INTESA SANPAOLO BANK
Romania

BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.

FINANCIAL STATEMENTS
31 DECEMBER 2015

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

Free translation

CONTENTS **PAGE**

Statement of responsibility for financial statements preparation	
Independent auditors' report	
Income statement	1
Statement of profit or loss and other comprehensive income	2
Statement of financial position	3
Statement of changes in equity	4
Statement of cash flows	5-6
Notes to the financial statements	7-71

This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our financial statements takes precedence over this translation.

STATEMENT
Pursuant to art.30 of Accounting Law no. 82/1991

The yearly financial statements as at 31 December 2015 were prepared for:
Company: BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A. ("the Bank")
Headquarters and registered office:
Bucharest, Nicolae Caramfil Street no. 85 A, Art Business Center, 4th floor, sector 1, zip code 014142,
Bucharest, ROMANIA
Secondary headquarters:
Arad, B-dul Revolutiei no. 88, zip code 310025, jud. Arad, ROMANIA
Trade Register no: J40/2449/02.03.2015
Type of business ownership: 34—joint stock companies
Main activity (NACE code and description): 6419—Other monetary intermediation activities
Fiscal Identification Code: 8145422

The Deputy General Manager of the Bank, Stefano Borsari, takes responsibility for the preparation of the annual financial statements as at and for the year ended 31 December 2015 and confirms the following :

a) the accounting policies used in the preparation of the annual financial statements comply with the applicable accounting regulations (namely International Financial Reporting Standards as endorsed by European Union);

b) the annual financial statements present fairly the financial position, financial performance as well as the other information regarding the activity performed.

c) The Bank is a going concern.

Stefano Borsari
General Deputy Manager

This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our financial statements takes precedence over this translation.

KPMG Audit SRL
Victoria Business Park
DN1, Soseaua Bucuresti-Ploiesti nr. 69-71
Sector 1

P.O. Box 18-191
Bucharest 013685
Romania

Tel: +40 (21) 201 22 22
+40 (372) 377 800
Fax: +40 (21) 201 22 11
+40 (372) 377 700
www.kpmg.ro

Independent Auditors' Report
(free translation[1])

To the shareholders of
Banca Comerciala Intesa Sanpaolo Romania S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of Banca Comerciala Intesa Sanpaolo Romania S.A. ("the Bank"), which comprise the statement of financial position as at 31 December 2015, the income statement, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Fiscal registration code RO12997279
Trade Registry no.J40/4439/2000
Share Capital 2,000 RON

CF

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of Banca Comerciala Intesa Sanpaolo Romania S.A. present fairly, in all material respects, the financial position of the Bank as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Other Matters

This report is made solely to the Bank's shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for the report on financial statements and the report on conformity or for the opinion we have formed.

Report on conformity of the Administrators' Report with the financial statements

In accordance with the Order of the National Bank of Romania no 27/2010 and related amendments, article no. 16 point (1) e) of the accounting regulations conforming with International Financial Reporting Standards, applicable to credit institutions, we have read the Administrators' Report attached to the financial statements and presented from page 1 to 13. The Administrators' Report is not a part of the financial statements. In the 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 financial statements.

For and on behalf of KPMG Audit S.R.L.:

Refer to the original signed Romanian version	**Refer to the original signed Romanian version**
Furtuna Cezar-Gabriel	
registered with the Chamber of Financial Auditors of Romania under no 1526/20.11.2003	registered with the Chamber of Financial Auditors of Romania under no 9/2001

Bucharest, 11 March 2016

CF

BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.
INCOME STATEMENT
for the year ended at 31 December 2015
(all amounts are presented in RON, unless otherwise stated)

