures:

- 50% (2014: 50%) interest in Raiffeisen Leasing IFN S.A.;
- 50% (2014: 50%) interest in ICS Raiffeisen Leasing S.R.L. from the Republic of Moldova, a company held 100% by Raiffeisen Leasing IFN;
- 33.32% (2014: 33.32%) in Raiffeisen Banca pentru Locuinte S.A. which is an entity exclusively dedicated to saving and lending business.

The Group has consolidated the financial statements of its joint ventures using the equity method, in accordance to IFRS 11 "Joint Arrangements".

The Bank has classified these investments as financial assets available for sale and evaluated them at cost less provision for impairment, where appropriate (see accounting policy 3 j).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Where the Group manages and administers assets held in unit funds and is also an investor in the fund, not to the extent that it has control, the fund meets the definition of an associate. The significant influence is due to the fact that Group administers the funds and participates in the policy making process.

The consolidated and separate financial statements include the Group's share of the total recognized gains and losses of associates and joint ventures on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases (see Note 22). When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. After application of the equity method, including recognizing the associate's losses, the investor applies the requirements of IAS 39 to determine whether it is necessary to recognize any additional impairment loss with respect to the investor's net investment in the associate.

The Bank holds investments of 33.33% (2014: 33.33%) in Fondul de Garantare a Creditului Rural - IFN S.A. Also the Group accounts proportionately for the share of gain or loss from its associates and joint ventures in accordance to IFRS 11 "Joint Arrangements". The Group holds interests of 0.92% (2014: 1.09%) in Raiffeisen RON Plus, 0% (2014: 0.42%) in Raiffeisen EURO Plus, investment funds administered by Raiffeisen Asset Management S.A.

The Bank has classified these investments as financial assets available for sale and evaluated them at cost less provision for impairment, where appropriate (see accounting policy 3 j).

(iv) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized gains arising from intra-Group transactions (except for the gains or losses from foreign exchange differences related to these transactions), have been eliminated from the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in that entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to RON at the official exchange rates from the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign exchange gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on settlement are recognized in profit or loss, except for differences arising from the translation of equity available-for-sale financial instruments, which are included in the fair value adjustment reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The exchange rates of major foreign currencies were:

Currencies	31 December 2015	31 December 2014	% Increase / Decrease
Euro (EUR)	1:RON 4.5245	1:RON 4.4821	0.01%
US Dollar (USD)	1:RON 4.1477	1:RON 3.6868	0.12%

(iii) Foreign operations

A foreign operation is defined as a subsidiary, associate, joint venture, or branch whose activities are based in a country other than that of the reporting entity or whose activities are denominated in the different currency than the one of the reporting entity.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RON at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RON at the exchange rates at the date of the transactions.

Foreign currency differences on the translation of foreign operations are recognized directly in equity. When a foreign operation is disposed of, in part or in full, the relevant amount of the foreign currency translation reserve is transferred to profit and loss.

c) Interest income and expense

Interest income and expense are recognized in the consolidated and separate statement of comprehensive income using the effective interest rate method for all financial instruments. The effective interest rate method is used to determine the amortized cost of a financial asset or liability and apportion the interest income and expense over a relevant period of time. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. For the effective interest rate computation, the Group estimates the future cash flows by taking into account the contractual terms of each financial instrument, however it does not account for future credit losses. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. The effective interest rate method is a method of calculating the amortized cost of loans and advances to customers whereby up-front and management fees received between parties to the contract and origination costs should be integral part of the effective interest rate and should be amortized and recognized as interest income over the relevant period.

Interest income and expense presented in the consolidated and separate statement of comprehensive income include:

- interest on loans and advances to customers on an effective interest basis ;
- fees and commission income/expense attributable to loan origination and management of a financial asset or liability;
- interest on financial assets and liabilities at amortized cost on an effective interest rate basis;
- interest on available-for-sale investment securities on an effective interest basis;
- interest on investment securities designated at fair value through profit or loss.

Fees and commissions directly attributable to the origination and management of a financial asset or liability (both income and expense), are included in the measurement of the effective interest rate.

Loan origination fees which can be separately identified are deferred, together with the directly attributable costs and are recognized as an adjustment to the effective interest rate of the loan.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income and expense on all trading assets and liabilities are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

d) Fees and commission

Fees and commission income arises on financial services provided by the Group including commitment fees, card fees, cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services. Other fees and commission income arising on the financial services provided by the Group including cash management services, brokerage services, investment advice, financial planning, investment banking services are recognized in the consolidated and separate statement of comprehensive income on the accrual basis i.e. when the corresponding service is provided. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

Other fees and commission income and expenses corresponding to saving-lending products, which are not part of the effective interest rate of the financial instruments, are recognized when the related services are provided.

e) Net trading income

Net trading income comprises gains and losses from trading assets and liabilities and includes all realized and unrealized fair value changes, interests, dividends and foreign exchange differences.

f) Net gain/loss from other financial instruments at fair value

Net gain/loss from other financial instruments at fair value arises from derivatives held for risk management purposes and financial assets and liabilities designated at fair value through profit and loss, and include all realized and unrealized fair value changes, interests, dividends and foreign exchange differences.

g) Dividends

Dividend income is recognized in the consolidated and separate statement of comprehensive income when the right to receive the income is established. Usually, this is the ex-dividend date for equity securities. Dividends are reflected as a component of other operating income based on the underlying classification of the equity instrument.

Tax on dividends is recognized at the same time as the payment of the related dividends and is due in the following month.

Dividends to be distributed by the Bank or Group are treated as an appropriation of profit in the period they are declared and approved by the General Shareholders Meeting.

h) Lease payments

Payments made under operating leases are recognized in the consolidated and separate statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the consolidated and separate statement of comprehensive income as an integral part of the total lease expense. Operating lease expense is reflected as a component of operating expense.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Minimum lease payments made under financial leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability.

i) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is determined using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the goodwill from transactions that are not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates which are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) Financial assets and liabilities

(i) Classification

The Group classifies its financial instruments into the following categories:

Financial asset or financial liability at fair value through profit or loss

This category has two sub-categories: financial assets or financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if so designated by management. Derivatives except for derivatives held for risk management are also classified as held for trading.

The financial instruments at fair value through profit or loss comprise derivatives, bonds issued by credit institutions, bonds, discount or coupon T-bills issued by the Government of Romania, municipality and corporate bonds and listed equity securities.

Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. The held to maturity investments comprise of bonds and discount or coupon T-bills.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The available for sale financial assets comprise in unquoted equity instruments, bonds, discount or coupon treasury bills issued by Government of Romania and credit institutions.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the entity upon initial recognition designates as available for sale; or
- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

(ii) Recognition

The Group initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date, which coincides with the date the Group becomes a party to the contractual provisions of the instrument.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognized in the consolidated and separate statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the consolidated and separate statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

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

The transferred asset is derecognized if it meets the de-recognition criteria.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the consolidated and separate statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group'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 at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method, for the differences between the initial amount and the maturity amount, minus any reduction from impairment or from impossibility of recovery.

(vi) Fair value measurement

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

All estimates and judgments used in fair value measurement are described in note 5. Unquoted equity instruments for which a reliable estimate of the fair value cannot be made are measured at cost and periodically tested for impairment.

(vii) Identification and measurement of impairment

Assets carried at amortized cost

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets loss are impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may be difficult to identify a single event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognized. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments 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 present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the effective interest rate, consisting in the current variable component of interest rate and the margin from the date of classification as default.

The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in the consolidated and separate statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by using an allowance account. The amount of the reversal is recognized in the consolidated and separate statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and advances to customers

The Group has included observable data on the following loss events that come to its attention as objective evidence that loans and advances to customers or groups of loans to customers are impaired:

- (a) Significant financial difficulty of the borrower, in accordance with the Group internal customer evaluation procedure;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Reliable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) Adverse changes in the payment status of borrowers in the group, or
 - (ii) National or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists as described above individually for loans and advances to customers that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed loans and advances to customers, whether significant or not, it includes the loans and advances to customers in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans and advances to customers that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of the collective evaluation of impairment, loans and advances to customers 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 or the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors).

The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Available for sale financial assets

For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is removed from other comprehensive income and recognized 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 recognized in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, the Group recognizes the impairment loss related to equity instruments classified as available for sale if there is a significant and prolonged depreciation of the fair value under the acquisition cost. Professional judgment should be applied to determine what "significant" and "prolonged" is and, when applying the professional judgment, the Group evaluates, among other factors, the duration and the extent in which the fair value of the investment is less than its cost. However, any subsequent recovery in the fair value of an impaired available for sale equity instrument is recognized in other comprehensive income.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted 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 and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the respective financial asset and the present value of estimated future cash flows discounted at the current internal market rate of return for a similar financial asset. Such impairment losses are not reversed through profit and loss.

(viii) Designation at fair value through profit or loss

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- The assets or liabilities are managed, evaluated and reported internally on a fair value basis or
- The asset/liability contained an embedded derivative that significantly modified the cash flow that would otherwise have been required under the contract.

Note 6 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. The financial assets designated at fair value through profit and loss comprise listed and unlisted bonds and other fixed income financial instruments issued by the government and corporate institutions. The Group has made the designation due to the fact that the respective assets are part of a group of financial assets evaluated and reported internally on a fair value basis in accordance with the risk management procedure and investment strategy of the Group.

k) Cash and cash with Central Bank

Cash and cash with Central Bank comprise cash balances on hand, current accounts and placements with the National Bank of Romania.

For the purposes of the cash flow statement, cash and cash equivalents comprise: cash balances on hand, current accounts and other placements with the National Bank of Romania, nostro accounts and placements with other banks which have a short maturity of three months or less from the date of acquisition.

l) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the consolidated statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, unless the following conditions are met:

- if the financial asset meets the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity;
- if the financial asset does not meet the definition of loans and receivables, then it may be reclassified out of the trading category only in rare circumstances.

m) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the consolidated statement of financial position. After initial recognition, the derivative financial instruments are measured at fair value without accounting for any additional cost of trading which may arise at the moment of sale or acquisition.

Changes in the fair value of these instruments are directly recognized in the profit or loss account, as part of the trading result.

n) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments, financial assets which are not quoted on an active market and which the Group does not intend to sell immediately or in the near future. The lease contracts in which the Group is the lessor that transfers substantially all the risks and rewards related to the ownership of an asset are disclosed as loans and advances to customers.

Loans and advances are initially recognized at fair value plus any direct trading costs and subsequently measured at amortized cost, using the effective interest rate method.

o) Investment securities

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

The financial instruments at fair value through profit or loss comprise treasury securities issued by the Government of Romania, municipality bonds and listed equity securities.

The available for sale financial assets comprise of unlisted equity investments, bonds and treasury bills.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Any significant sale or reclassification of held to maturity financial investments before they reach maturity will determine the reclassification of all held to maturity financial investments and will prevent the Group to classify investments as held to maturity in the current year as well as in the next two years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

However, this interdiction is not applicable in any of the following circumstances:

- the sale or the reclassification is so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- the sale or reclassification is after the Group has collected substantially all of the asset's original principal through instalment payments or early repayments;
- the sale or the reclassification is attributable to non-recurring isolated events beyond the Group's control and which could not have been reasonably anticipated.

p) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The costs with maintenance of property, plant and equipment are recognized in profit and loss account as they incur. Expenses generated by replacing a component of a property, plant and equipment item, including major repairs, are capitalized, if improve the future performance of the property, plant and equipment item.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Office equipment and furniture	5 years
Motor vehicles	5 years
Computer equipment	4 years

Depreciation methods, useful life and residual values are reassessed at each reporting date and adjusted if appropriate.

q) Intangible assets

Software

Software acquired by the Group is stated at cost less accumulated amortization and accumulated impairment losses. Expenditure on internally developed software is recognized as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over its useful life.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Internally developed software is stated at cost less accumulated amortization and impairment losses. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is between 1 and 8 years. Amortization methods, useful life and residual values are reassessed at each reporting date and adjusted if appropriate.

r) Leased assets

Lessee: Leases in terms of which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured 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 are not recognized in the Group's statement of financial position.

Lessor: The Group also acts as lessor in contract through which substantially all the risks and rewards of ownership are transferred to the lessee. These contracts are classified as finance leases and a receivable equal to the present value of minimum lease payments is recognized in the consolidated financial statements.

s) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable group of assets that generates cash flows that largely are independent from other assets or groups of assets. Impairment losses are recognized in profit or loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets of the cash-generating 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 costs to sell. In assessing 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 of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss 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.

t) Deposits from customers, loans from banks, debt securities issued and subordinated liabilities

Deposits from customers, loans from banks, debt securities issued and subordinated liabilities are the Group's sources of funding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group classifies issued financial instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Deposits from customers, loans from banks, debt securities issued and subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

u) Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

A provision is recognized for the amounts expected to be paid under short-term cash bonus or profit-sharing plans, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the consolidated statement of comprehensive income as incurred.

The Group, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Group are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the consolidated statement of comprehensive income as incurred. The Group does not have any further obligations.

According to the collective labour contract the Group makes contributions for its employees to Pillar 3 pension plan.

Defined benefit plans

The Group does not operate any defined benefit plan and, consequently, has no obligation in this respect.

Long-term employee benefits

The Group's net obligation in respect of long-term service benefits, other than postemployment plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

In case of retirement, the Group offers to the respective employees a number of salaries, depending on the service period. The obligation for this jubilee granted under the provisions of the Group's Collective Labor Agreement and terms of individual employee contracts is estimated using the projected unit credit method and is recognized to the consolidated statement of comprehensive income on an accruals basis. Changes in the discount rate and from other actuarial assumptions are recognized as income or expense over the expected average remaining working lives of the employees participating in the plan.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The fair value of the amount payable to employees in respect of share appreciation rights that are settled in cash is recognized as an expense with a corresponding increase in liabilities over the period in which the employees unconditionally become entitled to payment. The liability is premeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

v) Financial guarantees

Financial guarantees are contracts that require the Group to make specified 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 life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payments (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

w) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions include provisions for pending legal issues, provisions for un-drawn commitments and other provisions.

x) Standards, interpretations and amendments to published International Financial Reporting Standards

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2015:

- *IFRS 3 Business Combinations*: This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The management of the Group has assessed that the amendment has no significant impact on the consolidated financial statements.
- *IFRS 13 Fair Value Measurement*: This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The management of the Group has assessed that the amendment has no significant impact on the consolidated financial statements.
- *IAS 40 Investment Properties*: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other. The management of the Group has assessed that there is no impact in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective and not early adopted:

- *IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization.* The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.
- *IAS 19 Defined Benefit Plans (Amended): Employee Contributions.* The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The management of the Group has assessed that the amendment has no impact on the consolidated and separate financial statements.
- *IFRS 9 Financial Instruments: Classification and Measurement.* The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact on the consolidated and separate financial statements.
- *IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations.* The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The management of the Group has assessed that the amendment has no impact on the consolidated and separate financial statements.
- *IFRS 14 Regulatory Deferral Accounts.* The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU, as the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- *IFRS 15 Revenue from Contracts with Customers:* The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The Group is in the process of assessing the impact on the consolidated and separate financial statements.
- *IAS 27 Separate Financial Statements (amended):* The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.
- *Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures:* Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.
- *IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments):* The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.
- *IAS 1: Disclosure Initiative (Amendment):* The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- *The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle*, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. Group is in the process of assessing the impact on the consolidated and separate financial statements.
- *IFRS 2 Share-based Payment*: This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- *IFRS 3 Business combinations*: This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- *IFRS 8 Operating Segments*: This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- *IFRS 13 Fair Value Measurement*: This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- *IAS 16 Property Plant & Equipment*: The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- *IAS 24 Related Party Disclosures*: The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- *IAS 38 Intangible Assets*: The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- *The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle*, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. Group is in the process of assessing the impact on the consolidated and separate financial statements.
- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *IFRS 7 Financial Instruments: Disclosures*: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
- *IAS 19 Employee Benefits*: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *IAS 34 Interim Financial Reporting*: The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- *IFRS 16 Leases*: The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.

y) **Segment reporting**

The Group discloses information at segment level to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

An operating segment is a component of the Group:

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

Segment reporting is based on the following business lines of the Group: corporate, individuals, small and medium entities (referred to as "SME") and Treasury, the latter including financial institutions.

4. FINANCIAL RISK MANAGEMENT

a) **Introduction and overview**

The Group has exposure to the following risks from its use of financial instruments:

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

This note provides details of the Group's exposure to each of the above-mentioned risks, the Group's objectives, policies and processes for measuring and managing risk. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk market risk and operational risk. Market risk includes currency risk, interest rate risk and equity price risk.

The disclosure requirements according to part 8 of Regulation 575/2013 on prudential requirements for credit institutions and investment firms are published on the Bank's internet page at the address <https://www.raiffeisen.ro/despre-noi/guvernanta-corporativa/transparenta-si-publicare/>.

4. FINANCIAL RISK MANAGEMENT (continued)

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the risk management framework. Assets and Liabilities Committee ("ALCO"), Credit Risk Committee, Risk Management Committee and Problem Loan Committee are responsible for developing and monitoring Group's risk management policies in their specified areas. All committees report regularly to the Management Board. The framework for risk management is defined in the risk strategy, elaborated and reviewed with annual frequency. The Risk profile is also annually reviewed and comprises the evaluation of all risks considered significant. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and compliance with the approved limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. This process of risk management is critical to the Bank's continuing profitability and each employee within the Group is responsible for monitoring compliance with the Group's risk management procedures.

The Audit Committee reports to the Supervisory Board and has the responsibility to monitor the compliance with risk management procedures. Internal Audit assists the Audit Committee in these functions. 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 Stress Testing exercises are a common practice in the Group. Stress tests to be performed are either locally developed or developed and run at Raiffeisen Bank International Group level. The bank put in place a "Business stress testing concept paper" which establishes the steps, concepts, methodologies and timelines in stress testing process. All stress tests results are analyzed and reported to management.

b) Credit risk

i) Credit risk management

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. The Group is exposed to credit risk through its lending, trading and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties, or in the situation in which it conducts financial leasing operations, or it issues guarantees.

Credit risk associated with trading and investing activities is managed through the Group's credit risk management process. The risk is mitigated through selecting counterparties of good financial standings and monitoring their activities and through the use of credit limits and when appropriate, by obtaining collateral. The Group's primary exposure to credit risk arises through its loans and advances to customers as well as from conduction of activities related to concluding finance lease contracts. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Group is exposed to credit risk on various other financial assets, including derivative instruments and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued (see Note 37). In order to minimize this risk, Group procedures are in place to screen the customers before granting the loans and lease contracts and to monitor their ability to repay the principal and interest during the duration of the loans and lease contracts and to establish exposure limits.

4. FINANCIAL RISK MANAGEMENT (continued)

The Management Board has delegated the responsibility for the credit risk management to the Credit Committee. A Risk Division, reporting to the Chief Risk Officer is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies, by pursuing the target of maintaining a healthy loan portfolio, by establishing adequate limits and defining specific lending criteria for certain products, clients categories etc.
- Establishing and implementing of procedures related to: the treatment and valuation of collaterals, periodical loan reviews, classification and loan portfolio reporting, legal documentation related to loans and lending activity, monitoring and treatment of nonperforming loans, insuring compliance with the regulatory requirements.
- Establishing an authorization structure of approval and renewing of loan facilities: the authorization limits can be settled at the individual level of certain designated risk analysts or at the Credit Committee level or at the level of the approving entity designated at Group level. The authorization limits are stipulated in the Credit Committee Bylaws and are established on different criteria like loan amount, compliance with the credit policies.
- Evaluation and review of the credit risk takes place in accordance with the authorization limits set out in the Credit Committee Bylaws as well as with the regulatory requirements.
- Limiting concentrations of exposure to counterparties, geographical areas, industries and by issuer, loan classification category, market liquidity and country (for investment securities). The concentration risk is monitored throughout the portfolio management activity, is analyzed on a monthly basis through reports and presented to the personnel involved in the lending activity as well as to the management.
- Developing and maintaining the client classification systems depending on the risk grading. Unitary client classification systems are used at Group level depending on the client risk grading. These systems comprise both scoring and rating methodologies. The Group performs periodical reviews of the clients' classification systems. The risk grading measured through the above mentioned systems stands at the base of determining the loan loss provision necessary to cover the default risk.
- Reviewing and monitoring the compliance of business units with the limits established through the Credit Policies and internal norms.
- Regular reports are provided to Credit Committee on loan portfolio quality and appropriate corrective actions are proposed and implemented.
- Providing information, advice, guidance and expertise to business units in order to promote credit risk management best practice throughout the Group.

The Group has implemented an Early Warning Signs, which is used for a monthly credit portfolio screening targeting identification of upcoming problematic exposures as early as possible. The system is based on triggers automatically detected for each client on monthly basis, but it is also based on ad-hoc manual input if adverse information is known.

The implementation of the credit policies and procedures is insured at the Group's level. Each branch is obliged to respect and implement the Group's loan policies and procedures. Each branch is responsible for the quality and performance of its credit portfolio. The Group has process of centralization of both credit approval and loan administration for companies and individuals, which leads to improved quality of the credit portfolio and better monitoring.

Internal Audit undertakes regular audits of branches/agencies and Group credit processes.

The major concentrations of credit risk arise by type of customer in relation to the Group's loans and advances and credit commitments. 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 loans and advances, commitments to extend credit and guarantees issued.

4. FINANCIAL RISK MANAGEMENT (continued)

In the table below are presented the risk concentrations by product for retail customers and by economic sectors for non-retail customers. In the table are presented gross balance sheet and off balance sheet exposures.

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
Retail customers*, of which:				
Personal loan	3,952,493	3,305,854	3,952,493	3,305,854
Mortgage	3,890,214	3,151,987	3,890,214	3,151,987
Home equity	2,221,540	1,660,793	2,221,540	1,660,793
Credit Card	1,904,771	1,841,540	1,904,771	1,841,540
Overdraft	1,455,166	1,497,453	1,455,166	1,497,453
Investment financing	483,366	439,553	483,366	439,553
Other	5,650	134,378	5,650	134,378
Non-retail customers, of which:				
Agriculture	617,289	690,259	617,289	690,259
Electricity, oil & gas	1,624,989	1,591,986	1,624,989	1,591,986
Manufacturing	2,299,917	2,376,441	2,299,917	2,376,441
Construction	1,828,400	1,853,922	1,828,400	1,853,922
Wholesale and retail trade	3,104,180	2,820,117	3,104,180	2,820,117
Services	2,314,546	2,243,533	2,314,546	2,243,533
Public sector	590,154	692,172	590,154	692,172
Total**	26,292,675	24,299,988	26,292,675	24,299,988

* Retail customers include individuals and SMEs with turnover below EUR 1,000,000 and the maximum exposure of EUR 200,000.

** Out of total credit risk exposure, at group level and also at bank level, the amount of RON 7,104,203 thousand represents off balance exposure (2014: RON 7,223,090 thousand).

4. FINANCIAL RISK MANAGEMENT (continued)

In the table below is presented the split of loans and advances to customers by credit quality:

		Group		Bank	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>	Note				
Impaired loans					
Retail customers, of which*:					
Rating 1 (minimal risk)		56,025	607	56,025	607
Rating 2 (excellent credit standing)		94,166	14,950	94,166	14,950
Rating 3 (very good credit standing)		44,465	71,155	44,465	71,155
Rating 4 (good credit standing)		21,295	110,499	21,295	110,499
Rating 5 (average credit standing)		20,261	16,878	20,261	16,878
Rating 6 (mediocre credit standing)		35,057	15,870	35,057	15,870
Rating 7 (weak credit standing)		26,762	25,728	26,762	25,728
Rating 8 (very weak credit standing)		16,075	27,870	16,075	27,870
Rating 9 (doubtful and/or partial write off)		64,755	72,394	64,755	72,394
Rating 10 (default)		665,388	592,643	665,388	592,643
Un-rated**		28,637	16,476	28,637	16,476
Gross amount		1,072,886	965,070	1,072,886	965,070
Specific allowance for impairment	20	(527,055)	(500,561)	(527,055)	(500,561)
Carrying amount		545,831	464,509	545,831	464,509
Non-retail customers, of which:					
Rating 9 (very weak credit standard - doubtful)		21,904	12,925	21,904	12,925
Rating 10 (default)		480,500	544,706	480,500	544,706
Project finance***		61,446	38,376	61,446	38,376
Gross amount		563,850	596,007	563,850	596,007
Specific allowance for impairment	20	(350,444)	(341,040)	(350,444)	(341,040)
Carrying amount		213,406	254,967	213,406	254,967

* The definition of impaired loans is not the same with the definition of default. In general differences are due to days past due and restructured loans.

**The category „un-rated” includes private individuals and Micro exposures for which the Group does not have internal rating models developed due to low number of customers. For the entire retail portfolio the provisions are calculated based on the Flow rates model and recovery rates model and consistent with IFRS regulations.

*** The Project finance rating model is a tool defined by the Group for nonretail customers.

4. FINANCIAL RISK MANAGEMENT (continued)

		Group		Bank	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>	Note				
Past due but not impaired					
Retail customers, of which:					
Rating 1 (minimal risk)		4,233	745	4,233	745
Rating 2 (excellent credit standing)		14,948	5,399	14,948	5,399
Rating 3 (very good credit standing)		51,051	18,945	51,051	18,945
Rating 4 (good credit standing)		94,879	62,829	94,879	62,829
Rating 5 (average credit standing)		243,629	207,147	243,629	207,147
Rating 6 (mediocre credit standing)		252,976	226,316	252,976	226,316
Rating 7 (weak credit standing)		198,800	210,935	198,800	210,935
Rating 8 (very weak credit standing)		93,342	110,856	93,342	110,856
Rating 9 (doubtful and/or partial write off)		229,588	234,622	229,588	234,622
Rating 10 (default)		79,052	69,567	79,052	69,567
Un-rated		10,707	14,708	10,707	14,708
Gross amount		1,273,205	1,162,069	1,273,205	1,162,069
Collective allowance for impairment	20	(86,930)	(55,675)	(86,930)	(55,675)
Carrying amount		1,186,275	1,106,394	1,186,275	1,106,394
Non-retail customers, of which:					
Rating 5 (sound credit standing)		24,122	12,151	24,122	12,151
Rating 6 (acceptable credit standing)		97,439	52,338	97,439	52,338
Rating 7 (marginal credit standing)		23,658	110,735	23,658	110,735
Rating 8 (weak credit standard – sub-standard)		45,765	5,981	45,765	5,981
Rating 9 (very weak credit standard - doubtful)		3,601	39,456	3,601	39,456
Rating 10 (default)		-	20,673	-	20,673
Project finance		352,481	147,798	352,481	147,798
Un-rated		9,786	-	9,786	-
Gross amount		556,852	389,132	556,852	389,132
Collective allowance for impairment	20	(3,033)	(4,955)	(3,033)	(4,955)
Carrying amount		553,819	384,177	553,819	384,177

4. FINANCIAL RISK MANAGEMENT (continued)

In RON thousand	Note	Group		Bank	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
Neither past due nor impaired					
Retail customers, of which:					
Rating 1 (minimal risk)		2,571,244	470,114	2,571,244	470,114
Rating 2 (excellent credit standing)		2,291,443	1,735,404	2,291,443	1,735,404
Rating 3 (very good credit standing)		1,828,845	2,638,327	1,828,845	2,638,327
Rating 4 (good credit standing)		1,174,309	1,628,242	1,174,309	1,628,242
Rating 5 (average credit standing)		898,256	734,436	898,256	734,436
Rating 6 (mediocre credit standing)		463,511	373,169	463,511	373,169
Rating 7 (weak credit standing)		220,358	182,878	220,358	182,878
Rating 8 (very weak credit standing)		76,312	71,296	76,312	71,296
Rating 9 (doubtful and/or partial write off)		51,079	53,033	51,079	53,033
Rating 10 (default)		6,695	2,585	6,695	2,585
Un-rated		118,359	114,893	118,359	114,893
Gross amount		9,700,411	8,004,377	9,700,411	8,004,377
Collective allowance for impairment	20	(31,702)	(15,972)	(31,702)	(15,972)
Carrying amount		9,668,709	7,988,405	9,668,709	7,988,405
Non-retail customers, of which:					
Rating 1 (minimal risk)		11	28,399	11	28,399
Rating 2 (excellent credit standing)		114,705	32,415	114,705	32,415
Rating 3 (very good credit standing)		77,932	210,209	77,932	210,209
Rating 4 (good credit standing)		243,334	195,891	243,334	195,891
Rating 5 (sound credit standing)		1,173,374	679,798	1,173,374	679,798
Rating 6 (acceptable credit standing)		2,198,414	2,315,842	2,198,414	2,315,842
Rating 7 (marginal credit standing)		1,425,461	1,553,398	1,425,461	1,553,398
Rating 8 (weak credit standard – sub-standard)		288,871	237,317	288,871	237,317
Rating 9 (very weak credit standard - doubtful)		14,128	54,188	14,128	54,188
Rating 10 (default)		-	12,566	-	12,566
Project finance		481,592	639,997	481,592	639,997
Un-rated		3,446	223	3,446	223
Gross amount		6,021,268	5,960,243	6,021,268	5,960,243
Collective allowance for impairment	20	(35,722)	(48,620)	(35,722)	(48,620)
Carrying amount		5,985,546	5,911,623	5,985,546	5,911,623
Total carrying amount		18,153,586	16,110,075	18,153,586	16,110,075

4. FINANCIAL RISK MANAGEMENT (continued)

At Group level, loans and advances to banks in amount of RON 1,138,893 thousand (31 December 2014: RON 904,144 thousand), trading assets in amount of RON 527,133 thousand (31 December 2014: RON 83,636 thousand), derivative assets held for risk management in amount of RON 1,956 thousand (31 December 2014: RON 3,417 thousand), as well as investment securities in amount of RON 4,115,797 thousand (31 December 2014: RON 3,219,254 thousand), are all classified as current.

At bank level, loans and advances to banks in amount of RON 1,138,893 thousand (31 December 2014: RON 904,128 thousand), trading assets in amount of RON 527,218 thousand (31 December 2014: RON 83,636 thousand), derivative assets held for risk management in amount of RON 1,956 thousand (31 December 2014: RON 3,414 thousand), as well as investment securities in amount of RON 4,094,689 thousand (31 December 2014: RON 3,199,110 thousand), are all classified as current.

Loans and advances to banks as of 31 December, 2015 mainly represent money market placements and balances in correspondent accounts. Most important counterparts in terms of exposure are Germany (22%), Belgium (22%) and France (17%). Nostro accounts are always available to the Group, are not restricted, not overdue or impaired. Bank counterparties are financial institutions presenting strong financial solidity.

For corporate entities, small and medium entities, financial institutions, local and central public authorities customers, the Group uses rating scales associated with the financial performance, both for the individually and for the collectively impaired loans and advances. In accordance with the Group's policies and procedures, a rating can be associated for each category of risk, from the lowest risk considered (Rating 1) to defaulted loans category (Rating 10). In the case of private individuals and Micro exposures, the credit risk is assessed based on advanced internal model rating approach and is compliant with Basel regulatory requests. The Bank assigns ratings to customers at facility level for private individuals and at customer level for Micro. After the calibration process a probability of default is assigned to rating classes associated.

An analysis of collaterals (presented as the minimum between the exposure and the net realizable value of collateral) related to the loans granted to clients is presented as follows:

In RON thousand

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>Value of collaterals held against impaired loans and advances</i>				
Property	558,853	512,106	558,853	512,106
Others	4,668	11,587	4,668	11,587
Equipment and vehicles	4,868	4,913	4,868	4,913
Cash collateral deposit	1,269	2,212	1,269	2,212
Construction materials and other similar goods	199	1,646	199	1,646
Pledge on receivables	4,908	1,264	4,908	1,264
State Guarantee	71	159	71	159
Total	574,836	533,887	574,836	533,887

4. FINANCIAL RISK MANAGEMENT (continued)

In RON thousand

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>Value of collaterals held against unimpaired loans and advances</i>				
Property	5,488,330	4,544,183	5,488,330	4,544,183
State Guarantee	1,112,440	945,311	1,112,440	945,311
Equipment and vehicles	259,174	309,483	259,174	309,483
Pledge on receivables	221,995	248,706	221,995	248,706
Other	354,873	241,614	354,873	241,614
Cash collateral deposit	106,769	95,097	106,769	95,097
Letters of Guarantee	43,749	88,174	43,749	88,174
Construction materials and other similar goods	48,387	63,977	48,387	63,977
Shares	42,894	40,692	42,894	40,692
Corporate guarantee	2,719	2,803	2,719	2,803
Total	7,681,330	6,580,040	7,681,330	6,580,040

The Group holds collateral against loans and advances to customers in the form of pledge over cash deposits, mortgage interests over property, guarantees and other pledge over equipments and/or receivable.

The value of the mortgage collaterals executed by the Group as a result of the enforcement was RON 77,474 thousand (2014: RON 77,928 thousand).

Both the Group and the Bank holds additional collaterals for some of its credit exposure.

4. FINANCIAL RISK MANAGEMENT (continued)

The table below shows the amount of over collateralized exposures and the value of guarantees related to Group:

<i>In RON thousand</i>	Group					
	31 December 2015			31 December 2014		
	Gross exposure	Value of collaterals	Net	Gross exposure	Value of collaterals	Net
<i>Retail customers, of which:</i>	1,387,151	2,411,772	1,024,621	1,262,040	2,225,997	963,957
Personal loan	4,859	9,070	4,211	5,981	9,616	3,635
Mortgage	593,759	834,066	240,307	566,187	755,684	189,497
Home equity	525,766	970,158	444,392	447,667	929,928	482,261
Overdraft	88,357	198,214	109,857	88,170	190,617	102,447
Investment financing	173,888	399,713	225,825	153,122	339,089	185,967
Other	522	551	29	913	1,063	150
<i>Non-retail customers, of which:</i>	1,608,451	2,671,299	1,062,848	1,511,418	2,273,814	762,396
Agriculture	106,401	228,780	122,379	118,573	202,942	84,369
Electricity, oil & gas	79,267	154,438	75,171	19,564	36,184	16,620
Manufacturing	347,678	592,740	245,062	295,941	479,556	183,615
Construction	317,170	539,872	222,702	326,257	444,016	117,759
Wholesale and retail trade	329,091	570,901	241,810	360,535	562,157	201,622
Services	397,526	535,560	138,034	344,054	486,202	142,148
Public sector	31,318	49,008	17,690	46,494	62,757	16,263
TOTAL	2,995,602	5,083,071	2,087,469	2,773,458	4,499,811	1,726,353

The table below shows the amount over collateralized exposures and the value of guarantees related to Bank:

<i>In RON thousand</i>	Bank					
	31 December 2015			31 December 2014		
	Gross exposure	Value of collaterals	Net	Gross exposure	Value of collaterals	Net
<i>Retail customers, of which:</i>	1,387,151	2,411,772	1,024,621	1,262,040	2,225,997	963,957
Personal loan	4,859	9,070	4,211	5,981	9,616	3,635
Mortgage	593,759	834,066	240,307	566,187	755,684	189,497
Home equity	525,766	970,158	444,392	447,667	929,928	482,261
Overdraft	88,357	198,214	109,857	88,170	190,617	102,447
Investment financing	173,888	399,713	225,825	153,122	339,089	185,967
Other	522	551	29	913	1,063	150
<i>Non-retail customers, of which:</i>	1,608,451	2,671,299	1,062,848	1,511,418	2,273,814	762,396
Agriculture	106,401	228,780	122,379	118,573	202,942	84,369
Electricity, oil & gas	79,267	154,438	75,171	19,564	36,184	16,620
Manufacturing	347,678	592,740	245,062	295,941	479,556	183,615
Construction	317,170	539,872	222,702	326,257	444,016	117,759
Wholesale and retail trade	329,091	570,901	241,810	360,535	562,157	201,622
Services	397,526	535,560	138,034	344,054	486,202	142,148
Public sector	31,318	49,008	17,690	46,494	62,757	16,263
TOTAL	2,995,602	5,083,071	2,087,469	2,773,458	4,499,811	1,726,353

4. FINANCIAL RISK MANAGEMENT (continued)

Credit exposure under collateralized at Group level is showed in the table below:

<i>In RON thousand</i>	Group					
	31 December 2015			31 December 2014		
	Gross exposure	Value of collaterals	Net	Gross exposure	Value of collaterals	Net
<i>Retail customers, of which:</i>	10,659,351	3,451,027	(7,208,324)	8,869,476	2,752,799	(6,116,677)
Personal loan	3,947,634	91	(3,947,543)	3,299,873	85	(3,299,788)
Mortgage	3,296,455	2,399,856	(896,599)	2,585,800	1,921,784	(664,016)
Home equity	1,695,219	833,928	(861,291)	1,213,126	606,453	(606,673)
Credit Card	672,161	-	(672,161)	689,348	-	(689,348)
Overdraft	736,209	84,465	(651,744)	790,126	87,686	(702,440)
Investment financing	309,478	131,885	(177,593)	286,431	135,673	(150,758)
Other	2,195	802	(1,393)	4,772	1,118	(3,654)
<i>Non-retail customers, of which:</i>	5,533,519	1,885,005	(3,648,514)	5,433,964	1,657,142	(3,776,822)
Agriculture	359,736	139,621	(220,115)	396,108	118,597	(277,511)
Electricity, oil & gas	343,487	31,630	(311,857)	466,789	24,117	(442,672)
Manufacturing	1,105,295	422,744	(682,551)	1,123,182	474,876	(648,306)
Construction	693,618	403,716	(289,902)	627,741	273,661	(354,080)
Wholesale and retail trade	1,423,380	567,110	(856,270)	1,206,616	483,836	(722,780)
Services	1,131,326	267,518	(863,808)	1,056,046	221,423	(834,623)
Public sector	476,677	52,666	(424,011)	557,482	60,632	(496,850)
TOTAL	16,192,870	5,336,032	(10,856,838)	14,303,440	4,409,941	(9,893,499)

Credit exposure under collateralized at Bank level is showed in the table below:

<i>In RON thousand</i>	Bank					
	31 December 2015			31 December 2014		
	Gross exposure	Value of collaterals	Net	Gross exposure	Value of collateral s	Net
<i>Retail customers, of which:</i>	10,659,351	3,451,027	(7,208,324)	8,869,476	2,752,799	(6,116,677)
Personal loan	3,947,634	91	(3,947,543)	3,299,873	85	(3,299,788)
Mortgage	3,296,455	2,399,856	(896,599)	2,585,800	1,921,784	(664,016)
Home equity	1,695,219	833,928	(861,291)	1,213,126	606,453	(606,673)
Credit Card	672,161	-	(672,161)	689,348	-	(689,348)
Overdraft	736,209	84,465	(651,744)	790,126	87,686	(702,440)
Investment financing	309,478	131,885	(177,593)	286,431	135,673	(150,758)
Other	2,195	802	(1,393)	4,772	1,118	(3,654)
<i>Non-retail customers, of which:</i>	5,533,519	1,885,005	(3,648,514)	5,433,964	1,657,142	(3,776,822)
Agriculture	359,736	139,621	(220,115)	396,108	118,597	(277,511)
Electricity, oil & gas	343,487	31,630	(311,857)	466,789	24,117	(442,672)
Manufacturing	1,105,295	422,744	(682,551)	1,123,182	474,876	(648,306)
Construction	693,618	403,716	(289,902)	627,741	273,661	(354,080)
Wholesale and retail trade	1,423,380	567,110	(856,270)	1,206,616	483,836	(722,780)
Services	1,131,326	267,518	(863,808)	1,056,046	221,423	(834,623)
Public sector	476,677	52,666	(424,011)	557,482	60,632	(496,850)
TOTAL	16,192,870	5,336,032	(10,856,838)	14,303,440	4,409,941	(9,893,499)

4. FINANCIAL RISK MANAGEMENT (continued)

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Past due but not impaired loans

Loans and securities, where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate due to the fact that there are no objective evidence for impairment or there are objective evidence of impairment but there is no identified loss at the level of these customers.

Group

Loans and advances to customers past due but not impaired as of December 31, 2015 were as follows:

<i>n RON thousands</i>	< 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 days - 1 year	>1 year*	Total
Non Retail Customers	546,483	3,329	113	5,166	610	1,151	556,852
Retail customers	976,968	154,298	68,421	72,165	1,353	-	1,273,205
TOTAL	1,523,451	157,627	68,534	77,331	1,963	1,151	1,830,057

*Over collateralised exposures which are individually analysed

Loans and advances to customers past due but not impaired as of December 31, 2014 were as follows:

<i>In RON thousands</i>	< 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 days - 1 year	>1 year*	Total
Non Retail Customers	352,824	16,561	3,790	1,610	594	13,753	389,132
Retail customers	917,481	122,877	53,549	67,444	718	-	1,162,069
TOTAL	1,270,305	139,438	57,339	69,054	1,312	13,753	1,551,201

*Over collateralised exposures which are individually analysed

Bank

Loans and advances to customers past due but not impaired as of December 31, 2015 were as follows:

<i>In RON thousands</i>	< 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 days - 1 year	>1 year*	Total
Non Retail Customers	546,483	3,329	113	5,166	610	1,151	556,852
Retail customers	976,968	154,298	68,421	72,165	1,353	-	1,273,205
TOTAL	1,523,451	157,627	68,534	77,331	1,963	1,151	1,830,057

*Over collateralised exposures which are individually analysed

4. FINANCIAL RISK MANAGEMENT (continued)

Loans and advances to customers past due but not impaired as of December 31, 2014 were as follows:

<i>In RON thousands</i>	< 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 days - 1 year	>1 year*	Total
Non Retail Customers	352,824	16,561	3,790	1,610	594	13,753	389,132
Retail customers	917,481	122,877	53,549	67,444	718	-	1,162,069
TOTAL	1,270,305	139,438	57,339	69,054	1,312	13,753	1,551,201

*Over collateralised exposures which are individually analysed

Allowances for impairment

The Group sets-up an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

Starting with 30 June, 2014, the Bank started to write off the value of non-performing loans fully covered with allowances for impairment. At the same time these loans were recorded in off balance sheet and the Bank is still monitoring for further recoverability. There are certain preconditions for loans write off from the balance sheet when the contractual rights still exist but from economic reasons there is a low probability of collection. For corporate and small exposures, at least one of the following preconditions must be met before the write off of a financial asset in the balance sheet, for which the contractual rights can still be exercised:

- a) the guarantee recovery process has ended or this process does not make economic sense;
- b) the debtor bankruptcy legal proceedings were concluded, respectively there is no probability of future cash flow from the debtor.

For retail exposures (private individuals and micro), the following three conditions must be cumulatively fulfilled in order to write off a financial asset from the balance sheet, for which the contractual rights of the cash flows are not expired:

- a) the last payment / collection is older than 360 days (payments under 10 euro are not taken into account);
- b) all guarantees decreased the corresponding receivable and there are no real estate mortgages and / or movable (e.g. cars, equipment) in Group's favour that can be executed in any form required by law;
- c) recovery process by realization of real estate collateral is already completed.

4. FINANCIAL RISK MANAGEMENT (continued)

An analysis of gross and carrying amount (taking into account the loan loss allowances) of individually impaired loans and advances on ratings is shown below:

31 December 2015

	Group		Bank	
	Gross amount	Carrying amount	Gross amount	Carrying amount
<i>In RON thousand</i>				
<i>Individually impaired loans and advances to customers</i>				
Retail customers, of which				
Rating 1 (minimal risk)	56,025	48,631	56,025	48,631
Rating 2 (excellent credit standing)	94,166	82,789	94,166	82,789
Rating 3 (very good credit standing)	44,465	34,534	44,465	34,534
Rating 4 (good credit standing)	21,295	17,560	21,295	17,560
Rating 5 (average credit standing)	20,261	16,516	20,261	16,516
Rating 6 (mediocre credit standing)	35,057	28,543	35,057	28,543
Rating 7 (weak credit standing)	26,762	21,204	26,762	21,204
Rating 8 (weak credit standard – sub-standard)	16,075	12,004	16,075	12,004
Rating 9 (very weak credit standard - doubtful)	64,755	44,704	64,755	44,704
Rating 10 (default)	665,388	226,131	665,388	226,131
Un-rated	28,637	13,215	28,637	13,215
Total Retail customers	1,072,886	545,831	1,072,886	545,831
Non-retail customers, of which:				
Rating 9 (very weak credit standard - doubtful)	21,904	8,069	21,904	8,069
Rating 10 (default)	480,500	193,730	480,500	193,730
Project Finance	61,446	11,607	61,446	11,607
Total Non-retail customers	563,850	213,406	563,850	213,406
Total	1,636,736	759,237	1,636,736	759,237

4. FINANCIAL RISK MANAGEMENT (continued)

31 December 2014

	Group		Bank	
	Gross amount	Carrying amount	Gross amount	Carrying amount
<i>In RON thousand</i>				
<i>Individually impaired loans and advances to customers</i>				
Retail customers, of which:				
Rating 1 (minimal risk)	607	535	607	535
Rating 2 (excellent credit standing)	14,950	13,835	14,950	13,835
Rating 3 (very good credit standing)	71,155	60,996	71,155	60,996
Rating 4 (good credit standing)	110,499	93,043	110,499	93,043
Rating 5 (average credit standing)	16,878	13,570	16,878	13,570
Rating 6 (mediocre credit standing)	15,870	13,403	15,870	13,403
Rating 7 (weak credit standing)	25,728	22,280	25,728	22,280
Rating 8 (weak credit standard – Sub-standard)	27,870	23,193	27,870	23,193
Rating 9 (very weak credit standard doubtful)	72,394	56,644	72,394	56,644
Rating 10 (default)	592,643	157,749	592,643	157,749
Un-rated	16,476	9,261	16,476	9,261
Total Retail customers	965,070	464,509	965,070	464,509
Non-retail customers, of which:				
Rating 9 (very weak credit standard – doubtful)	12,925	11,139	12,925	11,139
Rating 10 (default)	544,706	237,588	544,706	237,588
Project Finance	38,376	6,240	38,376	6,240
Total Non-retail customers	596,007	254,967	596,007	254,967
Total	1,561,077	719,476	1,561,077	719,476

Non-performing not defaulted exposure (NPE not defaulted)

Regulation for forbore and non-performing exposures

The regulation for forbearance pursuant to EBA/ITS/2013/03/rev1 from 24th of July 2014 and updated in 10th of March 2015 was implemented at Group level.