	Note	2015 RON	2014 RON
Interest income		184,073,980	232,532,960
Interest expense		-57,098,723	-88,624,004
Net interest income	7	**126,975,257**	**143,908,956**
Fee and commission income		36,130,208	41,165,216
Fee and commission expense		-8,086,167	-10,494,753
Net fee and commission income	8	**28,044,041**	**30,670,463**
Net trading income	9	18,334,050	15,572,603
Other income from sale of financial assets avaibalavailable for sale	10	3,414,514	365,090
Other operating income		1,600,733	1,383,765
Net other operating income		**23,349,297**	**17,321,458**
Total operating income		**178,368,595**	**191,900,877**
Impairment allowance on loans and advances to customers	18	-38,091,597	-302,040,194
Net gain/(losses) from disposal of assets		272,459	-2,050,248
Impairment of equity investments		-5,000,000	-8,900,000
Net charge / (release) of provisions for risks and charges		5,072,659	3,377,068
Personnel expenses	11	-63,168,436	-69,272,567
Depreciation, amortization and impairment of tangible and intangible assets and investment property	20,21, 22	-14,302,347	-25,595,319
Other operating expenses	12	-52,340,253	-51,526,498
Profit/(Loss) before tax		**10,811,080**	**-264,106,881**
Income tax expense	13	-	-
Profit/(Loss) for the year		**10,811,080**	**-264,106,881**

The financial statements were approved by the Board of Directors on 11 March 2016 and were signed on its behalf by:

Stefano Borsari
Deputy General Manager

Ana-Maria Enache
Chief of Accounting Department

Accompanying notes are an integral part of these financial statements.

This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our financial statements takes precedence over this translation.

(all amounts are presented in RON, unless otherwise stated)

	2015 RON	2014 RON
Profitul/(Loss) for the year	**10,811,080**	**-264,106,881**
Other comprehensive income, net of income tax		
Items that are or may be reclassified to profit or loss		
Revaluation reserve of available-for-sale financial assets		
Net change in fair value	-8,154,744	7,438,741
Net amount transferred from reserve to profit or loss	3,348,984	260,281
Related tax	768,922	-1,231,843
Other comprehensive income, net of tax	**-4,036,838**	**6,467,179**
Total comprehensive income for the year, net of tax	**6,774,242**	**-257,639,702**

The financial statements were approved by the Board of Directors on 11 March 2016 and were signed on its behalf by:

Stefano Borsari
Deputy General Manager

INTESA SANPAOLO 1

Ana-Maria Enache
Chief of Accounting Department

Accompanying notes are an integral part of these financial statements.

This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our financial statements takes precedence over this translation.

(all amounts are presented in RON, unless otherwise stated)

	Note	2015	2014
		RON	**RON**
ASSETS			
Cash and balances with central bank	15	712,170,436	602,915,825
Placements with banks	17	110,600,698	308,034,381
Derivative assets held for risk management	16	1,834,602	1,797,655
Loans and advances to customers	18	2,805,709,917	2,883,488,505
Financial assets available for sale	19	481,375,092	499,536,470
Equity investments	19	7,927,588	11,269,138
Property and equipment	20	69,620,679	77,069,544
Intangible assets	21	24,021,122	27,649,245
Investment property	22	7,027,114	7,183,377
Deferred tax assets	23	15,911,575	15,911,575
Other assets	24	20,086,635	12,704,277
TOTAL ASSETS		**4,256,285,458**	**4,447,559,992**
LIABILITIES			
Derivative liabilities held for risk management	17	1,718,017	1,652,151
Deposits from banks	25	142,625,239	78,586,091
Borrowings from banks	27	660,985,074	750,239,314
Deposits from customers	26	2,900,066,773	3,067,079,410
Subordinated borrowings	28	31,710,039	31,420,864
Provisions	29	14,985,696	23,034,482
Deferred tax liabilities	23	1,192,978	1,961,900
Other liabilities	30	27,181,724	24,529,505
TOTAL LIABILITIES		**3,780,465,540**	**3,978,503,717**
EQUITY			
Share capital and share premium	31	1,178,443,100	1,178,443,100
Accumulated losses		-736,767,245	-747,037,771
Reserves	31	34,144,063	37,650,946
TOTAL EQUITY		**475,819,918**	**469,056,275**
TOTAL LIABILITIES AND EQUITY		**4,256,285,458**	**4,447,559,992**

The financial statements were approved by the Board of Directors on 11 March 2016 and were signed on its behalf by:

Stefano Borsari
Deputy General Manager

Ana-Maria Enache
Chief of Accounting Department

Accompanying notes are an integral part of these financial statements.

This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our financial statements takes precedence over this translation.