For reporting purposes, according to EBA ITS, non-performing exposures are considered those that satisfy at least one of the following conditions:

- The exposure was classified as default;
- The exposure was impaired according to IAS 39 "Financial Instruments: Recognition and Measurement";
- Performing restructured exposure that was reclassified from non-performing exposure and for which the restructuring measures have been extended during the monitoring time frame;
- Performing restructured exposure that was reclassified from non-performing exposure and for which number of days past due reached more than 30 days during the monitoring time frame.

Non-retail

For non-retail clients, when terms or loan conditions are modified in favour of the customer, the Group differentiates between normal renegotiation and forbore loans according to the definition of the EBA document "Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)". Non-performing exposure according to EBA definition includes exposure without any reason for default according to Article 178 CRR.

Loans are defined as forbore loans if the debtor is assessed to be in financial difficulties and the modification is assessed as concession. For non-retail customers, financial difficulties are measured by means of an internal early warning system that is based on numerous representative and accepted input factors for customers risk classification (e.g. due days, rating downgrade etc.)

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

4. FINANCIAL RISK MANAGEMENT (continued)

IAS 39 "Financial Instruments: Recognition and Measurement" requires that impairment must be derived from an incurred loss event; default according to Article 178 CRR is still the main indicators for individual and portfolio-based loan loss provisions.

Retail

For retail customers, the restructured loans are the subject of probation period for at least three months, extended to one year if the customer not passed the observation period. During this probation period the customer is reported as individually impaired if the loss after restructuring is higher than 2.5%. The restructuring loss is calculated as the difference between future cash flows following the restructuring discounted at the effective interest rate before restructure and loan exposure (principal, interest and fees).

In the case of a non-performing exposure to Micro SME, the non-performing status is in principle considered to apply at debtor level.

In the case of a non-performing exposure to a PI, all other debtor's exposures of the same product group shall be considered non-performing (i.e. at product level).

Due to pulling effect, when a PI debtor has on-balance sheet exposures past due more than 90 days, the gross carrying amount of which represents 20% of the gross carrying amount of all its on-balance sheet exposures, all on- and off-balance sheet exposures of this debtor shall be considered as non-performing and so the non default facilities might be reclassified as non performing due to contamination at product and debtor level.

c) Liquidity risk

Liquidity risk is generated in the normal course of banking activity being a consequence of the bank's response to client needs. While depositors need short term access to their funds, borrowers need the possibility to repay the loans in medium to long term timeframes, therefore by responding to these needs the Bank accepts a degree of liquidity risk that has to be actively managed.

The Management Board defines the liquidity risk strategy based on recommendations made by the units responsible for liquidity and funding management in cooperation with the area responsible for monitoring and controlling of liquidity risk. Management Board approves each year the limits which are applied to measure and control liquidity risk as well as the Bank's funding plan.

The risk tolerance of the Bank represents the foundation of the liquidity risk management framework and is defined:

- for normal business conditions, using a set of limits for the long term liquidity risk profile. The role of the limits is to prevent the accumulation of liquidity risk from current activity of the Bank;
- for stress conditions, tolerance is the Bank's capacity to operate for an acceptable time without significant changes to the strategy or business model.

Treasury and Capital Markets Division function is responsible for the management of liquidity and funding risk of the Bank and Risk Management Division has responsibilities for liquidity risk monitoring and controlling, as defined in the liquidity and funding strategies.

For liquidity management, the Bank analyses, monitors and forecasts the liquidity behaviour of products and business segments and maintain long-term liquidity, including stable deposits, in excess of illiquid assets, at an optimal cost, as defined in the risk appetite.

4. FINANCIAL RISK MANAGEMENT (continued)

Diversification of funding profile in terms of investor types, products and instruments is an important element of the liquidity management framework. The core funding resources come from retail clients while other customer's deposits, interbank deposits and borrowings are additional sources of funding. This improves the Bank's flexibility in funding and diminishes the liquidity cost.

The transfer pricing mechanism represents an important instrument for the management of liquidity risks. It covers the balance sheet and off balance sheet elements and is designed to allocate all costs and benefits to the business segments in a way that incentivizes the efficient use of liquidity.

The main tools used for liquidity and funding risk management are:

- the liquidity gap report: used to identify and measure the maturity mismatch between assets and liabilities;
- liquidity scorecard: tool for assessing the robustness of the balance sheet structure (loans to deposits ratio, funding concentration, size of liquid assets in relation to total obligations, etc);
- regulatory liquidity gap: the Bank has to comply with a regulatory liquidity indicator which sets minimum liquidity risk standards at banking system level;
- funding scorecard: the Bank ensures that funding risk is mitigated through the monitoring of several triggers, among which: the concentration in sources of wholesale funding, maturity concentration, the dependence on short term funding and the percentage of unencumbered assets.

At Bank level, there are pre-established trigger levels set for the main tools which are monitored and, in case a breach is observed or anticipated, a specific action plan is taken based on senior management decision.

For stress conditions, the Bank maintains a sufficient liquidity buffer that can be used to compensate the limited access to funding sources and liquidity outflows during stress periods. The Bank determines the necessary liquidity buffer based on stress test analysis. In addition the Bank defines a contingency plan which establishes responsibilities and specific actions that can be taken to strengthen liquidity position on short term and reduce liquidity risk on medium to long term.

The main tools used for stress conditions are:

- Early warning system: used to monitoring financial markets and internal liquidity indicators in order to anticipate accumulation of risks and potential stress conditions;
- Internal stress test: scenario based analysis used to evaluate Bank's ability to operate in stress conditions;
- Regulatory liquidity coverage ratio: scenario based analysis standardized at banking system level, used to evaluate Bank's ability to operate in stress conditions, as described in CRR/ CRD IV package. According to the standard, banks are required to hold an adequate stock of unencumbered high quality assets (HQLA) to cover potential liquidity outflows in stress conditions.

4. FINANCIAL RISK MANAGEMENT (continued)

Group

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2015 as follows:

<i>In RON thousand</i>	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity*	Total
Financial Assets						
Cash and cash with Central Bank	6,981,390	-	-	-	-	6,981,390
Trading assets	14,294	167,447	242,069	103,323	-	527,133
Derivative assets held for risk management	542	-	1,414	-	-	1,956
Loans and advances to banks	1,138,893	-	-	-	-	1,138,893
Loans and advances to customers	3,281,683	3,561,500	6,035,261	5,275,142	-	18,153,586
Investment securities	1,237,566	1,250,768	1,306,838	248,889	71,736	4,115,797
Total financial assets	12,654,368	4,979,715	7,585,582	5,627,354	71,736	30,918,755
Financial Liabilities						
Trading liabilities	13,886	5,647	17,134	1,235	-	37,902
Derivative liabilities held for risk management	839	527	3,966	-	-	5,332
Deposits from banks	600,751	-	26,331	-	-	627,082
Deposits from customers	20,206,141	3,323,278	194,773	15,400	-	23,739,592
Loans from banks and other financial institutions	45,484	578,584	974,979	25,428	-	1,624,475
Debt securities issued	-	243,452	496,242	-	-	739,694
Subordinated liabilities	5,745	-	854,203	90,488	-	950,436
	20,872,846	4,151,488	2,567,628	132,551	-	27,724,513
Total financial liabilities						
Maturity surplus/ (shortfall)	(8,218,478)	828,227	5,017,954	5,494,803	71,736	3,194,242

* Without maturity includes equity instruments

4. FINANCIAL RISK MANAGEMENT (continued)

The financial assets and liabilities analyzed over the remaining period from 31 December 2014 to contractual maturity are as follows:

<i>In RON thousand</i>	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	7,853,134	-	-	-	-	7,853,134
Trading assets	42,245	14,735	23,117	3,539	-	83,636
Derivative assets held for risk management	2,015	1,402	-	-	-	3,417
Loans and advances to banks	904,144	-	-	-	-	904,144
Loans and advances to customers	3,260,721	3,031,742	5,341,210	4,476,402	-	16,110,075
Investment securities	162,665	1,666,728	1,162,162	221,096	6,603	3,219,254
Total financial assets	12,224,924	4,714,607	6,526,489	4,701,037	6,603	28,173,660
Financial Liabilities						
Trading liabilities	31,228	9,966	12,074	787	-	54,055
Derivative liabilities held for risk management	1,523	1,144	4,380	-	-	7,047
Deposits from banks	490,708	934	41,379	-	-	533,021
Deposits from customers	17,647,282	3,093,652	315,612	11,312	-	21,067,858
Loans from banks and other financial institutions	135,126	466,324	857,620	17,803	-	1,476,873
Debt securities issued	-	21,966	718,321	-	-	740,287
Subordinated liabilities	5,185	-	224,073	694,397	-	923,655
Total financial liabilities	18,311,052	3,593,986	2,173,459	724,299	-	24,802,796
Maturity surplus/ (shortfall)	(6,086,128)	1,120,621	4,353,030	3,976,738	6,603	3,370,864

4. FINANCIAL RISK MANAGEMENT (continued)

Bank

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2015 as follows:

<i>In RON thousand</i>	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	6,981,376	-	-	-	-	6,981,376
Trading assets	14,379	167,447	242,069	103,323	-	527,218
Derivative assets held for risk management	542	-	1,414	-	-	1,956
Loans and advances to banks	1,138,893	-	-	-	-	1,138,893
Loans and advances to customers	3,281,683	3,561,500	6,035,261	5,275,142	-	18,153,586
Investment securities	1,237,323	1,250,241	1,286,505	248,889	71,731	4,094,689
Total financial assets	12,654,196	4,979,188	7,565,249	5,627,354	71,731	30,897,718
Financial Liabilities						
Trading liabilities	13,886	5,647	17,134	1,235	-	37,902
Derivative liabilities held for risk management	839	471	3,966	-	-	5,276
Deposits from banks	600,751	-	26,331	-	-	627,082
Deposits from customers	20,209,745	3,323,278	194,773	15,400	-	23,743,196
Loans from banks and other financial institutions	45,484	578,584	974,979	25,428	-	1,624,475
Debt securities issued	-	246,323	499,962	-	-	746,285
Subordinated liabilities	5,745	-	854,203	90,488	-	950,436
Total financial liabilities	20,876,450	4,154,303	2,571,348	132,551	-	27,734,652
Maturity surplus/ (shortfall)	(8,222,254)	824,885	4,993,901	5,494,803	71,731	3,163,066

4. FINANCIAL RISK MANAGEMENT (continued)

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2014 as follows:

<i>In RON thousand</i>	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	7,853,128	-	-	-	-	7,853,128
Trading assets	42,245	14,735	23,117	3,539	-	83,636
Derivative assets held for risk management	1,817	1,550	47	-	-	3,414
Loans and advances to banks	904,128	-	-	-	-	904,128
Loans and advances to customers	3,260,721	3,031,742	5,341,210	4,476,402	-	16,110,075
Investment securities	161,066	1,666,728	1,143,623	221,096	6,597	3,199,110
Total financial assets	12,223,105	4,714,755	6,507,997	4,701,037	6,597	28,153,491
Financial Liabilities						
Trading liabilities	31,487	9,966	12,074	787	-	54,314
Derivative liabilities held for risk management	1,523	1,143	4,380	-	-	7,046
Deposits from banks	490,709	934	41,379	-	-	533,022
Deposits from customers	17,653,296	3,093,652	315,612	11,312	-	21,073,872
Loans from banks and other financial institutions	135,126	466,324	857,620	17,803	-	1,476,873
Debt securities issued	-	21,966	724,924	-	-	746,890
Subordinated liabilities	5,185	-	224,073	694,397	-	923,655
Total financial liabilities	18,317,326	3,593,985	2,180,062	724,299	-	24,815,672
Maturity surplus/ (shortfall)	(6,094,221)	1,120,770	4,327,935	3,976,738	6,597	3,337,819

Usually, the most significant liquidity gap is registered in the first interval (up to 3 months) mainly due to non-banking customers, which prefer short term maturities for deposits and long term maturities for loans. This behaviour that determines a negative gap in the first interval generates a positive gap on the other intervals (higher than 3 months). In practice the negative gap in the first bucket does not represent outflows as most customer deposits are rolled over or replaced by new deposits. Also the securities portfolio can be turned to cash (repo or sale) in a short time representing thus a buffer that diminishes the liquidity risk in the first bucket.

The negative liquidity gap on the first bucket has increased in 2015 by RON 2,128,033 thousands versus 2014, being generated by the increase in deposits from customers. As regards to the other buckets we see an improvement in the 1 – 5 years bucket due to: higher loans and advances to customer and increased investment securities in this time bucket. The over 5 years liquidity surplus is higher in 2015 compared to 2014 by RON 1,518,065 thousands due to higher loans and advances to customers in this time bucket and also due to the fact that subordinated loans moved on 1-5 years bucket from over 5 years bucket.

4. FINANCIAL RISK MANAGEMENT (continued)

The amounts disclosed in the below table represent contractual maturity analysis for financial liabilities disclosed in accordance with IFRS 7 whereby the undiscounted cash flows to be shown in these predefined maturity-bands differ from the amounts included in the balance sheet because the balance sheet amount is based on discounted cash flows.

Group

Financial liabilities analyzed over the remaining period from the reporting date by using undiscounted cash flows as of 31 December 2015 are as follows:

<i>In RON thousand</i>	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities					
Net settled trading liabilities	1,534	4,006	8,609	-	14,149
Gross settled trading liabilities	1,858,673	1,025,785	116,833	-	3,001,291
Net settled derivative liabilities held for risk management	565	438	1,088	-	2,091
Gross settled derivative liabilities held for risk management	23,682	3,076	145,761	-	172,519
Deposits from banks	600,958	429	28,664	-	630,051
Deposits from customers	20,210,810	3,338,322	200,033	15,691	23,764,856
Loans from banks	47,462	585,847	980,695	25,304	1,639,308
Debt securities issued	-	260,676	577,298	-	837,974
Subordinated liabilities	11,785	34,688	1,010,947	95,373	1,152,793
Irrevocable credit lines	403,105	574,737	930,810	405,671	2,314,323
Contingent liabilities	18,336	16,949	3,530	3,608	42,423
Total financial liabilities	23,176,910	5,844,953	4,004,268	545,647	33,571,778

Financial liabilities analyzed over the remaining period from the balance sheet date by using undiscounted cash flows as of 31 December 2014 are as follows:

<i>In RON thousand</i>	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities					
Net settled trading liabilities	2,284	3,994	8,419	-	14,697
Gross settled trading liabilities	2,259,714	1,258,197	42,161	-	3,560,072
Net settled derivative liabilities held for risk management	74,002	155,903	48,129	-	278,034
Deposits from banks	490,786	1,583	2,212	38,567	533,148
Deposits from customers	17,657,181	3,122,526	326,630	11,817	21,118,154
Loans from banks	138,871	481,379	867,867	17,814	1,505,931
Debt securities issued	-	39,708	839,538	-	879,246
Subordinated liabilities	11,599	35,569	398,257	733,002	1,178,427
Irrevocable credit lines	472,377	710,762	1,128,268	146,794	2,458,201
Contingent liabilities	35,779	34,551	34,503	991	105,824
Total financial liabilities	21,142,593	5,844,172	3,695,984	948,985	31,631,734

4. FINANCIAL RISK MANAGEMENT (continued)

Bank

Financial liabilities analyzed over the remaining period from the reporting date by using undiscounted cash flows as of 31 December 2015 are as follows:

<i>In RON thousand</i>	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities					
Net settled trading liabilities	1,533	4,006	8,712	(103)	14,148
Gross settled trading liabilities	1,858,673	1,034,256	116,833	-	3,009,762
Net settled derivative liabilities held for risk management	564	438	1,088	-	2,090
Gross settled derivative liabilities held for risk management	23,682	3,076	145,761	-	172,519
Deposits from banks	600,959	429	28,664	-	630,052
Deposits from customers	20,214,414	3,338,322	200,033	15,691	23,768,460
Loans from banks	47,462	585,847	980,695	25,305	1,639,309
Debt securities issued	-	264,396	580,176	-	844,572
Subordinated liabilities	11,785	34,688	1,010,947	95,373	1,152,793
Irrevocable credit lines	403,105	574,737	930,810	405,671	2,314,323
Contingent liabilities	18,336	16,949	3,530	3,608	42,423
Total financial liabilities	23,180,513	5,857,144	4,007,249	545,545	33,590,451

Financial liabilities analyzed over the remaining period from the reporting date by using undiscounted cash flows as of 31 December 2014 are as follows:

<i>In RON thousand</i>	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities					
Net settled trading liabilities	2,284	3,994	8,419	-	14,697
Gross settled trading liabilities	2,266,324	1,273,180	42,161	-	3,581,665
Gross settled derivative liabilities held for risk management	74,002	155,903	48,129	-	278,034
Deposits from banks	490,786	1,583	2,212	38,567	533,148
Deposits from customers	17,663,195	3,122,526	326,630	11,817	21,124,168
Loans from banks	138,871	481,379	867,867	17,814	1,505,931
Debt securities issued	-	39,708	846,142	-	885,850
Subordinated liabilities	11,599	35,569	398,257	733,002	1,178,427
Irrevocable credit lines	472,377	710,762	1,128,268	146,794	2,458,201
Contingent liabilities	35,779	34,551	34,503	991	105,824
Total financial liabilities	21,155,217	5,859,155	3,702,588	948,985	31,665,945

4. FINANCIAL RISK MANAGEMENT (continued)

d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and others will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Group separates its exposure to market risk between trading and non-trading portfolios. The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR).

The VaR of a trading portfolio is the maximum estimated loss that can arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). In 2015, the VaR model used by the Group is based upon a 99 percent confidence level and assumes a 1-day holding period.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations when there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the used model there is a one percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature;

The Group uses VaR limits for total market risk and for individual foreign exchange and interest rate risk. The overall structure of VaR limits is subject to review and approval by the Assets and Liabilities Committee (ALCO). VaR is calculated on a daily basis. Reports including VaR limits utilization are submitted daily to Group management and monthly summaries are submitted to ALCO.

A summary of the VaR position of the Group's trading portfolios at December 31, 2015 and 2014 and during the period is as follows (trading portfolio includes trading assets and trading liabilities as well as the overall FX position of the Group):

<i>In RON thousand</i>	At 31 December	Average Risk	Maximum Risk	Minimum Risk
2015				
Foreign currency risk*	291	489	1,859	49
Interest-rate risk	886	397	1,071	69
Total	1,177	886	2,930	118
2014				
Foreign currency risk*	270	363	846	31
Interest-rate risk	333	554	1,071	237
Total	603	917	1,917	268

* Foreign currency risk is calculated based on the overall foreign exchange position of the Group

4. FINANCIAL RISK MANAGEMENT (continued)

A summary of the VaR position of the Bank's trading portfolios at December 31, 2015 and 2014 and during the period is as follows (trading portfolio includes trading assets and trading liabilities as well as the overall FX position of the Bank):

<i>In RON thousand</i>	At 31 December	Average Risk	Maximum Risk	Minimum Risk
2015				
Foreign currency risk*	290	489	1,859	49
Interest-rate risk	886	397	1,071	69
Total	1,176	886	2,930	118
2014				
Foreign currency risk*	197	361	846	31
Interest-rate risk	333	554	1,071	237
Total	530	915	1,917	268

* Foreign currency risk is calculated based on the overall foreign exchange position of the Bank

Exposure to interest rate risk for non-trading portfolios

The main risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the present value of future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is principally managed by monitoring the interest rate gap and a set of pre-approved limits. ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

The derivative financial instruments used by the Group to reduce the interest rate risk include swaps that fluctuate in value depending on the interest rates variations.

The swaps are over the counter market commitments and are traded between the Group and third parties with the purpose of exchanging future cash flows on agreed amounts. Through interest rate swaps, the Group agrees to exchange with third parties, at determined time intervals the difference between the fixed and variable interest rates.

4. FINANCIAL RISK MANAGEMENT (continued)

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2015 is as follows:

<i>In RON thousand</i>	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Without interest	Total
Assets						
Cash and cash with Central Bank	5,608,019	-	-	-	1,373,371	6,981,390
Loans and advances to banks	1,138,893	-	-	-	-	1,138,893
Loans and advances to customers	11,027,007	4,726,295	2,266,231	134,053	-	18,153,586
Investment securities	1,449,147	1,295,073	1,244,700	126,877	-	4,115,797
	19,223,066	6,021,368	3,510,931	260,930	1,373,371	30,389,666
Liabilities						
Deposits from banks	602,011	-	25,071	-	-	627,082
Deposits from customers	14,960,819	4,088,299	4,684,243	6,231	-	23,739,592
Loans from banks and other financial institutions	1,572,149	37,244	15,082	-	-	1,624,475
Debt securities issued	-	243,294	496,400	-	-	739,694
Subordinated liabilities	950,436	-	-	-	-	950,436
	18,085,415	4,368,837	5,220,796	6,231	-	27,681,279
Effect of derivatives held for risk management purposes	241,918	(45,245)	(192,943)	-	-	3,730
Net position	1,379,569	1,607,286	(1,902,808)	254,699	1,373,371	2,712,117

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2014 is as follows:

<i>In RON thousand</i>	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Without interest	Total
Assets						
Cash and cash with Central Bank	6,467,252	-	-	-	1,385,882	7,853,134
Loans and advances to banks	904,144	-	-	-	-	904,144
Loans and advances to customers	10,207,010	3,422,420	2,283,486	197,159	-	16,110,075
Investment securities	303,064	1,700,177	1,125,490	90,523	-	3,219,254
	17,881,470	5,122,597	3,408,976	287,682	1,385,882	28,086,607
Liabilities						
Deposits from banks	491,748	902	40,371	-	-	533,021
Deposits from customers	14,024,196	4,280,032	2,758,714	4,916	-	21,067,858
Loans from banks and other financial institutions	1,431,118	23,344	22,411	-	-	1,476,873
Debt securities issued	21,687	-	718,600	-	-	740,287
Subordinated liabilities	923,655	-	-	-	-	923,655
	16,892,404	4,304,278	3,540,096	4,916	-	24,741,694
Effect of derivatives held for risk management purposes	128,131	(20,690)	(104,051)	-	-	3,390
Net position	1,117,197	797,629	(235,171)	282,766	1,385,882	3,348,303

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

4. FINANCIAL RISK MANAGEMENT (continued)

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2015 is as follows:

<i>In RON thousand</i>	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Without interest	Total
Assets						
Cash and cash with Central Bank	5,608,005	-	-	-	1,373,371	6,981,376
Loans and advances to banks	1,138,893	-	-	-	-	1,138,893
Loans and advances to customers	11,027,007	4,726,295	2,266,231	134,053	-	18,153,586
Investment securities	1,448,898	1,294,666	1,224,248	126,877	-	4,094,689
	19,222,803	6,020,961	3,490,479	260,930	1,373,371	30,368,544
Liabilities						
Deposits from banks	602,011	-	25,071	-	-	627,082
Deposits from customers	14,964,423	4,088,299	4,684,243	6,231	-	23,743,196
Loans from banks and other financial institutions	1,572,149	37,244	15,082	-	-	1,624,475
Debt securities issued	-	246,285	500,000	-	-	746,285
Subordinated liabilities	950,436	-	-	-	-	950,436
	18,089,019	4,371,828	5,224,396	6,231	-	27,691,474
Effect of derivatives held for risk management purposes	241,918	(45,245)	(192,943)	-	-	3,730
Net position	1,375,702	1,603,888	(1,926,860)	254,699	1,373,371	2,680,800

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2014 is as follows:

<i>In RON thousand</i>	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Without interest	Total
Assets						
Cash and cash with Central Bank	6,467,246	-	-	-	1,385,882	7,853,128
Loans and advances to banks	904,128	-	-	-	-	904,128
Loans and advances to customers	10,207,010	3,422,420	2,283,486	197,159	-	16,110,075
Investment securities	301,295	1,699,783	1,107,509	90,523	-	3,199,110
	17,879,679	5,122,203	3,390,995	287,682	1,385,882	28,066,441
Liabilities						
Deposits from banks	491,749	902	40,371	-	-	533,022
Deposits from customers	14,030,210	4,280,032	2,758,714	4,916	-	21,073,872
Loans from banks and other financial institutions	1,431,118	23,344	22,411	-	-	1,476,873
Debt securities issued	21,890	-	725,000	-	-	746,890
Subordinated liabilities	923,655	-	-	-	-	923,655
	16,898,622	4,304,278	3,546,496	4,916	-	24,754,312
Effect of derivatives held for risk management purposes	128,131	(20,690)	(104,051)	-	-	3,390
Net position	1,109,188	797,235	(259,552)	282,766	1,385,882	3,315,519

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

4. FINANCIAL RISK MANAGEMENT (continued)

The management of interest rate risk through the set of interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios include a 100 basis point (bp) parallel shift in the yield curve for all currencies and all maturities and a parallel shift of the same yield curves by 50 bp for maturities over 12 months for all currencies.

The sensitivity scenarios calculate the change in the present value of the banking book interest rate sensitive assets and liabilities of the Bank under the assumption that interest rates change according to the each of the scenarios mentioned above. Under each scenario the sensitivity result is calculated by comparing the present value of the banking book under stress scenario with the present value calculated using the base interest rate curve. The present value of the banking book is calculated by discounting future cash flows generated by interest rate sensitive assets and liabilities which are distributed on repricing gaps according to next reset date – in case of floating rate instruments – or according to maturity date – in case of fixed rate instruments.

An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

<i>In RON thousand</i>	100 bp	100 bp	50 bp	50 bp
	Increase	Decrease	After 1 year Increase	After 1 year Decrease
At 31 December 2015	56,151	(59,606)	34,296	(35,198)
Average for the period	(71)	(268)	3,816	(3,924)
Minimum for the period	56,151	(59,606)	34,296	(35,198)
Maximum for the period	(30,077)	31,582	(14,007)	14,381
At 31 December 2014	(13,330)	14,046	(2,900)	3,054
Average for the period	(22,694)	24,002	(10,476)	10,801
Minimum for the period	(13,330)	14,046	(2,900)	3,054
Maximum for the period	(28,023)	30,002	(16,904)	17,430

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

<i>In RON thousand</i>	100 bp	100 bp	50 bp	50 bp
	Increase	Decrease	After 1 year Increase	After 1 year Decrease
At 31 December 2015	56,968	(60,459)	34,694	(35,606)
Average for the period	535	(902)	4,115	(4,230)
Minimum for the period	56,968	(60,459)	34,694	(35,606)
Maximum for the period	(29,271)	30,738	(13,614)	13,979
At 31 December 2014	(12,406)	13,072	(2,434)	2,575
Average for the period	(21,908)	23,173	(10,085)	10,400
Minimum for the period	(12,406)	13,072	(2,434)	2,575
Maximum for the period	(27,671)	29,631	(16,735)	17,256

4. FINANCIAL RISK MANAGEMENT (continued)

The Group incurs interest rate risk principally in the form of exposure to adverse changes in the market interest rates. The main sources of interest rate risk are imperfect correlations between the maturity (for fixed interest rates) or re-pricing date (for floating interest rates) of the interest-bearing assets and liabilities, adverse evolution of the slope and shape of the yield curve (the unparallel evolution of the interest rate yields of the interest-earning assets and interest-earning liabilities), imperfect correlations in the adjustments of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics.

Asset-liability risk management activities are conducted in the context of the Group's sensitivity to interest rate changes. In general, the Group is more sensitive to its interest bearing assets, which means that in decreasing interest rates environment, the net interest income will decrease as interest bearing assets will reprice faster than interest bearing liabilities. However, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contractual dates and variations in interest rate sensitivity within re-pricing periods and among currencies.

The Group manages its interest rate risk by changing the structure of its interest bearing assets and liabilities with the purpose of optimizing interest income. To accomplish this goal, the Group uses a mix of fixed and floating interest rate financial instruments, for which it tries to control the mismatch between the dates when interest rates are re-priced or assets and liabilities mature.

The interest rates related to the local currency and the major foreign currencies as at 31 December 2015 and 2014 were as follows:

Currencies	Interest rate	31 December 2015	31 December 2014
RON	ROBOR 3 months	1.02%	1.70%
EUR	EURIBOR 3 months	-0.13%	0.08%
EUR	EURIBOR 6 months	-0.04%	0.17%
USD	LIBOR 6 months	0.84%	0.36%

The following table shows the average interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during the 2015 financial year:

	RON	EUR	USD
	Average interest rate	Average interest rate	Average interest rate
Assets			
Current accounts with National Bank of Romania	0.22%	0.19%	0.08%
Trading assets	4.05%	3.77%	5.00%
Loans and advances to banks	0.89%	-1.76%	0.11%
Investment securities	3.22%	3.82%	4.85%
Loans and advances to customers	7.19%	4.85%	4.00%
Liabilities			
Deposits from banks	0.27%	1.26%	2.20%
Deposits from customers	0.99%	0.74%	0.40%
Loans from banks and other financial institutions	4.87%	1.21%	N/A
Subordinated liabilities	N/A	3.39%	N/A

4. FINANCIAL RISK MANAGEMENT (continued)

The following table shows the interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during the 2014 financial year:

	RON	EUR	USD
	Average interest rate	Average interest rate	Average interest rate
Assets			
Current accounts with National Bank of Romania	0.45%	0.35%	0.15%
Trading assets	5.72%	3.90%	5.22%
Loans and advances to banks	2.17%	0.15%	0.12%
Investment securities	4.23%	3.66%	6.19%
Loans and advances to customers	8.91%	4.88%	4.45%
Liabilities			
Deposits from banks	1.44%	1.34%	2.47%
Deposits from customers	1.77%	0.85%	1.2%
Loans from banks and other financial institutions	5.55%	2.2%	N/A
Subordinated liabilities	N/A	4.52%	N/A

The following table shows the average interest rates per annum obtained or offered by the Bank for its interest-bearing assets and liabilities during the 2015 financial year:

	RON	EUR	USD
	Average interest rate	Average interest rate	Average interest rate
Assets			
Current accounts with National Bank of Romania	0.22%	0.19%	0.08%
Trading assets	4.05%	3.77%	5.00%
Loans and advances to banks	0.89%	-1.76%	0.11%
Investment securities	3.22%	3.82%	4.85%
Loans and advances to customers	7.19%	4.85%	4.00%
Liabilities			
Deposits from banks	0.27%	1.26%	2.20%
Deposits from customers	0.99%	0.74%	0.40%
Loans from banks and other financial institutions	4.87%	1.21%	N/A
Subordinated liabilities	N/A	3.39%	N/A

4. FINANCIAL RISK MANAGEMENT (continued)

The following table shows the interest rates per annum obtained or offered by the Bank for its interest-bearing assets and liabilities during the 2014 financial year:

	RON	EUR	USD
	Average interest rate	Average interest rate	Average interest rate
Assets			
Current accounts with National Bank of Romania	0.45%	0.35%	0.15%
Trading assets	5.72%	3.90%	5.22%
Loans and advances to banks	2.17%	0.15%	0.12%
Investment securities	4.23%	3.66%	6.19%
Loans and advances to customers	8.91%	4.88%	4.45%
Liabilities			
Deposits from banks	1.44%	1.34%	2.47%
Deposits from customers	1.77%	0.85%	1.2%
Loans from banks and other financial institutions	5.55%	2.2%	N/A
Subordinated liabilities	N/A	4.52%	N/A

Exposure to currency risk

The Group is exposed to currency risk due to transactions in foreign currencies. There is also a balance sheet risk that the net monetary assets in foreign currencies will take a lower value when translated into RON as a result of currency movements or net monetary liabilities in foreign currencies will take a higher value as a result of those currency movements.

4. FINANCIAL RISK MANAGEMENT (continued)

Group

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2015 are presented below:

<i>In RON thousand</i>	RON	USD	EUR	OTHER	Total
Monetary assets					
Cash and cash with Central Bank	5,129,214	24,385	1,794,646	33,145	6,981,390
Trading assets	512,572	532	14,029	-	527,133
Derivative assets held for risk management	24	-	1,932	-	1,956
Loans and advances to banks	94,338	151,274	799,375	93,906	1,138,893
Loans and advances to customers*	10,606,542	671,061	5,627,534	1,248,449	18,153,586
Investment securities	2,777,230	1,095	1,337,472	-	4,115,797
Investment in associates and joint ventures	102,192	-	-	-	102,192
Other assets	51,212	1,453	18,375	22,574	93,614
Total monetary assets	19,273,324	849,800	9,593,363	1,398,074	31,114,561
Monetary liabilities					
Trading liabilities	31,849	513	5,540	-	37,902
Derivative liabilities held for risk management	1,369	-	3,963	-	5,332
Deposits from banks	581,113	18,883	26,272	814	627,082
Deposits from customers	14,345,748	1,379,598	7,833,821	180,425	23,739,592
Loans from banks and other financial institutions	168,834	-	903,887	551,754	1,624,475
Debt securities issued	739,694	-	-	-	739,694
Subordinated liabilities	-	-	774,845	175,591	950,436
Other liabilities	259,680	18,483	126,369	3,750	408,282
Total monetary liabilities	16,128,287	1,417,477	9,674,697	912,334	28,132,795
Net currency position	3,145,037	(567,677)	(81,334)	485,740	2,981,766

* Other currencies include mainly loans and advances to customers in CHF

4. FINANCIAL RISK MANAGEMENT (continued)

Group

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2014 are presented below:

<i>In RON thousand</i>	RON	USD	EUR	OTHER	Total
Monetary assets					
Cash and cash with Central Bank	5,463,221	29,868	2,322,197	37,848	7,853,134
Trading assets	80,915	309	2,412	-	83,636
Derivative assets held for risk management	133	-	3,284	-	3,417
Loans and advances to banks	174,062	315,389	341,734	72,959	904,144
Loans and advances to customers*	9,138,265	442,103	5,167,978	1,361,729	16,110,075
Investment securities	2,424,068	1,945	793,241	-	3,219,254
Investment in associates and joint ventures	112,103	-	-	-	112,103
Other assets	61,467	3,447	58,344	7,470	130,728
Total monetary assets	17,454,234	793,061	8,689,190	1,480,006	28,416,491
Monetary liabilities					
Trading liabilities	52,580	79	1,396	-	54,055
Derivative liabilities held for risk management	2,173	-	4,874	-	7,047
Deposits from banks	445,263	17,733	69,083	942	533,021
Deposits from customers	12,544,703	1,048,810	7,327,525	146,820	21,067,858
Loans from banks and other financial institutions	48,268	-	757,037	671,568	1,476,873
Debt securities issued	740,287	-	-	-	740,287
Subordinated liabilities	-	-	767,062	156,593	923,655
Other liabilities	338,408	30,789	150,071	4,078	523,346
Total monetary liabilities	14,171,682	1,097,411	9,077,048	980,001	25,326,142
Net currency position	3,282,552	(304,350)	(387,858)	500,005	3,090,349

* Other currencies include mainly loans and advances to customers in CHF

Derivative financial instruments used by the Group to mitigate currency risk include foreign exchange swaps.

4. FINANCIAL RISK MANAGEMENT (continued)

Bank

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2015 are presented below:

<i>In RON thousand</i>	RON	USD	EUR	OTHER	Total
Monetary assets					
Cash and cash with Central Bank	5,129,200	24,385	1,794,646	33,145	6,981,376
Trading assets	512,657	532	14,029	-	527,218
Derivative assets held for risk management	24	-	1,932	-	1,956
Loans and advances to banks	94,338	151,274	799,375	93,906	1,138,893
Loans and advances to customers*	10,606,542	671,061	5,627,534	1,248,449	18,153,586
Investment securities	2,769,428	1,095	1,324,166	-	4,094,689
Investment in associates and joint ventures	76,761	-	-	-	76,761
Other assets	54,715	1,453	18,375	22,574	97,117
Total monetary assets	19,243,665	849,800	9,580,057	1,398,074	31,071,596
Monetary liabilities					
Trading liabilities	31,849	513	5,540	-	37,902
Derivative liabilities held for risk management	1,313	-	3,963	-	5,276
Deposits from banks	581,113	18,883	26,272	814	627,082
Deposits from customers	14,349,284	1,379,608	7,833,879	180,425	23,743,196
Loans from banks and other financial institutions	168,834	-	903,887	551,754	1,624,475
Debt securities issued	746,285	-	-	-	746,285
Subordinated liabilities	-	-	774,845	175,591	950,436
Other liabilities	258,560	18,483	126,369	3,750	407,162
Total monetary liabilities	16,137,238	1,417,487	9,674,755	912,334	28,141,814
Net currency position	3,106,427	(567,687)	(94,698)	485,740	2,929,782

* Other currencies include mainly loans and advances to customers in CHF

4. FINANCIAL RISK MANAGEMENT (continued)

Bank

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2014 are presented below:

<i>In RON thousand</i>	RON	USD	EUR	OTHER	Total
Monetary assets					
Cash and cash with Central Bank	5,463,215	29,868	2,322,197	37,848	7,853,128
Trading assets	80,915	309	2,412	-	83,636
Derivative assets held for risk management	130	-	3,284	-	3,414
Loans and advances to banks	174,029	315,389	341,751	72,959	904,128
Loans and advances to customers*	9,138,265	442,103	5,167,978	1,361,729	16,110,075
Investment securities	2,417,319	1,945	779,846	-	3,199,110
Investment in associates and joint ventures	76,761	-	-	-	76,761
Other assets	63,325	3,447	58,344	7,470	132,586
Total monetary assets	17,413,959	793,061	8,675,812	1,480,006	28,362,838
Monetary liabilities					
Trading liabilities	52,839	79	1,396	-	54,314
Derivative liabilities held for risk management	2,172	-	4,874	-	7,046
Deposits from banks	445,264	17,733	69,083	942	533,022
Deposits from customers	12,550,717	1,048,810	7,327,525	146,820	21,073,872
Loans from banks and other financial institutions	48,268	-	757,037	671,568	1,476,873
Debt securities issued	746,890	-	-	-	746,890
Subordinated liabilities	-	-	767,062	156,593	923,655
Other liabilities	348,394	30,789	150,071	4,078	533,332
Total monetary liabilities	14,194,544	1,097,411	9,077,048	980,001	25,349,004
Net currency position	3,219,415	(304,350)	(401,236)	500,005	3,013,834

* Other currencies include mainly loans and advances to customers in CHF

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with 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. Operational risks arise from all of the Group's operations and are faced by all business entities. This definition includes legal risk, but excludes strategic and reputational risk.

Legal risk is a component of the operational risk and is defined as the risk due to non-observance of the legal or statutory requirements and/or inaccurately drafted contracts and their execution due to lack of diligence in applying the respective law or a delay in reacting to changes in legal framework conditions.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

4. FINANCIAL RISK MANAGEMENT (continued)

e) Operational risk

The main responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirement for inclusion of operational risk responsibilities in each job position;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

f) Capital management

The National Bank of Romania (NBR) regulates and monitors the capital requirements at individual level and at group level.

Regulation (EU) no 575/2013 of the European Parliament and of the Council requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5%, a minimum Tier 1 capital ratio of 6% and a minimum total capital ratio of 8%. The capital adequacy ratio is calculated dividing total Group's own funds to the total risk weighted assets (Note 39).

Capital allocation

- a) Credit risk: Starting with July 1st, 2009, the method for the risk weighted assets applied by the Group is internal ratings based approach for Raiffeisen Bank non-retail exposures. Starting with December 1st, 2013, Raiffeisen Bank received National Bank of Romania approval for calculating capital requirements for credit risk related to retail portfolio using advanced internal ratings based approach (AIRB). For the subsidiaries portfolios the method used is the standard approach.
- b) Market risk: The Group calculates the capital requirements for market risk and for the trading book using the standard model.
- c) Operational Risk: Starting with 2010, the Group calculates the capital requirements for operational risk capital using the standard approach.

The Group complies with the regulatory requirements regarding capital adequacy as at 31 December 2015 and 2014, being above the minimum required values.

g) Taxation risk

Even if the tax Romanian legislation has suffered many changes in a short period of time, there are several economics sectors with no clear provisions, issue which generates an increase of the risk of misinterpretation of the law.

The representatives of the Group consider that all the taxes, contributions and other liabilities to the State Budget have been correctly computed and registered.

According to the regulations applicable in Romania, the periods which were audited may be opened only in exceptional cases. Tax obligations of the Group are opened to tax audit for a period of five years.

4. FINANCIAL RISK MANAGEMENT (continued)

g) Taxation risk

In some cases the fiscal authorities may have a different interpretation of the law and may calculate interest and penalty tax. Even if a tax is not material at this point in time, due to the high interest rate, the penalties can be material at the moment when the fiscal authorities will assess the penalties.

5. USE OF ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. 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.

The Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management (see note 4).

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a monthly basis. As to determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group makes 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 before it's decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group.

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. 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 has estimated the impairment loss provision for loans and advances to customers based on the methodology harmonized with Group policies and assessed that no further provision for impairment losses is required except as already provided for in the financial statements.

Assets accounted for at amortized cost are evaluated for impairment as described in accounting policy 3(j) (vii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its actual value, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. Country risk is a component in the assessment of collective allowances.

5. USE OF ESTIMATES AND JUDGMENTS (continued)

In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The actual amount of the allowances depends on the accuracy of the estimated future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Group: To the extent that the net present value of estimated actual cash flows differs by +/-5%, the provision computed for the purpose of covering the loss due to the loan impairment would have been increased by RON 8,304 thousand (2014: RON 6,879 thousand) or decreased by RON 7,911 thousand (2014: RON 6,568 thousand).

Bank: To the extent that the net present value of estimated actual cash flows differs by +/-5%, the provision computed for the purpose of covering the loss due to the loan impairment would have been increased by RON 8,304 thousand (2014: RON 6,879 thousand) or decreased by RON 7,911 thousand (2014: RON 6,568 thousand).

Fair value of financial instruments

The fair value of financial instruments that are not traded on an active market (for example, unlisted treasury securities, bonds and certificates of deposit) is determined by using valuation techniques. The Group uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for the available-for-sale financial instruments that were not traded in active markets.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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.

The Group measures fair values mainly using valuation techniques based on observable inputs, i.e. all significant inputs are directly or indirectly observable from market data. Valuation techniques include net present value and discounted cash flow models like Black Scholes related models and option pricing models as well as other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, bond yields, foreign currency exchange rates, expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

5. USE OF ESTIMATES AND JUDGMENTS (continued)

The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments, like interest rate and currency swaps, foreign exchange forwards and swaps, that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for bonds and simple over the counter derivatives.

For bonds valuation the Group uses prices or yields which are observable in the market, quotes published by Central Bank or quotes received upon request from third parties.

Availability of these reduces the need for management judgment and estimations and also reduces the uncertainty associated with determination of fair values. For more complex instruments, like over the counter foreign exchange options or interest rate options, the Group uses valuation models, which are usually developed from recognized valuation models. These models also use inputs, which are observable in the markets.

The valuation techniques used to determine the fair value of customers' loans and deposits not measured at fair value and disclosed in the notes consider unobservable inputs and assumptions, such as the specific credit risk and contractual characteristics of the portfolios, but also observables inputs, the benchmark interest rates.

The fair value of the unimpaired customer loans was determined based on the cash flows estimated to be generated by the portfolio. These amounts were discounted using the interest rates that would be currently offered by the Group to clients for similar products (the available offer as of the valuation date or loans granted during the last 6 months), by considering the characteristics of each loan, namely product type, currency, remaining tenor, interest rate type, customer segmentation. For the products no longer in the Group's offer, and for which no current market-observed interest rates are available, following assumptions were used: similar products' prevailing margins for discounting, adjusted with the relevant market rate index correspondent to the particular products' currencies, the swap points required for the currency conversion (if applicable) and remaining tenors. The fair value of the overall loan portfolio was determined to be only slightly below the book value, by 0.03%, which is the consequence of discount rates marginally above the interest rates of the portfolio subject to fair value calculation. The products bearing fixed interest rate have shown a constant decrease in rates for the past years, in trend with the overall market evolution and the demand for loans, thus triggering also the relatively accelerated refinancing of the loans from the portfolio earning high interest rates. This latter event brought the discount rates slightly above the average interest rate of the fixed rate loan portfolio. As expected, the drop in market rates (Robor, Euribor, Libor) has influenced only to a small extent the variation of the fair value vs. book value of the loans tied to these indexes, considering the fact that margins have had little variation from one period to the next.

For the depreciated loan portfolio, a similar discounted cash flow calculation resulted in a fair value calculation that can be approximated by the net book value.

The fair value of deposits from customers portfolio was determined based on the interest rate differential of the current portfolio as of end-2015 and the prevailing interest rates offered by the Group, during the last month of 2015, for deposits. For the term deposits, a discounted cash flows calculation was performed using for discounting the interest rates pertaining to the new deposits opened during December 2015 with tenors, currencies and client types similar to the structure of the portfolio subject to the fair value calculation. The fair value of the current accounts and savings accounts from clients was estimated to be equal to the book value, with no evidence of product characteristics requiring a different value than the one currently in accounting books. The results show that the fair value of the customer deposits portfolio is slightly higher than the book value, thus reflecting an interest rate environment dominated by decreasing rates throughout the local banking system, but in a context of relatively short renewal period for the deposits portfolio.

5. USE OF ESTIMATES AND JUDGMENTS (continued)

For the borrowings and the issued bonds, the Group performed a discounted cash flows analysis in order to estimate the fair value. In discounting was used the most recent quotations for similar instruments in terms of remaining tenor, fixing period and currency. The results showed a value of the borrowings portfolio below the book value, on the background of the high majority of funding lines bearing floating rates, with relatively short fixing periods and also considering that some funding lines have relatively good terms and low margins were negotiated. For the issued bonds, current market conditions and overall upswing in local economy would warrant slightly lower rates for newly issued bonds, which brought the overall fair value of the bond portfolio above book value.

Held-to-maturity investments

The Group follows the guidance of IAS 39 "Financial instruments: recognition and measurement" and classifies part of the non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

In case the so classified instruments are not held to maturity, except for the specific cases mentioned by IAS 39 "Financial instruments: recognition and measurement", the Group is obliged to reclassify the whole class as available for sale. If the Group investments would have to be valued at fair value and not at amortised cost, the fair value would be greater than the accounting value by RON 15,511 thousand (2014: RON 14,949 thousand). If the Bank investments would have to be valued at fair value and not at amortised cost, the fair value would be greater than the accounting value by RON 14,101 thousand (2014: RON 13,502 thousand).