BANCA COMERCIALA INTESA SANPAOLO ROMANIA S.A.
STATEMENT OF CHANGES IN EQUITY
for the year ended at 31 December 2015
(all amounts are presented in RON, unless otherwise stated)

	Attributable to equity holders of the Bank					
	Share capital	**Share Premium**	**Accumulated losses**	**Reserves related to financial assets available for sale**	**Other reserves**	**Total**
Balance at 1 January 2014	**926,814,210**	**251,628,890**	**-482,930,890**	**3,832,796**	**27,350,971**	**726,695,978**
Comprehensive income						
Loss for the year	-	-	-264,106,881	-	-	-264,106,881
Net variation in reserves for available-for-sale financial assets	-	-	-	6,467,179	-	6,467,179
Total comprehensive income	-	-	**-264,106,881**	**6,467,179**	-	**-257,639,702**
Transactions with shareholders, recorded directly in equity	-	-	-	-	-	-
Balance at 31 December 2014	**926,814,210**	**251,628,890**	**-747,037,771**	**10,299,975**	**27,350,971**	**469,056,275**
Balance at 1 January 2015	**926,814,210**	**251,628,890**	**-747,037,771**	**10,299,975**	**27,350,971**	**469,056,275**
Comprehensive income						
Profit/(Loss) for the year	-	-	10,811,080	-	-	10,811,080
Net variation in reserves for available-for-sale financial assets	-	-	-	-4,036,838	-	-4,036,838
Statutory reserve set-up	-	-	-540,554	-	540,554	-
Realised reserves					-10,599	-10,599
Total comprehensive income	-	-	**10,270,526**	**-4,036,838**	**529,956**	**6,763,643**
Transactions with shareholders, recorded directly in equity	-	-	-	-	-	-
Balance at 31 December 2015	**926,814,210**	**251,628,890**	**-736,767,245**	**6,263,137**	**27,880,926**	**475,819,918**

The financial statements were approved by the Board of Directors on 11 March 2016 and were signed on its behalf by:

Stefano Borsari
Deputy General Manager

Ana-Maria Enache
Chief of Accounting Department

Accompanying notes are an integral part of these financial statements.

This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our financial statements takes precedence over this translation.

(all amounts are presented in RON, unless otherwise stated)

	Note	2015	2014
Cash flows from operating activities			
Profit/(Loss) before taxation		**10,811,080**	**-264,106,881**
Adjustments for::			
Depreciation and amortization of tangible and intangible assets	20,21, 22	14,302,347	25,595,319
Net loss from impairment of financial assets	18, 19	38,091,597	302,040,194
Change in fair value of financial assets at fair value through profit and loss		28,919	-66,517
Impairment of other items from financing and investing activities		5,000,000	8,900,000
Other non-cash adjustments		-10.309.305	1.272.437
Operating profit before changes in operating assets and liabilities		**57,924,638**	**73,634,552**
Changes in operating assets:			
(Increase)/decrease in financial assets available for sale		16,939,076	35,334,691
(Increase)/decrease in loans and advances to customers		37,621,090	250,391,176
(Increase)/decrease in other assets		-5,631,538	-345,172
Change in operating liabilities:			
Increase /(decrease) in deposits from banks		88,623,417	-102,733,652
Increase /(decrease) in deposits from customers		-167,012,636	-92,012,306
Increase /(decrease) in other liabilities		2,652,218	-2,695,407
Net cash (used in)/from operating activities		**-26,808,373**	**161,573,882**
Cash flows from investing activities			
Income from sale of tangible assets		649,876	1,383,467
Acquisition of tangible and intangible assets		-5,052,509	-12,286,717
Acquisition of equity investments		-1,658,450	-6,600,000
Dividends received		315,081	280,637
Net cash used in investing activities		**-5,746,003**	**-17,222,613**
Cash flows from financing activities			
Repayment of borrowings from banks		-113,549,335	-190,059,219
Proceeds from borrowings from banks		-	-
Net cash used in financing activities		**-113,549,335**	**-190,059,219**
Net decrease in cash and cash equivalents		-88,179,073	-45,707,952
Cash and cash equivalents at 1 January		**910,950,206**	**956,658,158**
Cash and cash equivalents at 31 December	32	**822,771,133**	**910,950,206**

	2015	2014
Cash flows from operating activities include:		
Interest received	158,685,625	264,476,844
Interest paid	-54,195,300	-99,074,671