6. FINANCIAL ASSETS AND LIABILITIES

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in note 5:

Group

<i>In RON thousand</i>	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2015						
Assets						
Financial instruments measured at fair value						
Trading assets	17	486,933	40,200	-	527,133	527,133
Derivative assets held for risk management	18	-	1,956	-	1,956	1,956
Investment securities available for sale*		1,859,940	158,462	81,543	2,099,945	2,099,945
Investment securities designated at fair value through profit or loss*		1,568,450	176,994	11,003	1,756,447	1,756,447
Financial instruments for which fair value is discloses						
Cash and cash with Central Bank		6,981,390	-	-	6,981,390	6,981,390
Loans and advances to banks	19	-	-	1,138,893	1,138,893	1,138,893
Loans and advances to customers		-	-	18,147,474	18,147,474	18,153,586
Investment securities held to maturity		270,885	-	-	270,885	255,373
Investment securities available for sale		-	-	4,032	4,032	4,032
Investment in associates and joint ventures		-	-	102,192	102,192	102,192
Other assets		-	-	93,614	93,614	93,614
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	17	-	37,902	-	37,902	37,902
Derivative liabilities held for risk management	18	-	5,332	-	5,332	5,332
Financial instruments for which fair value is discloses						
Deposits from banks	27	-	-	627,082	627,082	627,082
Deposits from customers		-	-	23,747,385	23,747,385	23,739,592
Loans from banks and other financial institutions	29	-	-	1,620,131	1,620,131	1,624,475
Debt securities issued		786,203	-	-	786,203	739,694
Subordinated liabilities	32	-	-	950,436	950,436	950,436
Other liabilities		-	-	408,282	408,282	408,282

* The amounts of RON thousand 16,005 and RON thousand 11,003 represents transfer of bonds issued by European Bank for Reconstruction and Development from level 2 to level 3 due to the fact that the market became inactive between aquisition date and current period.

6. FINANCIAL ASSETS AND LIABILITIES (continued)

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in note 5:

<i>In RON thousand</i>	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2014						
Assets						
Financial instruments measured at fair value						
Trading assets	17	17,409	66,227	-	83,636	83,636
Derivative assets held for risk management	18	-	3,417	-	3,417	3,417
Investment securities available for sale		68,246	16,013	-	84,259	84,259
Investment securities designated at fair value through profit or loss		2,629,795	139,392	-	2,769,187	2,769,187
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank		7,853,128	-	-	7,853,128	7,853,128
Loans and advances to banks	19	-	-	904,144	904,144	904,144
Loans and advances to customers		-	-	16,139,141	16,139,141	16,110,075
Investment securities held to maturity		376,875	-	-	376,875	361,926
Investment securities available for sale		-	-	3,882	3,882	3,882
Investment in associates and joint ventures		-	-	112,103	112,103	112,103
Other assets		-	-	130,728	130,728	130,728
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	17	-	54,055	-	54,055	54,055
Derivative liabilities held for risk management	18	-	7,047	-	7,047	7,047
Financial instruments for which fair value is disclosed						
Deposits from banks	27	-	-	533,021	533,021	533,021
Deposits from customers		-	-	21,076,562	21,076,562	21,067,858
Loans from banks and other financial institutions	29	-	-	1,476,873	1,476,873	1,476,873
Debt securities issued		749,019	-	-	749,019	740,287
Subordinated liabilities	32	-	-	923,655	923,655	923,655
Other liabilities		-	-	523,346	523,346	523,346

During 2014 there were no transfers of assets and liabilities between levels.

6. FINANCIAL ASSETS AND LIABILITIES (continued)

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in note 5:

Bank

<i>In RON thousand</i>	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2015						
Assets						
Financial instruments measured at fair value						
Trading assets	17	487,018	40,200	-	527,218	527,218
Derivative assets held for risk management	18	-	1,956	-	1,956	1,956
Investment securities available for sale*		1,859,940	158,462	81,543	2,099,945	2,099,945
Investment securities designated at fair value through profit or loss*		1,568,449	176,994	11,003	1,756,446	1,756,446
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank		6,981,376	-	-	6,981,376	6,981,376
Loans and advances to banks	19	-	-	1,138,893	1,138,893	1,138,893
Loans and advances to customers		-	-	18,147,474	18,147,474	18,153,586
Investment securities held to maturity		248,371	-	-	248,371	234,271
Investment securities available for sale		-	-	4,027	4,027	4,027
Investment in associates and joint ventures		-	-	76,761	76,761	76,761
Other assets		-	-	97,117	97,117	97,117
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	17	-	37,902	-	37,902	37,902
Derivative liabilities held for risk management	18	-	5,276	-	5,276	5,276
Financial instruments for which fair value is disclosed						
Deposits from banks	27	-	-	627,082	627,082	627,082
Deposits from customers		-	-	23,750,989	23,750,989	23,743,196
Loans from banks and other financial institutions	29	-	-	1,620,131	1,620,131	1,624,475
Debt securities issued		793,157	-	-	793,157	746,285
Subordinated liabilities	32	-	-	950,436	950,436	950,436
Other liabilities		-	-	407,162	407,162	407,162

* The amounts of RON thousand 16,005 and RON thousand 11,003 represents transfer of bonds issued by European Bank for Reconstruction and Development from level 2 to level 3 due to the fact that the market became inactive between aquisition date and current period.

6. FINANCIAL ASSETS AND LIABILITIES (continued)

The table below analyses financial instruments by using the valuation methods described in note 5:

<i>In RON thousand</i>	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2014						
Assets						
Financial instruments measured at fair value						
Trading assets	17	17,409	66,227	-	83,636	83,636
Derivative assets held for risk management	18	-	3,414	-	3,414	3,414
Investment securities available for sale		68,246	16,013	-	84,259	84,259
Investment securities designated at fair value through profit or loss		2,629,794	139,392	-	2,769,186	2,769,186
Financial instruments for which fair value is discloses						
Cash and cash with Central Bank		7,853,128	-	-	7,853,128	7,853,128
Loans and advances to banks	19	-	-	904,128	904,128	904,128
Loans and advances to customers		-	-	16,139,141	16,139,141	16,110,075
Investment securities held to maturity		355,290	-	-	355,290	341,788
		-	-	3,877	3,877	3,877
Investment in associates and joint ventures		-	-	76,761	76,761	76,761
Other assets		-	-	132,586	132,586	132,586
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	17	-	54,314	-	54,314	54,314
Derivative liabilities held for risk management	18	-	7,046	-	7,046	7,046
Financial instruments for which fair value is discloses						
Deposits from banks	27	-	-	533,022	533,022	533,022
Deposits from customers		-	-	21,082,576	21,082,576	21,073,872
Loans from banks and other financial institutions	29	-	-	1,476,873	1,476,873	1,476,873
Debt securities issued		755,732	-	-	755,732	746,890
Subordinated liabilities	32	-	-	923,655	923,655	923,655
Other liabilities		-	-	533,332	533,332	533,332

During 2014 there were no transfers of assets and liabilities between levels.

6. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents financial instruments measured at carrying amount and at fair value:

Group

<i>In RON thousand</i>	Note	Held for trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Total carrying amount	Fair value
31 December 2015								
Financial assets								
Trading assets	17	527,133	-	-	-	-	527,133	527,133
Derivative assets held for risk management	18	1,956	-	-	-	-	1,956	1,956
Loans and advances to banks	19	-	-	-	1,138,893	-	1,138,893	1,138,893
Loans and advances to customers	20	-	-	-	18,153,586	-	18,153,586	18,147,474
Investment securities	21	-	1,756,447	255,373	-	2,103,977	4,115,797	4,131,309
Total financial assets		529,089	1,756,447	255,373	19,292,479	2,103,977	23,937,365	23,946,765
Financial liabilities								
Trading liabilities	17	37,902	-	-	-	-	37,902	37,902
Derivative liabilities held for risk management	18	5,332	-	-	-	-	5,332	5,332
Deposits from banks	27	-	-	-	627,082	-	627,082	627,082
Deposits from customers	28	-	-	-	23,739,592	-	23,739,592	23,747,385
Loans from banks and other financial institutions	29	-	-	-	1,624,475	-	1,624,475	1,620,131
Debt securities issued	29	-	-	-	739,694	-	739,694	786,203
Subordinated liabilities	32	-	-	-	950,436	-	950,436	950,436
Total financial liabilities		43,234	-	-	27,681,279	-	27,724,513	27,774,471

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

6. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents financial instruments measured at carrying amount and at fair value.

<i>In RON thousand</i>	Note	Held for trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Total carrying amount	Fair value
31 December 2014								
Financial assets								
Trading assets	17	83,636	-	-	-	-	83,636	83,636
Derivative assets held for risk management	18	3,417	-	-	-	-	3,417	3,417
Loans and advances to banks	19	-	-	-	904,144	-	904,144	904,144
Loans and advances to customers	20	-	-	-	16,110,075	-	16,110,075	16,139,141
Investment securities	21	-	2,769,187	361,926	-	88,141	3,219,254	3,234,203
Total financial assets		87,053	2,769,187	361,926	17,014,219	88,141	20,320,526	20,364,541
Financial liabilities								
Trading liabilities	17	54,055	-	-	-	-	54,055	54,055
Derivative liabilities held for risk management	18	7,047	-	-	-	-	7,047	7,047
Deposits from banks	27	-	-	-	533,021	-	533,021	533,021
Deposits from customers	28	-	-	-	21,067,858	-	21,067,858	21,076,562
Loans from banks and other financial institutions	29	-	-	-	1,476,873	-	1,476,873	1,476,873
Debt securities issued		-	-	-	740,287	-	740,287	749,019
Subordinated liabilities	32	-	-	-	923,655	-	923,655	923,655
Total financial liabilities		61,102	-	-	24,741,694	-	24,802,796	24,820,232

6. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents financial instruments measured at carrying amount and at fair value.

Bank

In RON thousand

31 December 2015

Financial assets

Note	Held for trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Total carrying amount	Fair value
17	527,218	-	-	-	-	527,218	527,218
18	1,956	-	-	-	-	1,956	1,956
19	-	-	-	1,138,893	-	1,138,893	1,138,893
20	-	-	-	18,153,586	-	18,153,586	18,147,474
21	-	1,756,446	234,271	-	2,103,972	4,094,689	4,108,789
	529,174	1,756,446	234,271	19,292,479	2,103,972	23,916,342	23,924,330

Total financial assets

Financial liabilities

17	37,902	-	-	-	-	37,902	37,902
18	5,276	-	-	-	-	5,276	5,276
27	-	-	-	627,082	-	627,082	627,082
28	-	-	-	23,743,196	-	23,743,196	23,750,989
29	-	-	-	1,624,475	-	1,624,475	1,620,131
29	-	-	-	746,285	-	746,285	793,157
32	-	-	-	950,436	-	950,436	950,436
	43,178	-	-	27,691,474	-	27,734,652	27,784,973

Total financial liabilities

6. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents financial instruments measured at carrying amount and at fair value.

<i>In RON thousand</i>	Note	Held for trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Total carrying amount	Fair value
31 December 2014								
Financial assets								
Trading assets	17	83,636	-	-	-	-	83,636	83,636
Derivative assets held for risk management	18	3,414	-	-	-	-	3,414	3,414
Loans and advances to banks	19	-	-	-	904,128	-	904,128	904,128
Loans and advances to customers	20	-	-	-	16,110,075	-	16,110,075	16,139,141
Investment securities	21	-	2,769,186	341,788	-	88,136	3,199,110	3,212,612
Total financial assets		87,050	2,769,186	341,788	17,014,203	88,136	20,300,363	20,342,931
Financial liabilities								
Trading liabilities	17	54,314	-	-	-	-	54,314	54,314
Derivative liabilities held for risk management	18	7,046	-	-	-	-	7,046	7,046
Deposits from banks	27	-	-	-	533,022	-	533,022	533,022
Deposits from customers	28	-	-	-	21,073,872	-	21,073,872	21,082,576
Loans from banks and other financial institutions	29	-	-	-	1,476,873	-	1,476,873	1,476,873
Debt securities issued		-	-	-	746,890	-	746,890	755,732
Subordinated liabilities	32	-	-	-	923,655	-	923,655	923,655
Total financial liabilities		61,360	-	-	24,754,312	-	24,815,672	24,833,218

7. NET INTEREST INCOME

	Group		Bank	
	2015	2014	2015	2014
<i>In RON thousand</i>				
Interest income				
<i>Interest and similar income arising from:</i>				
Current accounts and loans and advances to banks	11,793	25,058	11,793	24,995
Loans and advances to customers (i)	1,204,198	1,254,341	1,204,198	1,254,694
Derivatives held for risk management	785	5,208	785	5,208
Available for sale investments	5,058	4	5,058	4
Held to maturity investments	9,415	6,238	9,415	6,238
Other investment securities	58,103	76,277	57,326	75,412
Negative interest	(4,425)	-	(4,425)	-
Other	448	506	448	506
Total interest income	1,285,375	1,367,632	1,284,598	1,367,057
Interest expense and similar charges				
<i>Interest expense and similar charges arising from:</i>				
Deposits from banks	(1,033)	(2,469)	(1,033)	(2,619)
Deposits from customers	(118,656)	(207,167)	(118,660)	(207,177)
Debt securities issued	(38,931)	(29,959)	(39,277)	(30,264)
Loans from banks and subordinated liabilities	(67,630)	(76,398)	(67,630)	(76,398)
Other	(4,481)	(6,561)	(4,481)	(6,560)
Negative interest	3	-	3	-
Total interest expense	(230,728)	(322,554)	(231,078)	(323,018)
Net interest income	1,054,647	1,045,078	1,053,520	1,044,039

(i) The amount of interest income from impaired loans amounts to RON 60,258 thousand (31 December 2014: RON 56,536 thousand).

8. NET FEE AND COMMISSION INCOME

<i>In RON thousand</i>	Group		Bank	
	2015	2014	2015	2014
Fee and commission income				
Transactions from payments transfer business	584,388	562,320	584,388	562,320
Loans administration and guarantee issuance	57,813	46,973	57,813	46,973
Variable component referring to the sale of loans to RIEEF (Note 37.i)	12,159	56,689	12,159	56,689
Asset management fee	76,114	70,838	-	-
Commissions from insurance premium collections	39,226	33,650	39,226	33,650
Commissions for buying/selling cash	3,666	6,438	3,666	6,438
Other	37,918	47,514	92,873	84,197
Total fee and commission income	811,284	824,422	790,125	790,267
Fees and commissions expense				
Commissions for payment transfers	(151,598)	(128,516)	(151,598)	(128,496)
Loan and guarantees received from banks	(12,254)	(4,405)	(12,254)	(4,405)
For securities business	(902)	(514)	(543)	(514)
Other	(16,524)	(10,964)	(16,524)	(10,900)
Total fee and commission expense	(181,278)	(144,399)	(180,919)	(144,315)
Net fee and commission income	630,006	680,023	609,206	645,952

9. NET TRADING INCOME

<i>In RON thousand</i>	Group		Bank	
	2015	2014	2015	2014
<i>Net trading income arises from:</i>				
Foreign exchange rate fluctuations and related transactions (i), out of which:	276,357	257,836	276,101	257,355
▪ Foreign exchange derivatives	(4,893)	50,497	(4,893)	50,497
▪ Net gain on revaluation of monetary assets				
foreign currency transactions	281,250	207,339	280,994	206,858
Interest rate instruments (ii), out of which:	12,160	20,554	12,160	20,554
▪ Net trading result from government securities and corporate debt securities	9,483	15,026	9,483	15,026
▪ Interest rate swaps (loss) / gain (Note 35)	2,677	5,528	2,677	5,528
Other trading income (broker activity)	-	2,355	-	-
Net trading income	288,517	280,745	288,261	277,909

- (i) Net foreign exchange income includes gains and losses from spot and forward contracts, money market instruments, currency swaps and from the translation of foreign currency assets and liabilities;
- (ii) Net trading income from interest rate instruments includes the net result on trading in government securities, corporate debt securities and interest rate swaps.

10. OTHER OPERATING INCOME

	Group		Bank	
	2015	2014	2015	2014
<i>In RON thousand</i>				
Net proceeds from sales of equity investments of other interests	9,648	-	9,648	-
Reversal of litigation provision	-	5,654	-	5,654
Revenues from additional leasing services	519	536	519	536
Reversal of other provisions	3,342	8,673	3,342	8,673
Dividend income	3,612	732	30,083	18,080
Other computer services	2,142	754	2,142	754
Revenues from insurance recovery	3	1,880	3	1,880
Sundry income	7,775	9,981	8,383	9,872
Total	27,041	28,210	54,120	45,449

11. OPERATING EXPENSES

	Group		Bank	
	2015	2014	2015	2014
<i>In RON thousand</i>				
Rental of office space expenses	155,901	167,989	155,544	167,603
IT repairs and maintenance	81,781	66,704	81,281	66,193
Depreciation and amortization (Note 23, Note 24)	79,280	74,441	79,170	74,319
Deposit insurance fees	59,076	52,318	59,076	52,318
Security expenses	57,753	63,740	57,753	63,740
Advertising	43,048	44,825	42,796	44,526
Charge of litigation provision	42,393	7,320	42,393	7,320
Legal, advisory and consulting expenses	41,015	39,194	40,926	39,025
Postal and telecommunication expenses	32,208	37,289	32,182	37,235
Office supplies	31,719	34,558	31,697	34,515
Sundry operating expenses	16,788	28,738	16,721	26,797
Charge of other provisions	12,951	19,693	12,951	19,693
Training expenses for staff	10,890	11,651	10,853	11,651
Travelling expenses	6,030	4,868	5,957	4,868
Transport costs	5,622	5,824	5,611	5,823
Other taxes	4,703	7,248	3,221	6,122
Total	681,158	666,400	678,132	661,748

12. PERSONNEL EXPENSE

In RON thousand

	Group		Bank	
	2015	2014	2015	2014
Salary expense (i)	424,929	369,561	421,801	365,398
Social contributions	95,136	101,605	94,283	100,496
Other staff expenses	5,688	5,373	5,666	5,340
Long term employee benefits (ii)	2,605	4,687	2,605	4,667
Total	528,358	481,226	524,355	475,901

The number of employees at Group level as at 31 December 2015 was 5,379 (31 December 2014: 5,185). The number of employees at Bank level as at 31 December 2015 was 5,349 (31 December 2014: 5,158). The Group has no lease staff as at 31 December 2015 (31 December 2014: 251). The Bank has no lease staff as at 31 December 2015 (2014: 251)

(i) Out of the total salary expense, the Group has recorded in 2015 RON 4,114 thousand, representing contribution for employees to Pillar 3 pension plan (2014: RON 4,133 thousand).

(ii) The long term benefits for employees also include the provision for benefits granted on retirement as a one-off compensation and deferred performance bonus. Out of the total long term employee benefits, the Group has recorded in 2015 RON 753 thousand, representing the expense for share incentive plan (2014: RON 782 thousand).

Share-based remuneration

The Management Board, with approval by the Supervisory Board, of Raiffeisen Bank International has approved the existence of a share incentive program (SIP) which could offer performance based allotments of shares to eligible employees at home and abroad for a given period. Eligible employees were board members and selected executives of Raiffeisen Bank International, as well as executives of its affiliated bank subsidiaries and other affiliated companies.

The number of ordinary shares of Raiffeisen Bank International which will ultimately be transferred depends on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the share of the RBI AG compared to the total shareholder return of the shares of companies in DJ EURO STOXX Banks index after a three-year holding period. Participation in SIP is voluntary.

Expenses related to the share incentive program are recognized in staff expenses in accordance with IFRS 2 for cash settled share-based payment transactions and the liability incurred at the fair value of the liability. The share incentive plan was in place until 31 December 2013 and from 2014 the Group has cancelled this form of remuneration. The number of contingently allotted shares was: SIP 2011: 9,581, SIP 2012: 12,143, SIP 2013: 18,075.

The number of shares as determined above considers full performance achievement. The value of the finally paid out Raiffeisen Bank International shares to personnel depends on the value of shares at payout. For each annual SIP there is a vesting period of 5 years.

13. NET CHARGE OF PROVISION FOR IMPAIRMENT LOSSES

Group

In RON thousand

	2015	2014
Impairment charge on loans and advances to customers (Note 20)	515,100	599,087
Release of the impairment for loans and advances to customers (Note 20)	(175,611)	(282,676)
Impairment charge on un-drawn commitments (Note 30)	11,534	24,235
Release of the impairment for un-drawn commitments (Note 30)	(16,926)	(12,408)
Loans written-off	42,335	40,695
Recoveries from loans and advances to customers	(87,420)	(54,947)
Net charge of provision for impairment losses	289,012	313,986

Bank

In RON thousand

	2015	2014
Impairment charge on loans and advances to customers (Note 20)	515,100	530,557
Release of the impairment for loans and advances to customers (Note 20)	(175,611)	(282,676)
Impairment charge on un-drawn commitments (Note 30)	11,534	24,235
Release of the impairment for un-drawn commitments (Note 30)	(16,926)	(12,408)
Loans written-off	42,335	108,495
Recoveries from loans and advances to customers	(87,420)	(54,217)
Net charge of provision for impairment losses	289,012	313,986

14. INCOME TAX EXPENSE

Group

In RON thousand

	2015	2014
Current tax expenses at 16% (2014:16%) of taxable profits determined in accordance with Romanian law	82,975	97,611
Deferred tax expense (Note 25)	357	1,010
Total	83,332	98,621

Bank

In RON thousand

	2015	2014
Current tax expenses at 16% (2014:16%) of taxable profits determined in accordance with Romanian law	80,702	93,138
Deferred tax expense (Note 25)	177	1,242
Total	80,879	94,380

15. RECONCILIATION OF INCOME BEFORE TAX WITH THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		Bank	
	2015	2014	2015	2014
<i>In RON thousand</i>				
Profit subject to corporate income tax	509,727	608,090	518,443	595,748
Taxation at statutory rate of 16% (2014: 16%)	81,556	97,294	82,951	95,319
Non-deductible expenses	57,797	52,502	57,586	52,136
Non-taxable revenues	(46,502)	(45,430)	(49,960)	(47,809)
Effect of utilization of carried forward tax losses	-	(35)	-	-
Corporate income tax before fiscal credit	92,851	104,331	90,577	99,646
Fiscal credit	(7,209)	(9,422)	(7,208)	(9,210)
Adjustments recognized in the period for current tax of prior periods	(2,667)	2,702	(2,667)	2,702
Corporate income tax	82,975	97,611	80,702	93,138
Effect of origination and reversal of temporary differences	357	1,010	177	1,242
Taxation in the consolidated statement of comprehensive income	83,332	98,621	80,879	94,380

The main non taxable income are from reversal of provisions and dividends received, and non deductible expenses are from provisions, prior years expenses, sponsorships, accruals and other non-deductible expenses according to the Fiscal Code.

Fiscal credit represents sponsorship expense according to the applicable fiscal regulations.

16. CASH AND CASH WITH CENTRAL BANK

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
Cash on hand	1,373,384	1,385,888	1,373,370	1,385,882
Minimum compulsory reserve (i)	3,207,989	3,467,225	3,207,989	3,467,225
Current accounts held with central bank (ii)	2,400,017	3,000,021	2,400,017	3,000,021
Total	6,981,390	7,853,134	6,981,376	7,853,128

- (i) The Bank maintains with the National Bank of Romania the minimum compulsory reserve established under Regulation no. 6/2002 issued by the National Bank of Romania, with subsequent amendments and addendums. On 31 December 2015 the mandatory minimum reserve ratio was 8% (31 December 2014: 10%) for funds raised in RON and 14% (31 December 2014: 14%) for funds raised in foreign currency with residual maturity of less than 2 years, at the end of the observation period. For liabilities having residual maturity over 2 years at the end of the observation period, without reimbursement, conversion or early retirement clauses, compulsory minimum reserve ratio was set at 0% (31 December 2014: 0%).

As of 31 December 2015, the interest paid by the NBR for the RON reserves was 0.14 % per year and for EUR reserves was 0.09 % per year.

The minimum compulsory reserve can be used by the Group for daily activities but under the condition that the monthly average balance of the minimum compulsory reserve is kept within the legal limits.

17. TRADING ASSETS / LIABILITIES

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
Trading assets				
Bonds (i)	487,018	17,409	487,018	17,409
Derivative financial instruments	40,115	66,227	40,200	66,227
Total	527,133	83,636	527,218	83,636
Trading liabilities				
Derivative financial instruments	37,902	54,055	37,902	54,314
Total	37,902	54,055	37,902	54,314

- (i) The bonds held as at 31 December 2015 and as at December 2014 include discount treasury bills and bonds in RON, USD and EUR.

18. DERIVATIVES HELD FOR RISK MANAGEMENT

Group

31 December 2015

<i>In RON thousand</i>	Notional buy	Notional sell	Fair value Assets	Liabilities
OTC products:				
Currency swaps	158,358	154,628	1,932	3,253
Interest rate swaps	105,490	105,490	<u>24</u>	<u>2,079</u>
			1,956	5,332

31 December 2014

<i>In RON thousand</i>	Notional buy	Notional sell	Fair value Assets	Liabilities
OTC products:				
Currency swaps	273,532	270,142	3,374	5,012
Interest rate swaps	59,821	59,821	<u>43</u>	<u>2,035</u>
			3,417	7,047

Bank

31 December 2015

<i>In RON thousand</i>	Notional buy	Notional sell	Fair value Assets	Liabilities
OTC products:				
Currency swaps	158,358	154,628	1,932	3,197
Interest rate swaps	105,490	105,490	<u>24</u>	<u>2,079</u>
			1,956	5,276

31 December 2014

<i>In RON thousand</i>	Notional buy	Notional sell	Fair value Assets	Liabilities
OTC products:				
Currency swaps	273,532	270,142	3,371	5,011
Interest rate swaps	59,821	59,821	<u>43</u>	<u>2,035</u>
			3,414	7,046

Certain monetary items denominated in foreign currency are economically hedged using swap contracts as set out in the table above. The Group does not use hedge accounting for its currency and interest rate derivative contracts. The fair value of derivative financial instruments is determined using the market quotations at the valuation date using discounted cash flow models.

Foreign exchange transactions are measured on the basis of discounting future cash flows with market rates; the sites of Reuters and the fixing price of National Bank of Romania are the source of rates.

19. LOANS AND ADVANCES TO BANKS

Group

As at 31 December 2015, out of the total loans and advances to banks of RON 1,138,893 thousand (2014: RON 904,144 thousand), term deposits held with commercial banks amount to RON 765,716 thousand (2014: RON 19,057 thousand). Loans and advances to banks include also collateral deposits of RON 13,029 thousand (2014: RON 25,213 thousand), the rest of the amount represent current accounts and sight deposits.

Bank

As at 31 December 2015, out of the total loans and advances to banks of RON 1,138,893 thousand (2014: RON 904,128 thousand), term deposits held with commercial banks amount to RON 765,716 thousand (2014: RON 19,057 thousand). Loans and advances to banks include also collateral deposits of RON 13,029 thousand (2014: RON 25,213 thousand), the rest of the amount represent current accounts and sight deposits.

20. LOANS AND ADVANCES TO CUSTOMERS

The Group's commercial lending is concentrated on companies and individuals. Economic sector risk concentrations within the customer loan portfolio at balance sheet date were as follows:

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
<i>Retail customers</i>	12,046,502	10,131,516	12,046,502	10,131,516
<i>Non-retail customers, of which:</i>				
Agriculture and food industry	466,137	514,681	466,137	514,681
Electricity, oil & gas	422,754	486,353	422,754	486,353
Manufacturing	1,452,973	1,419,123	1,452,973	1,419,123
Construction	1,010,788	953,998	1,010,788	953,998
Wholesale and retail trade	1,752,471	1,567,151	1,752,471	1,567,151
Services	1,528,852	1,400,100	1,528,852	1,400,100
<i>Public sector</i>	507,995	603,976	507,995	603,976
Total loans and advances to customers before allowances	19,188,472	17,076,898	19,188,472	17,076,898
Less allowance for impairment losses on loans and advances to customers	(1,034,886)	(966,823)	(1,034,886)	(966,823)
Net loans and advances to customers	18,153,586	16,110,075	18,153,586	16,110,075

As at 31 December 2015, 7% of the Group's portfolio of non-retail loans (31 December 2014: 9%) was concentrated towards local state-owned corporate customers or state entities.

20. LOANS AND ADVANCES TO CUSTOMERS (continued)

The allowances for impairment losses on loans and advances to customers can be further analyzed as follows:

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
Specific allowances for impairment				
Balance as at the beginning of the year	841,601	905,821	841,601	905,821
Impairment loss for the year				
Charge for the year	414,981	498,527	414,981	498,527
Release	(106,265)	(160,527)	(106,265)	(160,527)
Decreases due to amounts taken against allowances	(296,278)	(408,296)	(296,278)	(408,296)
Effect of foreign currencies movements	23,460	6,076	23,460	6,076
Balance at the end of the year	877,499	841,601	877,499	841,601
	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
Collective allowances for impairment				
Balance as at the beginning of the year	125,222	145,896	125,222	145,896
Impairment loss for the year				
Charge for the year	100,119	100,560	100,119	100,560
Release	(69,346)	(122,149)	(69,346)	(122,149)
Effect of foreign currencies movements	1,392	915	1,392	915
Balance at the end of the year	157,387	125,222	157,387	125,222
Total allowances for impairment	1,034,886	966,823	1,034,886	966,823

21. INVESTMENT SECURITIES

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
<i>Investment securities at fair-value through profit or loss</i>				
Treasury securities issued by the Government of Romania (i)	298,166	1,031,379	298,166	1,031,379
Bonds issued by the Government of Romania (ii)	1,270,284	1,598,416	1,270,283	1,598,415
Bonds issued by other public sector	176,994	129,384	176,994	129,384
Bonds issued by credit institutions	11,003	10,008	11,003	10,008
Total investment securities at fair value through profit or loss	1,756,447	2,769,187	1,756,446	2,769,186
<i>Investment securities available-for-sale</i>				
Bonds issued by other public sector	158,462	-	158,462	-
Unquoted equity instruments (iii)	69,570	3,882	69,565	3,877
Quoted equity instruments	2,166	2,721	2,166	2,721
Bonds issued by the Government of Romania (ii)	1,204,747	45,754	1,204,747	45,754
Bonds issued by credit institutions	16,005	16,013	16,005	16,013
Treasury securities issued by the Government of Romania (i)	653,027	19,771	653,027	19,771
Total investment securities available-for-sale	2,103,977	88,141	2,103,972	88,136
<i>Investment securities held-to-maturity (ii)</i>				
Bonds issued by private sector issuers	5,155	6,743	-	-
Bonds issued by the Government of Romania (ii)	250,218	226,445	234,271	213,050
Treasury securities issued by the Government of Romania (i)	-	128,738	-	128,738
Total investment securities held-to-maturity	255,373	361,926	234,271	341,788
Total investment securities	4,115,797	3,219,254	4,094,689	3,199,110

- i) Treasury bills issued by the Government of Romania include discount securities denominated in RON. Discount treasury bills bear fixed interest rates.
- ii) Bonds issued by the Government of Romania include bonds issued by the Ministry of Finance denominated in RON, EUR and USD, bearing fixed interest rate between 2.15% p.a. and 6.75% p.a. As at 31 December 2015, bonds issued by the Government of Romania amounting to RON 63,204 thousand (31 December 2014: RON 53,061 thousand) are pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations.
- iii) Unquoted equity instruments represent equity investments that do not have a quoted price in an active market for an identical instrument and whose fair value cannot be reliably measured. Any fair value measurement would require significant management judgement due to the difficulties in obtaining information that might be relied on to use in valuation. Therefore, these equity investments are measured at cost less impairment, if any.

21. INVESTMENT SECURITIES (continued)

As of December 31, 2015 the carrying amount of unquoted equity instruments held by the Group amounted to RON 69,570 thousand (31 December 2014: RON 3,882 thousand). No impairment losses have been recognized in respect of these instruments (31 December 2014: RON nil).

The increase in unquoted equity instruments is mainly due to Visa Europe Limited shares. The Group is a principal member of Visa Europe Limited and holds one share in the share capital of this company. Until 2015, the Group held this participation at cost, as it did not have a quoted market price in an active market and its fair value could not be reliably measured. In November 2015, Visa Inc. and Visa Europe Limited, entered into a Transaction Agreement, pursuant to which Visa Inc. acquires 100% of the share capital of Visa Europe. The transaction is expected to take place during year 2016. During December 2015, the Group was being made an offer for the purchase of its share in Visa Europe. Therefore, the Group considered that the offer received makes the evaluation of the share reliable, evaluation which was not available before the transaction announcement. As a result, the Group considered that the offer received represents a reliable measure of the share in Visa Europe and booked, as of 31 December 2015, the share at fair value.

Group: Net gain from other financial instruments carried at fair value through profit and loss as of 31 December 2015 are in amount of RON 4,835 thousand (31 December 2014: RON 33,772 thousand).

Bank: Net gain from other financial instruments carried at fair value through profit and loss as of 31 December 2015 are in amount of RON 4,835 thousand (31 December 2014: RON 34,034 thousand).

22. INVESTMENT IN AN ASSOCIATE AND JOINT VENTURE

<i>In RON thousand</i>	Group		Bank	
	2015	2014	2015	2014
Balance at 1 January	112,103	114,685	123,799	124,135
Additions	38,400	30,300	-	30
Disposals	(51,524)	(37,896)	-	-
Changes in consolidation scope	-	-	-	(366)
Other comprehensive income	(32)	116	-	-
Group's share of gain from associates	3,245	4,898	-	-
Total	102,192	112,103	123,799	123,799
Allowance for impairment	-	-	(47,038)	(47,038)
Balance at 31 December	102,192	112,103	76,761	76,761

22. INVESTMENT IN AN ASSOCIATE AND JOINT VENTURE (continued)

The Group's interests in its associates and joint ventures that are unlisted are as follows:

Investment in associates

<i>In RON thousands</i>	Assets	Liabilities	Revenues	Profit	Interest held%
31 December 2015					
Raiffeisen RON Plus	2,665,409	20,276	97,965	57,942	0.92%
Fondul de Garantare a Creditului Rural IFN SA	1,236,531	1,189,382	35,410	4,581	33.33%

Investment in associates

<i>In RON thousand</i>	Assets	Liabilities	Revenues	Profit	Interest held%
31 December 2014					
Raiffeisen RON Plus	2,741,060	390,362	723,341	116,227	1.09%
Raiffeisen EURO Plus	2,132,704	168,996	858,039	83,213	0.42%
Fondul de Garantare a Creditului Rural IFN SA	1,268,649	1,220,546	33,742	5,922	33.33%

Investment in joint ventures

<i>In RON thousands</i>	Assets	Liabilities	Revenues	Interest income	Interest expense	Income taxes	Profit	Interest held%
31 December 2015								
Raiffeisen Leasing IFN S.A.	822,206	749,609	100,358	48,685	(14,112)	(3,208)	12,773	50.00%
ICS Raiffeisen Leasing S.R.L.	29,616	25,059	4,640	4,113	(1,166)	(118)	661	50.00%
Raiffeisen Banca pentru Locuinte S.A.	676,043	605,475	39,989	25,077	(9,803)	(385)	1,008	33.33%

Investment in joint ventures

<i>In RON thousand</i>	Assets	Liabilities	Revenues	Interest income	Interest expense	Income taxes	Profit	Interest held%
31 December 2014								
Raiffeisen Leasing IFN S.A.	790,498	730,675	75,146	57,292	(17,928)	(2,413)	9,195	50.00%
ICS Raiffeisen Leasing S.R.L.	41,401	37,840	5,174	4,615	(1,423)	(136)	933	50.00%
Raiffeisen Banca pentru Locuinte S.A.	527,362	457,715	33,150	22,860	(7,758)	69	1,750	33.33%

23. PROPERTY, PLANT AND EQUIPMENT

Group

<i>In RON thousand</i>	Land and buildings	Furniture and computer equipment	Motor vehicles	Assets in progress	Total
Cost					
Balance at 1 January 2014	213,828	411,450	37,222	13,104	675,604
Additions	9,094	26,096	13,649	7,476	56,315
Disposals	(16,909)	(22,091)	(9,925)	(10,806)	(59,731)
Balance at 31 December 2014	206,013	415,455	40,946	9,774	672,188
Balance at 1 January 2015	206,013	415,455	40,946	9,774	672,188
Additions	2,948	33,549	4,525	7,958	48,980
Disposals	(4,255)	(12,335)	(1,797)	(11,858)	(30,245)
Balance at 31 December 2015	204,706	436,669	43,674	5,874	690,923
Depreciation and impairment losses					
Balance at 1 January 2014	145,443	274,447	21,617	-	441,507
Charge for the year	15,434	25,972	4,250	-	45,656
Disposals	(16,334)	(16,168)	(9,820)	-	(42,322)
Balance at 31 December 2014	144,543	284,251	16,047	-	444,841
Balance at 1 January 2015	144,543	284,251	16,047	-	444,841
Charge for the year	11,140	31,750	5,119	-	48,009
Disposals	(3,399)	(9,877)	(1,609)	-	(14,885)
Balance at 31 December 2015	152,284	306,124	19,557	-	477,965
Carrying amounts					
At 1 January 2014	68,385	137,003	15,605	13,104	234,097
At 31 December 2014	61,470	131,204	24,899	9,774	227,347
At 1 January 2015	61,470	131,204	24,899	9,774	227,347
At 31 December 2015	52,422	130,545	24,117	5,874	212,958

23. PROPERTY, PLANT AND EQUIPMENT (continued)

Bank

<i>In RON thousand</i>	Land and buildings	Furniture and computer equipment	Motor vehicles	Assets in progress	Total
Cost					
Balance at 1 January 2014	214,435	417,468	25,362	16,875	674,140
Additions	9,094	26,179	13,562	7,476	56,311
Disposals	(16,909)	(22,091)	(9,887)	(10,806)	(59,693)
Balance at 31 December 2014	206,620	421,556	29,037	13,545	670,758
Balance at 1 January 2015	206,620	421,556	29,037	13,545	670,758
Additions	2,948	33,549	4,337	7,958	48,792
Disposals	(4,255)	(12,335)	(1,499)	(11,858)	(29,947)
Balance at 31 December 2015	205,313	442,770	31,875	9,645	689,603
Depreciation and impairment losses					
Balance at 1 January 2014	145,323	274,972	20,003	-	440,298
Charge for the year	15,434	25,965	4,168	-	45,567
Disposals	(16,334)	(16,161)	(9,782)	-	(42,277)
Balance at 31 December 2014	144,423	284,776	14,389	-	443,588
Balance at 1 January 2015	144,423	284,776	14,389	-	443,588
Charge for the year	11,140	31,748	5,048	-	47,936
Disposals	(3,399)	(9,876)	(1,341)	-	(14,616)
Balance at 31 December 2015	152,164	306,648	18,096	-	476,908
Carrying amounts					
At 1 January 2014	69,112	142,496	5,359	16,875	233,842
At 31 December 2014	62,197	136,780	14,648	13,545	227,170
At 1 January 2015	62,197	136,780	14,648	13,545	227,170
At 31 December 2015	53,149	136,122	13,779	9,645	212,695

Group: Included in additions and disposals are transfers between the groups of fixed assets. Purchases of property, plant and equipment during year 2015 were in amount of RON 37,122 thousand (2014: RON 45,509 thousand).

Bank: Included in additions and disposals are transfers between the groups of fixed assets. Purchases of property, plant and equipment during year 2015 were in amount of RON 36,934 thousand (2014: RON 45,505 thousand).

24. INTANGIBLE ASSETS

Group

<i>In RON thousand</i>	Purchased Software	Assets in progress	Total
Cost			
Balance at 1 January 2014	274,984	34,856	309,840
Additions	37,899	8,883	46,782
Disposals	(85)	(22,170)	(22,255)
Balance at 31 December 2014	312,798	21,569	334,367
Balance at 1 January 2015	312,798	21,569	334,367
Additions	15,261	23,152	38,413
Disposals	-	(3,209)	(3,209)
Balance at 31 December 2015	328,059	41,512	369,571
Amortization and impairment losses			
Balance at 1 January 2014	224,397	-	224,397
Charge for the year	28,785	-	28,785
Disposals	(33)	-	(33)
Balance at 31 December 2014	253,149	-	253,149
Balance at 1 January 2015	253,149	-	253,149
Charge for the year	31,271	-	31,271
Disposals	(2,072)	-	(2,072)
Balance at 31 December 2015	282,348	-	282,348
Carrying amounts			
At 1 January 2014	50,587	34,856	85,443
At 31 December 2014	59,649	21,569	81,218
At 1 January 2015	59,649	21,569	81,218
At 31 December 2015	45,711	41,512	87,223

24. INTANGIBLE ASSETS (continued)

Bank

<i>In RON thousand</i>	Purchased Software	Assets in progress	Total
Cost			
Balance at 1 January 2014	274,650	34,415	309,065
Additions	37,859	8,875	46,734
Disposals	(85)	(22,127)	(22,212)
Balance at 31 December 2014	312,424	21,163	333,587
Balance at 1 January 2015	312,424	21,163	333,587
Additions	15,223	23,152	38,375
Disposals	-	(3,209)	(3,209)
Balance at 31 December 2015	327,647	41,106	368,753
Amortization and impairment losses			
Balance at 1 January 2014	223,708	-	223,708
Charge for the year	28,752	-	28,752
Disposals	(26)	-	(26)
Balance at 31 December 2014	252,434	-	252,434
Balance at 1 January 2015	252,434	-	252,434
Charge for the year	31,234	-	31,234
Disposals	(2,074)	-	(2,074)
Balance at 31 December 2015	281,594	-	281,594
Carrying amounts			
At 1 January 2014	50,942	34,415	85,357
At 31 December 2014	59,990	21,163	81,153
At 1 January 2015	59,990	21,163	81,153
At 31 December 2015	46,053	41,106	87,159

Group: Included in additions and disposals are transfers between the groups of intangible assets. Purchases of intangible assets during year 2015 were in amount of RON 35,204 thousand (2014: RON 24,612 thousand).

Bank: Included in additions and disposals are transfers between the groups of intangible assets. Purchases of intangible assets during year 2015 were in amount of RON 35,166 thousand (2014: RON 24,607 thousand).

25. RECEIVABLES, LIABILITIES, EXPENSES AND INCOME DEFERRED TAX

Deferred tax assets as at December 31, 2015 are attributable to the items detailed in the table below:

Group				
	Assets	Liabilities	Net	Deferred tax asset/(liability)
<i>In RON thousand</i>				
Investment in associates and joint ventures	46,993	1,789	45,204	7,233
Property, plant and equipment and intangible assets	1,632	67,820	(66,188)	(10,591)
Other assets	28,654	-	28,654	4,585
Other liabilities	86,525	37	86,488	13,838
Valuation reserve financial assets (AFS)	119	71,906	(71,787)	(11,486)
Provisions for liabilities and charges	75,741	-	75,741	12,119
Fiscal loss	101	-	101	16
Total	239,765	141,552	98,213	15,714

Bank				
	Assets	Liabilities	Net	Deferred tax asset/(liability)
<i>In RON thousand</i>				
Investment in associates and joint ventures	46,993	1,789	45,204	7,233
Property, plant and equipment and intangible assets	1,632	67,820	(66,188)	(10,590)
Other assets	28,654	-	28,654	4,585
Other liabilities	86,525	37	86,488	13,838
Valuation reserve financial assets (AFS)	119	71,906	(71,787)	(11,486)
Provisions for liabilities and charges	75,115	-	75,115	12,018
Total	239,038	141,552	97,486	15,598

25. RECEIVABLES, LIABILITIES, EXPENSES AND INCOME DEFERRED TAX (continued)

Deferred tax assets as at December 31, 2014 are attributable to the items detailed in the table below:

Group

	Assets	Liabilities	Net	Deferred tax asset/(liability)
<i>In RON thousand</i>				
Investment in associates and joint ventures	46,993	-	46,993	7,519
Property, plant and equipment and intangible assets	-	71,770	(71,770)	(11,483)
Other assets	23,728	-	23,728	3,796
Other liabilities	91,599	-	91,599	14,657
Valuation reserve financial assets (AFS)	(3,497)	-	(3,497)	(560)
Provisions for liabilities and charges	86,963	-	86,963	13,914
Total	245,786	71,770	174,016	27,843

Bank

	Assets	Liabilities	Net	Deferred tax asset/(liability)
<i>In RON thousand</i>				
Investment in associates and joint ventures	46,993	-	46,993	7,519
Property, plant and equipment and intangible assets	-	71,770	(71,770)	(11,483)
Other assets	23,728	-	23,728	3,796
Other liabilities	91,599	-	91,599	14,657
Valuation reserve financial assets (AFS)	(3,497)	-	(3,497)	(560)
Provisions for liabilities and charges	85,114	-	85,114	13,618
Total	243,937	71,770	172,167	27,547

25. RECEIVABLES, LIABILITIES, EXPENSES AND INCOME DEFERRED TAX (continued)

<i>In RON thousand</i>	Group		Bank	
	2015	2014	2015	2014
Investment in associates and joint ventures	(286)	-	(286)	-
Property, plant and equipment and intangible assets	893	(788)	893	(788)
Other assets	1,634	621	1,634	621
Other liabilities	(818)	493	(818)	493
Provisions for liabilities and charges	(1,796)	(612)	(1,600)	(705)
Fiscal loss	16	(724)	-	(863)
Deferred tax expense	(357)	(1,010)	(177)	(1,242)

Deferred tax related to items recognised in Other Comprehensive Income during the year:

<i>In RON thousand</i>	Group		Bank	
	2015	2014	2015	2014
Unrealised gain on Available for sale financial assets	(11,766)	-	(11,772)	-
Deferred tax charged to Other Comprehensive Income	(11,766)	-	(11,772)	-

26. OTHER ASSETS

<i>In RON thousand</i>	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Prepayments	30,276	29,918	30,217	29,860
Income receivable	2,420	1,880	2,420	1,880
Clearing claims from payment transfer business (i)	61,911	83,715	61,911	83,715
Receivable from sale of loans	8,937	5,583	8,937	5,583
Sundry debtors (ii)	30,414	28,812	39,222	38,801
Inventories	10,487	8,624	10,487	8,624
Other	5,246	8,070	-	-
Total	149,691	166,602	153,194	168,463

ii) Clearing claims from payment transfer business include credit cards transactions of RON 37,370 thousand (2014: RON 30,382 thousand), sales and purchase of cash transactions of RON 22,437 thousand (2014: RON 7,447 thousand), Western Union transactions in course of settlement of RON 1,768 thousand (2014: RON 44,682 thousand) and other transactions in course of clarification.

iii) **Group** : Sundry debtors balance is presented at net book value, respectively gross book value in amount of 73,897 RON thousand (2014: 66,210 RON thousand) decreased with impairment in amount of RON 43,483 thousand (2014: RON 37,398 thousand).