The financial statements were approved by the Board of Directors on 11 March 2016 and were signed on its behalf by:

Stefano Borsari
Director General Adjunct

Ana-Maria Enache
Sef Departament Contabilitate

(all amounts are presented in RON, unless otherwise stated)

1. REPORTING ENTITY

Banca Comerciala Intesa Sanpaolo Romania S.A. ("the Bank") was established in Romania in December 1996, originally under the name "West Bank" and is accredited by the National Bank of Romania to perform banking activities. The bank changed its name from "West Bank" to "Sanpaolo IMI Bank Romania" after approval by the National Bank of Romania on 16 October 2003 and finally in "Intesa Sanpaolo Romania Commercial Bank" after approval by the National Bank of Romania on 14 January 2008 as a result of the merger between Banca Intesa and Sanpaolo IMI.

In 2012, according to the decisions of the Extraordinary General Meeting of Shareholders of Banca Comerciala Intesa Sanpaolo Romania SA and Banca Comerciala CR Firenze Romania S.A. the merger of the banks took place in accordance with the Article 238 paragraph (1) point a) of the Companies Law 31/1990 with subsequent amendments and completions, as a result, Banca Comerciala CR Firenze Romania SA, as the absorbed company, has been integrated into Banca Comerciala Intesa Sanpaolo Romania SA, as absorbing company.

The share capital as at 31 December 2015 is in amount of RON 886,639,410, with the following structure:

- Intesa Sanpaolo SpA, major shareholder, which owns 81,096,905 shares in amount of RON 810,969,050, representing 91.47% of the Bank's share capital;
- CASSA DI RISPARMIO DI FIRENZE SpA, which owns 7,252,825 shares in amount of RON 72,528,250, representing 8.18% of the share capital;
- INTESA SANPAOLO HOLDING INTERNATIONAL S.A., which owns 314,211 shares in amount of RON 3,142,110, representing 0.35% of the share capital.

The Bank's main activity is to provide banking services to companies and individuals. These include: opening of deposit, local and abroad payments, foreign exchange operations, credit lines, medium term facilities, letters of guarantee, letters of credit and financing micro enterprises and small and medium enterprises which are operating in Romania etc.

As at 31 December 2015, the Bank had 35 branches, 10 agencies, resulting a total of 45 units plus the headquarters and a total number of 656 employees. As at 31 December 2013 the bank had: 42 branches, 29 agencies (a total of 72 units plus the headquarters) and a total of 777 employees.

The headquarters of the Bank is located at the following address: Nicolae Caramfil Street, no. 85A, Art Business Center, 4th floor, sector 1, zip code 014142, Bucharest, Romania
The secondary headquarters: B-dul Revolutiei No. 88, Arad, Romania.

The Board of Directors of the Bank comprises 6 members elected by the General Meeting of Shareholders.

The Board of Directors of the Bank comprises the following members:

	31 December 2015		31 December 2014	
1.	Giovanni Ravasio	President	Giovanni Ravasio	President
2.	Ezio Salvai	Vice-president	Ezio Salvai	Member
3.	Giampiero Trevisan	Member	Giampiero Trevisan	Member
4.	Alexandru Ene	Member	Alexandru Ene	Member
5.	Luca Finazzi	Member	Marina Tabacco	Member
6.	Giovanni Bergamini	Member	Luca Finazzi	Member
7.	-		Giovanni Bergamini	Member

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Statement of Compliance

As at 31 December 2015 the financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS").

From the Romanian accounting perspective, the Bank is exempt to prepare consolidated financial statements, complying with stipulations as per paragraph 31 point b of the accounting Regulations in line with IFRS, approved by the Order of the National Bank of Romania no. 27/2010 ("IFRS"), fulfilling the cumulative conditions stipulated under paragraph 32 and 33 of the same Regulations and in accordance with the National Bank of Romania communication no. VI//2/12924/06.09.2015.
According to IAS 27, a parent company has no need to present consolidated financial statements if and only if :

- the parent is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to the parent not presenting consolidated financial statements;
- the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- the ultimate parent company or any immediate parent of the parent company prepares consolidated financial statements available for public use in accordance with International Financial Reporting Standards;
- the parent did not file, nor is it in the process of filing its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; the ultimate parent company or any other intermediate parent of the parent company produces financial statements available to the public, to comply with IFRS.