Bank: Sundry debtors balance is presented at net book value, respectively gross book value in amount of 82,705 RON thousand (2014: 76,199 RON thousand) decreased with impairment in amount of RON 43,483 thousand (2014: RON 37,398 thousand).

27. DEPOSITS FROM BANKS

<i>In RON thousand</i>	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Payable on demand	499,652	422,195	499,652	422,196
Sight deposits	96,000	38,300	96,000	38,300
Term deposits	31,430	72,526	31,430	72,526
Total	627,082	533,021	627,082	533,022

28. DEPOSITS FROM CUSTOMERS

<i>In RON thousand</i>	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>Payable on demand</i>				
Retail customers	6,692,067	4,833,789	6,692,067	4,833,790
Non-retail customers	5,027,800	1,979,476	5,031,404	1,979,476
	11,719,867	6,813,265	11,723,471	6,813,266
<i>Term deposits</i>				
Retail customers	9,257,098	9,398,593	9,257,098	9,398,593
Non-retail customers	2,761,333	4,854,642	2,761,333	4,860,656
	12,018,431	14,253,235	12,018,431	14,259,249
<i>Savings accounts</i>				
Retail customers	1,294	1,358	1,294	1,357
	1,294	1,358	1,294	1,357
Total	23,739,592	21,067,858	23,743,196	21,073,872

29. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS AND DEBT SECURITIES ISSUED

<i>In RON thousand</i>	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Commercial banks	1,208,073	1,007,326	1,208,073	1,007,326
Development banks	247,569	421,278	247,569	421,278
Other financial institutions	168,833	48,269	168,833	48,269
Total	1,624,475	1,476,873	1,624,475	1,476,873

The loans received from banks and other financial institutions are denominated in EUR, CHF and RON with a final maturity, which varies between May 2016 and July 2026.

<i>In RON thousand</i>	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Senior loans from banks and financial institutions	1,624,475	1,476,873	1,624,475	1,476,873
<i>Of which unsecured</i>	<i>1,444,646</i>	<i>1,198,206</i>	<i>1,444,646</i>	<i>1,198,206</i>
Debt securities issued	739,694	740,287	746,285	746,890
Subordinated (Note 32)	950,436	923,655	950,436	923,655
Total long term debt	3,314,605	3,140,815	3,321,196	3,147,418

29. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS AND DEBT SECURITIES ISSUED (continue)

The below table shows the split of total long term debt by contractual maturities as of December 31, 2015:

Grup

	Less than 1 year	Over 1 year	Total
<i>In RON thousand</i>			
Senior loans from banks and financial institutions	624,068	1,000,407	1,624,475
<i>Of which unsecured</i>	574,757	869,889	1,444,646
Debt securities issued	243,452	496,242	739,694
Subordinated (Note 32)	5,745	944,691	950,436
Total long term debt	873,265	2,441,340	3,314,605

Bank

	Less than 1 year	Over 1 year	Total
<i>In RON thousand</i>			
Senior loans from banks and financial institutions	624,068	1,000,407	1,624,475
<i>Of which unsecured</i>	574,757	869,889	1,444,646
Debt securities issued	246,323	499,962	746,285
Subordinated (Note 32)	5,745	944,691	950,436
Total long term debt	876,136	2,445,060	3,321,196

The below table shows the split of total long term debt by contractual maturities as of December 31, 2014:

Grup

	Less than 1 year	Over 1 year	Total
<i>In RON thousand</i>			
Senior loans from banks and financial institutions	601,450	875,423	1,476,873
<i>Of which unsecured</i>	567,608	630,598	1,198,206
Debt securities issued	21,966	718,321	740,287
Subordinated (Note 32)	5,185	918,470	923,655
Total long term debt	628,601	2,512,214	3,140,815

Bank

	Less than 1 year	Over 1 year	Total
<i>In RON thousand</i>			
Senior loans from banks and financial institutions	601,450	875,423	1,476,873
<i>Of which unsecured</i>	567,608	630,598	1,198,206
Debt securities issued	21,966	724,924	746,890
Subordinated (Note 32)	5,185	918,470	923,655
Total long term debt	628,601	2,518,817	3,147,418

Long term debt includes senior debt issued, senior loans and subordinated loans from banks. Senior debt has greater seniority in the Bank's liabilities structure than subordinated debt and regulatory capital instruments as regulated by applicable insolvency law.

29. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS AND DEBT SECURITIES ISSUED (continued)

As of December 31, 2015, the Group has outstanding long term debt in the form of debt securities issued, the two issues from 2013 and 2014, which are tradeable on Bucharest Stock Exchange (BSE). As of December 31, 2015, the Bank has outstanding long term debt in the form of debt securities issued, the two issues from 2013 and 2014, which are tradeable on Bucharest Stock Exchange (BSE).

Group: The balance of debt securities issued as at December 31, 2015, including accrued interest, is in amount of RON 739,694 thousand (December 31, 2014: RON 740,287 thousand).

Bank: The balance of debt securities issued as at December 31, 2015, including accrued interest, is in amount of RON 746,285 thousand (December 31, 2014: RON 746,890 thousand).

The Group makes sure that all the necessary measures are taken in order to ensure the compliance with the financial covenants that may be attached to the loans from banks and other financial institutions. Consequently, there have been no breaches in the financial covenants of any loans from banks and other financial institutions in the analyzed period.

30. PROVISIONS

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
Provisions for litigations and potential risks	45,125	6,166	45,125	6,166
Provision for un-drawn commitments	30,030	35,353	30,030	35,353
Provision for employee benefits	4,724	4,911	4,724	4,911
Provisions for overdue vacations	8,112	8,112	8,112	8,112
Provisions for share incentive plan	2,816	2,044	2,816	2,044
Provisions for severance payments and similar obligations	490	780	490	780
Sundry provisions	2,100	3,143	2,100	3,143
Total	93,397	60,509	93,397	60,509

Group

During 2015 the provisions can be further analyzed as follows:

<i>In RON thousand</i>	Opening balance	Allocation	Release	Usage	FX	Total
Provisions for litigations and potential risks	6,166	42,393	-	(4,316)	882	45,125
Provision for un-drawn commitments	35,353	11,534	(16,926)	-	69	30,030
Provisions for employee benefits	4,911	-	(187)	-	-	4,724
Provisions for overdue vacations	8,112	-	-	-	-	8,112
Provisions for share incentive plan	2,044	772	-	-	-	2,816
Provisions for severance payments and similar obligations	780	-	(38)	(252)	-	490
Sundry provisions	3,143	5,570	(1,519)	(5,094)	-	2,100
TOTAL	60,509	60,269	(18,670)	(9,662)	951	93,397

30. PROVISIONS (continued)

During 2014 the provisions can be further analyzed as follows:

<i>In RON thousand</i>	Opening balance	Allocation	Release	Usage	FX	Reclassifications	Total
Provisions for litigations and potential risks	6,377	6,379	(5,654)	-	-	(936)	6,166
Provision for un-drawn commitments	23,530	24,235	(12,408)	-	(4)	-	35,353
Provisions for employee benefits	6,206	-	(1,295)	-	-	-	4,911
Provisions for overdue vacations	5,679	2,433	-	-	-	-	8,112
Provisions for share incentive plan	1,255	1,811	(1,021)	-	(1)	-	2,044
Provisions for severance payments and similar obligations	1,222	-	(61)	(381)	-	-	780
Sundry provisions	788	7,869	(120)	(6,330)	-	936	3,143
TOTAL	45,057	42,727	(20,559)	(6,711)	(5)	-	60,509

Bank

During 2015 the provisions can be further analyzed as follows:

<i>In RON thousand</i>	Opening balance	Allocation	Release	Usage	FX	Total
Provisions for litigations and potential risks	6,166	42,393	-	(4,316)	882	45,125
Provision for un-drawn commitments	35,353	11,534	(16,926)	-	69	30,030
Provisions for employee benefits	4,911	-	(187)	-	-	4,724
Provisions for overdue vacations	8,112	-	-	-	-	8,112
Provisions for share incentive plan	2,044	772	-	-	-	2,816
Provisions for severance payments and similar obligations	780	-	(38)	(252)	-	490
Sundry provisions	3,143	5,570	(1,519)	(5,094)	-	2,100
TOTAL	60,509	60,269	(18,670)	(9,662)	951	93,397

30. PROVISIONS (continued)

During 2014 the provisions can be further analyzed as follows:

<i>In RON thousand</i>	Opening balance	Allocation	Release	Usage	FX	Reclassifications	Total
Provisions for litigations and potential risks	6,377	6,379	(5,654)	-	-	(936)	6,166
Provision for un-drawn commitments	23,530	24,235	(12,408)	-	(4)	-	35,353
Provisions for employee benefits	6,206	-	(1,295)	-	-	-	4,911
Provisions for overdue vacations	5,679	2,433	-	-	-	-	8,112
Provisions for share incentive plan	1,255	1,811	(1,021)	-	(1)	-	2,044
Provisions for severance payments and similar obligations	1,222	-	(61)	(381)	-	-	780
Sundry provisions	788	7,869	(120)	(6,330)	-	936	3,143
TOTAL	45,057	42,727	(20,559)	(6,711)	(5)	-	60,509

The provision for employee benefits is the Group's one off obligation to offer a number of salaries depending on the service period. The Group has calculated provision for contributions granted to employees on retirement as at year end 2015 using indicators such as: remaining number of years with the company up to retirement, probability that employee will stay with the company up to retirement, current salary, average number of salaries paid as benefit at retirement, age, sex, expected age of retirement as per current legislation.

The nature of provisions for litigation represents legal disputes. Expected timing of outflows for litigations represents the completion of the dispute and it cannot be appreciated, any assesment being slightest, depending on various factors. Given the complexity and inherent uncertainties related to the outcome of possible scenario regarding the provision for litigation, the Group's estimates needed may differ from actual obligation resulting from the completion of such legal disputes in future periods.

As of December 31, 2015, the Bank booked provisions for litigations generated by consumer loans. Those litigations are due to contractual clauses that may generate losses because they are considered unfair by customers. The existing provisions are both for ongoing litigations and for potential litigations that are not ongoing as of December 31, 2015, but might result in a litigation in the future and may generate losses as a result of potential unfavourable court decisions in class actions. The total amount of the provision for litigations with consumers as of December 31, 2015 is RON 41,460 thousands (2014: RON 4,364 thousands).

For off balance sheet commitments, provisions are calculated by multiplying net exposure (gross exposure minus allocate collateral value) with historical loss rates specific for each risk category, further adjusted with a standard Credit Conversion Factor (as defined under Basel) and with loss given default related to exposure not covered by collaterals.

Statistical assumptions used in provision computation in 2015 are consistent with those at year end 2014, revised as per current year available information.

31. OTHER LIABILITIES

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
Amounts due to state budget for social security	13,814	8,102	13,628	7,990
Short-term employee benefits	56,100	59,052	55,474	57,203
Accrual for suppliers	102,585	103,766	102,274	103,314
Cash in transit (i)	170,605	313,193	170,605	313,193
Deferred income	37,769	27,752	37,769	27,752
Other liabilities(ii)	60,988	51,632	60,990	51,632
Total	441,861	563,497	440,740	561,084

i) Cash in transit includes settlement amounts arising from transactions with debit instruments of RON 29,154 thousand (2014: RON 25,029 thousand), receipts which should be settled with other banks RON 563 thousand (2014: RON 103,442 thousand), payment orders of RON 69,279 thousand (2014: RON 78,611 thousand), payments which should be settled with other banks RON 15,497 thousand (2014: RON 52,376 thousand), receipts which should be settled with cash RON 39,640 thousand (2014: RON 41,111 thousand).

ii) Other liabilities include credit cards of RON 13,307 thousand (2014: RON 11,534 thousand), deposits representing the share capital at companies in course of set-up of RON 12,385 thousand (2014: RON 11,834 thousand), receivable from guarantees received of RON 5,533 thousand (2014: RON 4,565 thousand), VAT and other contributions to be paid to state budget of RON 2,762 thousand (2014: RON 1,487 thousand).

32. SUBORDINATED LIABILITIES

The subordinated loans in balance as of December 31, 2015 were in amount of EUR 170,000 thousand and CHF 42,000 thousand (December 31, 2014: EUR 170,000 thousand; CHF 42,000). The balance of subordinated liabilities as at December 31, 2015, in RON equivalents, including accrued interest is RON 950,436 thousand (December 31, 2014: RON 923,655 thousand). During 2015 the Group had no new subordinated liabilities drawn (2014: EUR 20,000 thousand).

33. SHARE CAPITAL AND TREASURY SHARES

Share capital

As of December 31, 2015 the number of shares is 12,000 and in 2015 there were no changes in shares structure.

	Shares Issued	Treasury Shares	Shares outstanding
Balance at 1 January 2014	12,000,000,000	(30,502,026)	11,969,497,974
Purchase treasury shares for cash	-	(22,497,974)	(22,497,974)
Sale treasury shares for cash	-	53,000,000	53,000,000
Balance at 31 December 2014 (consolidated) *	12,000	-	12,000

**consolidated shares represents number of shares after the increase of nominal value to RON 100,000 per share (1:1,000,000)*

On December 12, 2013 the General Meeting of Shareholders approved the increase of the nominal value of the shares issued by the bank from RON 0.1 (unconsolidated) per share to RON 100,000 for each consolidated share, the decision being effective starting with March 31, 2014. Therefore, starting with March 31, 2014 the share capital of the bank amounting to RON 12,000,000,000 is divided into 12,000 consolidated shares with a nominal value of RON 100,000 per share.

During the process of increase the nominal value of the shares issued by the Bank from RON 0.1 per share (unconsolidated) to RON 100,000 for each share (consolidated), the Bank has purchased a number of 22,497,974 shares (unconsolidated), both from individuals and corporate.

On November 24th, 2014 the share transfer of 53 shares (consolidated), meaning the equivalent of 53,000,000 unconsolidated shares held by Raiffeisen SEE Region Holding GmbH were registered in the shareholders' registry of the bank.

The dividends paid by Raiffeisen Bank S.A during 2015 were amounted to RON 606,000,000 out of which RON 471,579,516 from 2014 result and RON 134,420,484 from retained earnings.

The Group put forward for consideration to the General Meeting of Shareholders the distribution of dividends for the financial year of 2015 in total gross amount of RON 240,000,000.

The shareholders of the Group are as follows:

	31 December 2015	31 December 2014
	%	%
Raiffeisen SEE Region Holding GmbH	99.925	99.925
Other shareholders:	0.075	0.075
Total	100	100

Treasury shares

<i>In RON thousand</i>	2015	2014
As at 1 January	-	(8,234)
Repurchased treasury shares	-	(2,250)
Difference between nominal value and redemption value	-	(3,824)
Sale of treasury shares	-	5,300
Difference between nominal value and redemption value	-	9,008
As at 31 December	-	-

34. OTHER RESERVES

<i>In RON thousand</i>	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Statutory reserve (i)	220,995	195,074	218,865	192,943
Fair value loss taken to equity (net of tax), available for sale investments	60,220	441	61,804	1,993
Total	281,215	195,515	280,669	194,936

Statutory reserves

<i>In RON thousand</i>	Group		Bank	
	2015	2014	2015	2014
At 1 January	195,074	165,287	192,943	162,836
Changes in consolidation group	-	-	-	320
Appropriations of profit	25,921	29,787	25,922	29,787
At 31 December	220,995	195,074	218,865	192,943

(i) Statutory reserves represent accumulated transfers from retained earnings in accordance with local banking regulations that require 5% of the Group's gross profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Group's share capital. The statutory reserves are not distributable to shareholders.

Fair value reserve for financial assets available for sale

<i>In RON thousand</i>	Group		Bank	
	2015	2014	2015	2014
At 1 January	441	1	1,993	1,670
Change in fair value reserve (for available for sale financial assets)	59,779	440	59,812	323
At 31 December	60,220	441	61,805	1,993

35. RELATED PARTY TRANSACTIONS

The Group entered into a number of banking transactions with Raiffeisen Bank International AG, the ultimate controlling party, and its subsidiaries in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.

The transactions and balances with related parties are presented in tables below:

Group

<i>In RON thousand</i>	Total 2015	Parent	Associates	Joint ventures	Key Personnel	Other interest
Trading assets	17,039	16,759	-	280	-	-
Derivative assets held for risk management	1,956	1,956	-	-	-	-
Deposits to banks	24,766	24,561	-	-	-	205
Loans and advances to customers	233,721	-	-	55,943	8,887	168,891
Investment securities	2,233	-	-	-	-	2,233
Other assets	8,962	315	595	2,624	21	5,407
Outstanding receivables	288,677	43,591	595	58,847	8,908	176,736
Derivative liabilities held for risk management	5,276	5,276	-	-	-	-
Trading liabilities	27,290	27,290	-	-	-	-
Deposits from banks	72,375	35,149	-	641	-	36,585
Deposits from customers	129,789	-	27	37,878	10,055	81,829
Loans from banks and other financial institutions	1,208,073	1,117,684	-	-	-	90,389
Debt securities issued	4,574	-	-	-	-	4,574
Subordinated liabilities	950,436	950,436	-	-	-	-
Other liabilities	16,435	12,148	-	-	-	4,287
Outstanding payables	2,414,248	2,147,983	27	38,519	10,055	217,664
Commitments given	263,727	87,755	-	28,644	810	146,518
Guarantees issued	141,042	122,906	-	2,779	-	15,357
Commitments received	678,675	678,675	-	-	-	-
Guarantees received	213,202	190,956	-	-	-	22,246
Notional amount of derivative instruments	3,137,095	3,121,181	-	15,914	-	-

35. RELATED PARTY TRANSACTIONS (continued)

<i>In RON thousand</i>	Total 2014	Parent	Associates	Joint ventures	Key Personnel	Other interest
Trading assets	50,059	49,505	-	547	-	7
Derivative assets held for risk management	3,414	3,414	-	-	-	-
Deposits to banks	94,637	93,702	-	-	-	935
Loans and advances to customers	275,304	-	-	88,900	7,547	178,857
Investment securities	2,179	-	-	-	-	2,179
Other assets	4,688	122	-	1,698	46	2,822
Outstanding receivables	430,281	146,743	-	91,145	7,593	184,800
Derivative liabilities held for risk management	7,046	7,046	-	-	-	-
Trading liabilities	18,381	18,380	-	1	-	-
Deposits from banks	121,222	76,479	-	40	-	44,703
Deposits from customers	194,615	-	28	25,887	7,713	160,987
Loans from banks and other financial institutions	1,007,327	828,437	-	-	-	178,890
Debt securities issued	10,461	-	-	-	-	10,461
Subordinated liabilities	923,655	923,655	-	-	-	-
Other liabilities	8,020	3,643	-	-	-	4,377
Outstanding payables	2,290,727	1,857,640	28	25,928	7,713	399,418
Commitments given	281,326	63,829	-	30,257	833	186,407
Guarantees issued	118,688	90,532	-	5,804	-	22,352
Commitments received	672,315	672,315	-	-	-	-
Guarantees received	178,015	157,518	-	-	-	20,497
Notional amount of derivative instruments	3,569,240	3,521,026	-	45,717	-	2,497

35. RELATED PARTY TRANSACTIONS (continued)

Bank

<i>In RON thousand</i>	Total 2015	Parent	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest
Trading assets	17,125	16,759	86	-	280	-	-
Derivative assets held for risk management	1,956	1,956	-	-	-	-	-
Deposits to banks	24,766	24,561	-	-	-	-	205
Loans and advances to customers	233,721	-	-	-	55,943	8,887	168,891
Investment securities	2,233	-	-	-	-	-	2,233
Investment in associates and joint ventures	76,761	-	10,686	6,069	60,006	-	-
Other assets	17,667	315	8,705	595	2,624	21	5,407
Outstanding receivables	374,229	43,591	19,477	6,664	118,853	8,908	176,736
Derivative liabilities held for risk management	5,276	5,276	-	-	-	-	-
Trading liabilities	27,290	27,290	-	-	-	-	-
Deposits from banks	72,375	35,149	-	-	641	-	36,585
Deposits from customers	133,393	-	3,604	27	37,878	10,055	81,829
Loans from banks and other financial institutions	1,208,073	1,117,684	-	-	-	-	90,389
Debt securities issued	11,171	-	6,597	-	-	-	4,574
Subordinated liabilities	950,436	950,436	-	-	-	-	-
Other liabilities	16,435	12,148	-	-	-	-	4,287
Outstanding payables	2,424,449	2,147,983	10,201	27	38,519	10,055	217,664
Commitments given	263,727	87,755	-	-	28,644	810	146,518
Guarantees issued	141,042	122,906	-	-	2,779	-	15,357
Commitments received	678,675	678,675	-	-	-	-	-
Guarantees received	213,202	190,956	-	-	-	-	22,246
Notional amount of derivative instruments	3,145,619	3,121,181	8,524	-	15,914	-	-

35. RELATED PARTY TRANSACTIONS (continued)

<i>In RON thousand</i>	Total 2014	Parent	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest
Trading assets	50,059	49,505	5	-	542	-	7
Derivative assets held for risk management	3,414	3,414	-	-	-	-	-
Deposits to banks	94,637	93,702	-	-	-	-	935
Loans and advances to customers	275,304	-	-	-	88,900	7,547	178,857
Investment securities	2,179	-	-	-	-	-	2,179
Investment in associates and joint ventures	76,761	-	10,686	6,069	60,006	-	-
Other assets	14,677	122	9,990	-	1,697	46	2,822
Outstanding receivables	517,031	146,743	20,681	6,069	151,145	7,593	184,800
Derivative liabilities held for risk management	7,046	7,046	-	-	-	-	-
Trading liabilities	18,641	18,380	260	-	1	-	-
Deposits from banks	121,222	76,479	-	-	40	-	44,703
Deposits from customers	200,629	-	6,014	28	25,887	7,713	160,987
Loans from banks and other financial institutions	1,007,327	828,437	-	-	-	-	178,890
Debt securities issued	17,064	-	6,603	-	-	-	10,461
Subordinated liabilities	923,655	923,655	-	-	-	-	-
Other liabilities	8,020	3,643	-	-	-	-	4,377
Outstanding payables	2,303,604	1,857,640	12,877	28	25,928	7,713	399,418
Commitments given	281,326	63,829	-	-	30,257	833	186,407
Guarantees issued	118,688	90,532	-	-	5,804	-	22,352
Commitments received	672,315	672,315	-	-	-	-	-
Guarantees received	178,015	157,518	-	-	-	-	20,497
Notional amount of derivative instruments	3,590,454	3,521,026	21,214	-	45,717	-	2,497

35. RELATED PARTY TRANSACTIONS (continued)

Group

<i>In RON thousand</i>	Total 2015	Parent	Associates	Joint ventures	Key Personnel	Other interest
Interest income	10,822	806	-	2,489	238	7,289
Interest expenses	(71,349)	(68,734)	-	(55)	(63)	(2,497)
Fees and commissions income	24,013	440	129	7,253	3	16,188
Fees and commissions expenses	(15,120)	(810)	-	-	-	(14,310)
Net trading income	(2,947)	(3,129)	-	182	-	-
Operating expenses	(55,446)	(37,324)	-	(1,227)	-	(16,895)
Personnel expenses	(33,117)	-	-	-	(33,117)	-
Other operating income	8,971	-	1,845	4,364	-	2,762

<i>In RON thousand</i>	Total 2014	Parent	Associates	Joint ventures	Key Personnel	Other interest
Interest income	17,584	5,522	-	3,521	279	8,262
Interest expenses	(74,987)	(69,427)	(3)	(266)	(75)	(5,216)
Fees and commissions income	52,284	491	1	4,190	3	47,599
Fees and commissions expenses	(12,942)	(6)	-	-	-	(12,936)
Net trading income	55,200	54,836	-	368	-	(4)
Operating expenses	(59,177)	(32,911)	-	-	-	(26,266)
Personnel expenses	(21,559)	-	-	-	(21,559)	-
Other operating income	6,449	-	-	4,220	-	2,229

Operating expenses include mostly IT costs, legal, advisory and consulting expenses and office space expenses such as rental, maintenance and others.