The parent company which prepares the consolidated financial statements is INTESA SANPAOLO SpA, located in Italy, 10121 Torino, Piazza San Carlo no. 156.

The annual consolidated financial statements are available for public view on INTESA's website (www. group.intesasanpaolo.com). The Bank fulfils the above criteria through the membership to Intesa Sanpaolo Spa which prepares and publishes financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union.

2.2. Basis of measurement

The Bank's accounting records are maintained in RON, according to accounting legislation of Romania, as well as banking regulations in force issued by the National Bank of Romania.
The financial statements have been prepared on a fair value basis for derivative instruments, the financial assets and liabilities at fair value through profit or loss and financial instruments available for sale, except those for which fair value cannot be determined reliably.

Other financial assets and liabilities and non-financial assets and liabilities are carried at amortized cost, revaluated amount or historical cost.

2.3. Functional and presentation currency

Management believes that functional currency as defined by IAS 21 ("The Effects of Changes in Foreign Exchange Rates") is RON. The financial statements are presented in RON.

(all amounts are presented in RON, unless otherwise stated)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4. Use of estimates and judgments

Preparation of financial statements is performed by applying the Bank's accounting policies, which are in accordance with IFRS as adopted by the European Union. In the process of applying the Bank's accounting policies, management proceeds to the use of judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.
The estimates and associated assumptions are based on historical data and other factors considered to be eloquent in the circumstances, and the result of these factors form the basis of judgments used in determining the carrying amount of assets and liabilities for which there are no other sources of evaluation available. Actual results could differ from these estimates. Estimates and judgments are periodically reviewed. Revision of accounting estimates are recognized in the period in which the estimate is performed and in any future periods affected, if the revision affects both current period and future periods.
Information regarding the significant estimates and judgments in applying accounting policies that have a significant effect on the amounts recognized in the financial statements are presented in Notes 5 and 6.

3. CHANGES IN ACCOUNTING POLICIES

The Bank has consistently applied the significant accounting policies described in section 4 for all periods presented in these financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These significant accounting policies adopted and applied by the Bank as set out below have been applied consistently to all periods presented in these financial statements.

a) Business combinations with entities under common control

Business combinations arising from transfers of interest in entities that are under the control of the same shareholder are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date when common control was established.

a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the bank at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at exchange rates at the dates the fair value was determined.
The exchange rates of major foreign currencies were:

Currency	**31 December 2015**	**31 December 2014**	**%**
Euro (EUR)	1: RON 4,5245	1: RON 4,4821	+ 0.95%
Dolar American (USD)	1: RON 4,1477	1: RON 3,6868	+12.50%

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Accounting for the effect of hyperinflation

Romania has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the end of reporting period (i.e. non-monetary items are restated using a general price index from the date of acquisition or contribution).

As the characteristics of the economic environment of Romania indicate that hyperinflation has ceased, effective from 1 January 2004 the Bank no longer applied the provisions of IAS 29.
Accordingly, the amounts expressed in the measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these financial statements.

d) Interest income and expenses

Interest income and expenses are recognized in the income statement using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.
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 net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The calculation of the effective interest rate (EIR) includes all fees and commissions, paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

e) Fees and commissions

Fees and commission income and expenses that are directly attributable to the financial asset or liability origination are included in the measurement of the effective interest rate.

Other fee and commission income arising on the financial services provided by the Bank is recognized in the profit and loss account as the related service is provided.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

f) Dividends

Dividend income is recognized in the profit and loss account when the right to receive income is established. Dividends are reflected as a component of other operating income in the Income Statement.

Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Meeting of Shareholders.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Lease payments*

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

h) *Net trading income*

This category comprises gains less losses related to trading assets and liabilities and derivatives held for risk management, and includes all realized and unrealized fair value changes and foreign exchange differences.

i) *Income tax*

Income tax comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of prior periods.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.
The tax rate used to calculate the current and deferred tax position at 31 December 2015 is 16% (31 December 2014: 16%).

j) *Financial assets and liabilities*

(i) Recognition

The Bank initially recognises 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 recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

(ii) Classification

Financial assets:
The Bank classifies its financial assests in the following categories:

- Loans and receivables
- Held until maturity
- Available for sale and
- At fair value through profit and loss, and in the same category:
    - held for trading or
    - designated at fair value through profit or loss

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial assets and liabilities (continued)

Financial liabilities:
The Bank classifies the financial liabilities, other than financial guarantees and loan commitments, at amortised cost or fair value through profit or loss.

((iii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it 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 transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

When the Bank sells a financial asset and simultaneously signs a repurchase agreement of the asset (or a similar asset) at a fixed price and at a time set ("repo"), the contract is recorded as a loan from banks and asset to which it relates continues to be recognized in the balance Bank.
The Bank enters into a transaction that transfers assets recognized on the balance sheet, but retains either all risks or rewards of the transferred assets or a part thereof. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or most significant risks and rewards include, for example, securities lending or sale transactions with repurchase clause.

For transactions in which the Bank neither retains nor transfers substantially the risks and rewards of ownership of a financial asset, the asset is derecognizes if it was lost control over it.

The rights and obligations retained after the transfer are recognized separately as assets and liability, respectively. In transfers where control over the asset is retained, the Bank continues to recognize the asset to the extent that remains involved, the degree of involvement is determined by the degree to which the Bank is exposed to changes in value of the asset transferred.

The Bank derecognises a financial liability when its obligations are discharged or cancelled or expire.

The Bank uses the specific identification method to determine the gain or loss on derecognition.
In 2014 and 2015, following the recommendations of the National Bank of Romania, the loans in non-collection situation (with recovery estimation 0) entirely provided for were recorded outside balance, and the accounting policy updated accordingly.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, or 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.

(v) Amortised cost measurement

The amortised 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 amortisation using the effective interest method, of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial assets and liabilities (continued)

(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 Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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

The fair value of traded financial instruments on an active market is based on the mid price (stock markets, dealer markets, broker markets) or on the mid price established by the broker/dealer which is posted through electronic information posting platforms (Bloomberg, Reuters), with no deduction for transactioning costs.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include pricing models and discounted cash flows. The cash flows estimated are determined based on the management's best estimate and market discount rate as at the reporting date for a similar instrument.. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. Where a fair value cannot be estimated reliably for a financial instrument that is not traded on an active market, the financial instrument is valued at cost and is tested for impairment as at the reporting date.

The Bank recognises transfers between levels of the fair value hierarchy as of the date or change in circumstances in which the change has occurred.

(vii) Identification and measurement of impairment

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets not carried at fair value through profit or loss 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 not be possible to identify a single, discrete 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 recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised 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 (i.e. the effective interest rate computed at initial recognition). If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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 recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The amount of the reversal is recognised in profit or loss.

Loans and advances to customers

The Bank, based on its internal impairment assessment methodology, has included observable data on the following loss events that comes 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 such as breach of contract, default or delinquency in interest or principal payments of the borrowers (individually and in the same group of borrowers);
b) 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 such as the rescheduling of the interest or principal payments;
c) is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
d) observable data indicating that there are economic or social conditions that can influence adversely the industry in which the borrower operates and that affect these borrowers.

The Bank 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 Bank 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 recognised are not included in a collective assessment of impairment.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, loans and advances to customers are grouped on the basis of similar credit risk (size, debt service on the reporting date, type of customer, sector, and type of product) characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Future cash flows in a group of loans to customers that are collectively evaluated for impairment are estimated on the basis of historical probability of default and estimations regarding loss given default for loans with credit risk characteristics similar to those in the group. Historical probability of default experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The management estimates are based on the visible effects of current loans conditions. Significant changes in financial markets may generate significant adjustments on loss rates.

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 directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity 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 equity 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.
Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through 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.

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 financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(viii) Designation at fair value through profit or loss

The Bank designates financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

k) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short term commitments.
Cash and cash equivalents are carried at amortised cost in the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank 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.
Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.
At 31 December 2015 and 31 December 2014 the Bank does not have trading assets and liabilities.

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 or hedging instruments.