35. RELATED PARTY TRANSACTIONS (continued)

Bank

<i>In RON thousand</i>	Total 2015	Parent	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest
Interest income	10,822	806	-	-	2,489	238	7,289
Interest expenses	(71,700)	(68,734)	(351)	-	(55)	(63)	(2,497)
Fees and commissions income	78,972	440	54,959	129	7,253	3	16,188
Fees and commissions expenses	(15,120)	(810)	-	-	-	-	(14,310)
Net trading income	(2,862)	(3,129)	85	-	182	-	-
Operating expenses	(55,809)	(37,324)	(363)	-	(1,227)	-	(16,895)
Personnel expenses	(33,117)	-	-	-	-	(33,117)	-
Other operating income	34,008	-	25,037	1,845	4,364	-	2,762

<i>In RON thousand</i>	Total 2014	Parent	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest
Interest income	17,584	5,522	-	-	3,521	279	8,262
Interest expenses	(75,345)	(69,427)	(315)	(3)	(309)	(75)	(5,216)
Fees and commissions income	88,672	491	36,338	1	4,240	3	47,599
Fees and commissions expenses	(12,942)	(6)	-	-	-	-	(12,936)
Net trading income	55,200	54,836	-	-	368	-	(4)
Operating expenses	(59,808)	(32,911)	(313)	-	(318)	-	(26,266)
Personnel expenses	(21,559)	-	-	-	-	(21,559)	-
Other operating income	24,213	-	17,674	-	4,310	-	2,229

The Group has concluded a number of selling contracts with RIEEF, an entity held in proportion of 100% by Raiffeisen Bank International, through which, loan contracts concluded by the Group with legal entities and individuals have been sold to the above mentioned entity. The accounting value of the loans sold during the financial year 2015 is of RON 1,882 thousand (2014: RON 3,083 thousand). In May 2015 the Group purchased from RIEEF the individuals loan portfolio in amount of RON 1.1 billion. In order to finance the purchased assets the group also took two financing facilities granted by Raiffeisen International Bank in total amount of EUR 205 million, one new financing facility of EUR 100mn and an existing one transferred from RIEEF in amount of EUR 105mn.

Transactions with key management personnel

Key management personnel is comprised of the members of the Supervisory Board, Management Board and other senior management as defined by the National Bank of Romania Regulation no.5/20.12.2013 related to the prudential requirements for credit institutions and amended by the Regulation no.5/17.12.2014. The transactions between the Group and key management personnel are in the normal course of business, representing: loans granted, deposits placed, foreign currency transactions and guarantees issued.

35. RELATED PARTY TRANSACTIONS (continued)

The volumes of related-party transactions as at year-ends and expense and income for the year are presented in the below tables.

<i>In RON thousand</i>	Group		Bank	
	2015	2014	2015	2014
Loans	8,887	7,547	8,887	7,547
Interest income and fees and commission income	241	283	241	283
Deposits	10,055	7,713	10,055	7,713
Interest expense paid	(63)	75	(63)	75

No impairment losses have been recognized in respect of loans given to key management personnel of the Group (31 December 2014: RON nil).

The following table shows total remuneration of the members of the Key management personnel according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards, respectively IAS 19 and IFRS 2:

Key management personnel compensation

<i>In RON thousand</i>	Group		Bank	
	2015	2014	2015	2014
Short-term employee benefits	29,830	20,777	29,830	20,777
Other long term benefits	2,534	-	2,534	-
Share-based payment	753	782	753	782
Total compensation	33,117	21,559	33,117	21,559

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits and those parts of the bonuses which become due for the short term. Furthermore, changes possibly arising from the difference between the bonus provision and the later awarded bonus are also contained. Other long-term benefits contains portions of the provision for bonus payments regarding deferred bonus portions in cash and retained portion payable in instruments. For the latter, valuation changes due to currency fluctuations are taken into account.

The increase in key management personnel compensation in 2015 compared to 2014 is due to the fact that in 2014, according to Group policy, no performance bonus was granted. Another factor generating the variance is the increase in number of personnel included in the category of key management.

36. TRANSFER OF FINANCIAL ASSETS

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets to third parties. The information below sets out the extent of such transfers, and the Group's retained interest in transferred assets.

RI Eastern European Finance B.V. (RIEEF)

The Group has sold retail and non-retail loans and advances to customer's portfolios to RIEEF, a related party (Note 35). The Group provides asset management services related to the respective transferred loan portfolios on an arm's length basis. The Group has transferred substantially all risks and rewards related to the transferred assets; as such the transferred assets are not included in these financial statements. The management fees are included in fees and commission income the value for 2015 being of RON 3,129 thousand (2014: RON 5,386 thousands).

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

37. COMMITMENTS AND CONTINGENCIES

i) Contingent assets

In 2015, the Group sold corporate loans to RIEEF amounting RON 1,882 thousand (the equivalent of EUR 424 thousand). In 2014, the sale of corporate loans to RIEEF amounted to RON 3,083 thousand (the equivalent of EUR 694 thousand).

The price received by the Group had the following two components:

- i) a fixed component set and cashed in at the transaction date;
- ii) a variable component – betterment payment – set and cashed in on a monthly basis for the remaining period until maturity.

For non-retail customers the price includes only fixed component and for retail customers the price includes fixed or variable component.

The variable component of the price represents a financial instrument for which there is no active market or recent transactions. Furthermore, the measurement technique using the present value of future cash flows leads to a series of fair values, framed in a wide interval of values due to the uncertainty related to the future cash flows.

The variable component of the price is computed as the net interest rate margin of the loan portfolio and depends on the variable factors such as: EURIBOR rates, financing costs, cash collected from customers, portfolio non-payment rate and anticipated payments rate. The accurate expectation of the evolution of these elements, which sets the variable component of the selling price, has a high level of volatility and, thus, the measurement technique using the present value of the future cash flows does not represent a measurement model which may be used for recording a financial asset.

The cashed in variable component of the selling price during the year 2015 amounts to RON 12,159 thousand (2014: RON 56,689 thousand) and was recorded as commission income (please refer to note 8).

ii) Credit related commitments

Guarantees and letters of credit

The Group issues guarantees and letters of credit for its customers. Guarantees and letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. The primary purpose of letters of credit is to ensure that funds are available to a customer as required.

Credit related commitments

Loan commitments represent unused amounts of approved credit facilities. The total outstanding contractual amount of commitments does not necessarily need future cash fundings, since many of these commitments will be closed without being used.

37. COMMITMENTS AND CONTINGENCIES (continued)

Off-balance sheet contractual amounts of commitments, guarantees and letters of credit issued are presented in the following table:

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
Loan commitments	6,732,669	6,401,128	6,732,669	6,401,128
Guarantees issued	1,479,072	1,776,918	1,479,072	1,776,918
Letters of credit	309,734	399,721	309,734	399,721
Total	8,521,475	8,577,767	8,521,475	8,577,767

iii) Contingencies from Operating lease

Contingencies from operating lease rentals are as follows:

	Group		Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<i>In RON thousand</i>				
Less than 1 year	110,228	114,537	110,011	113,703
1 – 5 year	274,087	320,711	273,222	317,377
More than 5 years	172,853	245,626	171,274	238,700
Total	557,168	680,874	554,507	669,780

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

Group

	Within 12 months 2015	After 12 months 2015	Total 2015	Within 12 months 2014	After 12 months 2014	Total 2014
<i>In RON thousand</i>						
Cash and cash with Central Bank	6,981,390	-	6,981,390	7,853,134	-	7,853,134
Trading assets	527,133	-	527,133	83,636	-	83,636
Derivative assets held for risk management	1,956	-	1,956	3,417	-	3,417
Loans and advances to banks	1,138,893	-	1,138,893	904,144	-	904,144
Loans and advances to customers	6,843,183	11,310,403	18,153,586	6,292,463	9,817,612	16,110,075
Investment securities	2,488,334	1,627,463	4,115,797	1,829,393	1,389,861	3,219,254
Investment in associates and joint ventures	-	102,192	102,192	-	112,103	112,103
Property, plant and equipment	-	212,958	212,958	-	227,347	227,347
Intangible assets	-	87,223	87,223	-	81,218	81,218
Deferred tax assets	-	15,714	15,714	-	27,843	27,843
Other assets	140,040	9,651	149,691	157,434	9,168	166,602
Total	18,120,929	13,365,604	31,486,533	17,123,621	11,665,152	28,788,773
<i>In RON thousand</i>						
Trading liabilities	37,902	-	37,902	54,055	-	54,055
Derivative liabilities held for risk management	5,332	-	5,332	7,047	-	7,047
Deposits from banks	600,751	26,331	627,082	491,642	41,379	533,021
Deposits from customers	23,529,419	210,173	23,739,592	20,740,935	326,923	21,067,858
Current tax liabilities	16,167	-	16,167	31,586	-	31,586
Loans from banks and other financial institutions	624,068	1,000,407	1,624,475	601,449	875,424	1,476,873
Debt securities issued	243,452	496,242	739,694	21,966	718,321	740,287
Subordinated liabilities	5,745	944,691	950,436	5,185	918,470	923,655
Provisions	44,684	48,713	93,397	52,840	7,669	60,509
Other liabilities	428,199	13,662	441,861	546,401	17,096	563,497
Total	25,535,719	2,740,219	28,275,938	22,553,106	2,905,282	25,458,388

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

Bank

	Within 12 months 2015	After 12 months 2015	Total 2015	Within 12 months 2014	After 12 months 2014	Total 2014
<i>In RON thousand</i>						
Cash and cash with Central Bank	6,981,376	-	6,981,376	7,853,128	-	7,853,128
Trading assets	527,218	-	527,218	83,636	-	83,636
Derivative assets held for risk management	1,956	-	1,956	3,367	47	3,414
Loans and advances to banks	1,138,893	-	1,138,893	904,128	-	904,128
Loans and advances to customers	6,843,183	11,310,403	18,153,586	6,292,463	9,817,612	16,110,075
Investment securities	2,487,564	1,607,125	4,094,689	1,827,794	1,371,316	3,199,110
Investment in associates and joint ventures	-	76,761	76,761	-	76,761	76,761
Property, plant and equipment	-	212,695	212,695	-	227,170	227,170
Intangible assets	-	87,159	87,159	-	81,153	81,153
Deferred tax assets	-	15,598	15,598	-	27,547	27,547
Other assets	143,543	9,651	153,194	159,295	9,168	168,463
Total	18,123,733	13,319,392	31,443,125	17,123,811	11,610,774	28,734,585
<i>In RON thousand</i>						
Trading liabilities	37,902	-	37,902	54,314	-	54,314
Derivative liabilities held for risk management	5,276	-	5,276	7,046	-	7,046
Deposits from banks	600,751	26,331	627,082	491,643	41,379	533,022
Deposits from customers	23,533,023	210,173	23,743,196	20,746,949	326,923	21,073,872
Current tax liabilities	16,095	-	16,095	30,454	-	30,454
Loans from banks and other financial institutions	624,068	1,000,407	1,624,475	601,449	875,424	1,476,873
Debt securities issued	246,323	499,962	746,285	21,966	724,924	746,890
Subordinated liabilities	5,745	944,691	950,436	5,185	918,470	923,655
Provisions	44,684	48,713	93,397	52,840	7,669	60,509
Other liabilities	427,078	13,662	440,740	543,988	17,096	561,084
Total	25,540,945	2,743,939	28,284,884	22,555,834	2,911,885	25,467,719

39. CAPITAL

The Capital management of the Group is defined through the capital strategy approved by the Management Board and is reviewed at least once every year. The primary objective of the Group's capital management is to ensure an adequate level of capital which meets not only the regulatory requirements, but also the limits set in the capital strategy. The Management Board of the Group actively manages the capital structure and seeks to maintain at all times a higher level of capital than the regulatory one in order to ensure a comfortable position in achieving the Group's business objectives. No major changes have been made to the objectives and policies regarding capital management compared to the previous year.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012 requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5 %, a minimum Tier 1 capital ratio of 6 % and a minimum total capital ratio of 8 % and the Group is compliant with these requirements.

<i>In RON thousand</i>	Group		Bank	
	2015	2014	2015	2014
Tier 1 Capital	2,604,026	2,639,844	2,531,344	2,588,458
Tier 2 Capital	854,982	889,557	844,591	882,879
Total capital	3,459.008	3,529,401	3,375,935	3,471,337
Risk weighted assets	18,735,484	17,518,204	18,168,762	17,004,645
Common Equity Tier 1 Capital ratio	13.90%	15.07%	13.93%	15.22%
Tier 1 Capital ratio	13.90%	15.07%	13.93%	15.22%
Total Capital ratio	18.46%	20.15%	18.58%	20.41%

Regulatory capital consists of Tier 1 and Tier 2 layers of capital. Tier 1 is made of equity (excluding current year profit) and deductions according to legislation in force. Tier 2 capital includes subordinated long term debt and deductions according to legislation in force.

40. SEGMENTS CONSOLIDATION

Key decisions are made by chief operating decision makers determining the resources allocated to each segment based on its financial strength and profitability.

The Group follows financial performance and steers the business by segments and products, namely customer business consists of Corporate, Retail, Financial Institutions and Own employees. Corporate comprises legal entities with an annual turnover exceeding EUR 5 million. Retail contains individual clients and legal entities with an annual turnover below the EUR 5 million threshold (small and medium entities), while Financial Institutions (part of Treasury Division) deals with brokers, banks, insurance companies, leasing firms, investment and pension funds, as well as asset management companies.

40. SEGMENTS CONSOLIDATION (continued)

The Group offers a wide array of banking services to its customers, adapted to the ever changing needs of our clients, but with maintained focus on the basics of banking. Customer business lines bring in more than 85% of the Group's operating income, with following specifics worth mentioning: corporate clients chiefly draw their revenue streams from lending business, followed by fees from cash management, account services, foreign currency deals and investment banking activity. Small clients also share these characteristics, while their unique business traits are visible through more intense payment and account activity, thus generating visibly greater proportion of the revenues as fees. Private individual customers provide a highly diversified revenue source for the Group, mainly from unsecured loans, credit card and overdraft facilities, but also from mortgage loans, saving products and transactional business, FX deals and asset management services, as well as from the activity of intermediating transactions on the stock exchange; the Group continues to focus its attention on promoting alternative channels usage and thus provide improved services with advantages for both sides. Revenues are also brought in from loans and deposits granted to own employees, reported below as part of segment "Others".

Proprietary business consists of Treasury Division (less Financial Institutions) and "Others" segment (less Own employees). The first mainly provides income streams from treasury activities, namely trading revenues, net income from financial assets held at fair value through profit and loss, as well as from interest contribution. The latter shows revenues mainly obtained as a result of transfers among segments, capital benefit, income generated by participations.

Regarding the segmentation by geographical area, the Group is performing it's activity mainly under geographical area of Romania.

40. SEGMENTS CONSOLIDATION (continued)

Group

<i>In RON thousand</i>	Corporate Customers 2015	Private Individuals 2015	SME 2015	Treasury Division 2015	Others 2015	Total unit 2015
Total Assets before impairment losses on loans and advances	6,280,854	10,827,494	1,594,781	11,318,675	2,499,615	32,521,419
Impairment losses on loans and advances	(341,895)	(577,744)	(105,917)	-	(9,330)	(1,034,886)
Total Assets	5,938,959	10,249,750	1,488,864	11,318,675	2,490,285	31,486,533
Total Liabilities	6,001,488	12,433,992	4,351,550	3,712,160	1,776,748	28,275,938
Equity	-	-	-	-	3,210,595	3,210,595
Net interest income	206,468	621,811	166,369	2,686	57,313	1,054,647
Net commission income	101,283	340,165	171,304	16,153	1,101	630,006
Net Trading income	47,419	103,790	54,810	81,605	893	288,517
Net income from financial instruments carried at fair value	396	7,130	3,550	(6,244)	3	4,835
Other net operating income	(11)	(1)	-	(1)	27,054	27,041
Total Operating income	355,555	1,072,895	396,033	94,199	86,364	2,005,046
Operating expenses	(84,714)	(366,880)	(116,267)	(24,190)	(89,107)	(681,158)
Personnel expenses	(76,311)	(322,222)	(101,075)	(21,941)	(6,809)	(528,358)
Net provisioning for impairment losses	(73,487)	(184,770)	(26,936)	-	(3,819)	(289,012)
Share of loss of associates	69	1,687	198	-	1,291	3,245
Profit before tax	121,112	200,710	151,953	48,068	(12,080)	509,763
Income taxes	-	-	-	-	(83,332)	(83,332)
Profit after tax	121,112	200,710	151,953	48,068	(95,412)	426,431

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40. SEGMENTS CONSOLIDATION (continued)

Group

<i>In RON thousand</i>	Corporate Customers 2014	Private Individuals 2014	SME 2014	Treasury Division 2014	Others 2014	Total unit 2014
Total Assets before impairment losses on loans and advances	5,977,879	9,061,132	1,541,545	10,673,642	2,501,398	29,755,596
Impairment losses on loans and advances	(343,978)	(509,440)	(107,807)	-	(5,598)	(966,823)
Total Assets	5,633,901	8,551,692	1,433,738	10,673,642	2,495,800	28,788,773
Total Liabilities	5,329,435	11,212,417	3,802,211	3,263,059	1,851,266	25,458,388
Equity	-	-	-	-	3,330,385	3,330,385
Net interest income	214,581	568,917	173,158	(26,199)	114,621	1,045,078
Net commission income	120,648	366,878	169,792	21,644	1,061	680,023
Net Trading income	49,715	83,087	46,305	100,824	814	280,745
Net income from financial instruments carried at fair value	551	1,293	162	31,706	60	33,772
Other net operating income	-	-	-	-	28,210	28,210
Total Operating income	385,495	1,020,175	389,417	127,975	144,766	2,067,828
Operating expenses	(77,978)	(381,162)	(119,111)	(22,548)	(65,601)	(666,400)
Personnel expenses	(66,256)	(292,919)	(93,029)	(21,177)	(7,845)	(481,226)
Net provisioning for impairment losses	(119,712)	(156,358)	(36,761)	-	(1,155)	(313,986)
Share of loss of associates	439	2,223	398	(153)	1,991	4,898
Profit before tax	121,988	191,959	140,914	84,097	72,156	611,114
Income taxes	-	-	-	-	(98,621)	(98,621)
Profit after tax	121,988	191,959	140,914	84,097	(26,465)	512,493

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40. SEGMENTS CONSOLIDATION (continued)

Bank

<i>In RON thousand</i>	Corporate Customers 2015	Private Individuals 2015	SME 2015	Treasury Division 2015	Others 2015	Total unit 2015
Total Assets before impairment losses on loans and advances	6,280,854	10,827,494	1,594,781	11,273,432	2,501,450	32,478,011
Impairment losses on loans and advances	(341,895)	(577,744)	(105,917)	-	(9,330)	(1,034,886)
Total Assets	5,938,959	10,249,750	1,488,864	11,273,432	2,492,120	31,443,125
Total Liabilities	6,001,488	12,433,992	4,351,550	3,712,160	1,785,694	28,284,884
Equity	-	-	-	-	3,158,241	3,158,241
Net interest income	206,468	621,811	166,369	1,559	57,313	1,053,520
Net commission income	100,411	322,761	168,782	16,153	1,099	609,206
Net Trading income	47,419	103,790	54,810	81,349	893	288,261
Net income from financial instruments carried at fair value	396	7,130	3,550	(6,244)	3	4,835
Other net operating income	-	-	-	-	54,120	54,120
Total Operating income	354,694	1,055,492	393,511	92,817	113,428	2,009,942
Operating expenses	(84,587)	(364,349)	(115,900)	(24,190)	(89,106)	(678,132)
Personnel expenses	(76,142)	(318,873)	(100,589)	(21,941)	(6,810)	(524,355)
Net provisioning for impairment losses	(73,487)	(184,770)	(26,936)	-	(3,819)	(289,012)
Profit before tax	120,478	187,500	150,086	46,686	13,693	518,443
Income taxes	-	-	-	-	(80,879)	(80,879)
Profit after tax	120,478	187,500	150,086	46,686	(67,186)	437,564

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40. SEGMENTS CONSOLIDATION (continued)

Bank

<i>In RON thousand</i>	Corporate Customers 2014	Private Individuals 2014	SME 2014	Treasury Division 2014	Others 2014	Total unit 2014
Total Assets before impairment losses on loans and advances	5,977,879	9,061,132	1,541,545	10,619,695	2,501,157	29,701,408
Impairment losses on loans and advances	(343,978)	(509,438)	(107,807)	-	(5,600)	(966,823)
Total Assets	5,633,901	8,551,694	1,433,738	10,619,695	2,495,557	28,734,585
Total Liabilities	5,329,435	11,212,417	3,802,211	3,263,059	1,860,597	25,467,719
Equity	-	-	-	-	3,266,866	3,266,866
Net interest income	214,658	568,979	173,298	(10,161)	97,265	1,044,039
Net commission income	119,179	338,401	165,581	21,730	1,061	645,952
Net Trading income	49,715	82,194	46,305	98,881	814	277,909
Net income from financial instruments carried at fair value	551	1,415	162	31,905	1	34,034
Other net operating income	-	-	-	-	45,449	45,449
Total Operating income	384,103	990,989	385,346	142,355	144,590	2,047,383
Operating expenses	(77,848)	(378,072)	(118,739)	(21,489)	(65,600)	(661,748)
Personnel expenses	(66,061)	(288,859)	(92,471)	(20,665)	(7,845)	(475,901)
Net provisioning for impairment losses	(119,712)	(156,358)	(36,761)	-	(1,155)	(313,986)
Profit before tax	120,482	167,700	137,375	100,201	69,990	595,748
Income taxes	-	-	-	-	(94,380)	(94,380)
Profit after tax	120,482	167,700	137,375	100,201	(24,390)	501,368

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

41. SUBSEQUENT EVENTS

At the end of November 2015, the Romanian Parliament has adopted the law which allows the consumers to settle an outstanding mortgage loan by returning the related pledged property („datum in solutum law”). The law has not been approved by the Romanian President, who sent it, in mid December 2015, to the Parliament for re-examination. At the date of these financial statements, the „datum in solutum law” is being reanalysed by the Parliament. Important institutions, with proved technical expertise, have already presented their views related to the negative impact of the current version of the law and proposed significant changes – National Bank of Romania, European Central Bank, European Commission, Government, Ministry of Justice, Magistrates Superior Council.

Should the law be enacted until the publication of these financial statements, this will be an un-adjusting subsequent event for financial year 2015.