Derivatives held for risk management purposes are initially recognised at fair value. After their initial recognition, derivatives are subsequently measured at their fair values without any deduction for transactions costs to be incurred on sale or disposal. The changes in the fair value of such instruments are recognised immediately in profit or loss as a component of Net trading income.

n) Loans and advances

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

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method as described in the Note 4.d. above, except when the Bank chooses to carry the loans and advances at fair value through profit or loss as described in accounting policy (j) (vii) see above. Loans and advances are presented net of impairment allowance (see accounting policy (j) (vii) see above).

o) Investment securities

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

i) Held-to-maturity

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

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Investment securities (continued)

i) Held-to-maturity (continued)

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification: sales or reclassifications that are 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; sales or reclassifications after the Bank has collected substantially all of the asset's original principal; sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

(ii) Available for sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised, as other operating income, in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

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

p) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at their cost or revaluated amount less accumulated depreciation value and impairment losses.

(ii) Subsequent costs

The Bank recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Bank and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

All other costs are recognised in the income statement as an expense as incurred.

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

	Economic useful life in years
Buildings	10-50
Office equipment, lightning and accessories	3-15
Other assets	5

Improvements in rented premises are depreciated over the rental agreements periods.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) *Intangible assets*

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives (no more than 5 years), from the date that is available for use.

Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

r) *Investment property*

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The Bank accounts for investment property using the cost model (less impairment).

s) *Impairment of non-financial assets*

The carrying amounts of the Bank's non-financial assets, other than investment property and 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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) 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.

In respect of other assets, impairment losses recognised 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 amortisation, if no impairment loss had been recognised.

t) *Deposits from customers*

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Borrowings

Borrowings such as loans from banks and other financial institutions and other liabilities evidenced by paper such as subordinated loans or bonds issued are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs occurred. Borrowings and other liabilities evidenced by paper are subsequently stated at amortised cost.

v) Provisions

A provision is recognised in the statement of financial position when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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. A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

w) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank 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. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantee or loan commitments are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

The policy of provisioning of off-balance sheet exposures applied by the Bank takes into account their probability of execution, probability of default, loss in case of default and/or recovery estimates for impaired items.

x) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

The Bank, 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 Bank 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 recognised as an expense in the income statement as incurred. The Bank does not have any further obligations.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Employee benefits (continued)

(iii) Employment termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancy are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, than they are discounted to their present value.

(iv) Share-based payments

The Group has established a mechanism for granting of share-based bonuses entitled Lecoip Investment Plan (Employee Leveraged Co-Investment Plan), a part of a plan which will unfold over several years. The beneficiaries are employees of the bank. The main features of the plan are:

- Free shares are granted to employees who are part of the plan. These shares are purchased by the Group on the stock exchange market;
- Shares cannot be sold immediately, but after a period of minimum 2 years;
- Employees sign a forward contract on the shares when they want to sell them, receiving the cash immediately;
- Employees can subscribe shares at the price received in the context of capital increases (discounted shares).

The Bank records these shares as financial assets available for sale at the time of their purchase. Initially, these instruments are recorded at fair value. Subsequently, before their allocation to the participants, the Bank measures the shares at fair value. Debt to employees is recognized, at an amount equivalent to the fair value of the shares.

y) New standards and interpretations not yet adopted

A. **Standards adopted by the European Union**

a) Amendments to IAS 1 (effective for periods beginning on or after 1 January 2016)

The definition of materiality has been modified to clarify its applicability on the financial statements as a whole and on each disclosure requirement within a standard. Also, amendments were introduced with respect to the order of the notes to the financial statements and clarification that entities have flexibility as to the disclosure of accounting policies in the notes.

The Bank believes that this amendment will not have a significant effect on the financial statements.

b) Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization (effective for periods beginning on or after 1 January 2016))

These amendments prohibit depreciation based on income for tangible assets and place restrictions on the applicability of this method for intangible assets. The Bank believes that this amendment will not have a material effect on the financial statements because it does not apply individual depreciation based on income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

y) New standards and interpretations not yet adopted (continued)

A. Standards adopted by the European Union (continued)

c) Annual amendments to IFRS (periods 2010 – 2012 and 2012 – 2014, most of them applicable to annual periods beginning on 1 February 2015 or 1 January 2016)

The Amendments introduce changes in the standards. Below are presented the amendments that might have an impact on the Bank's activity:

- IFRS 8 – The reporting on segments: the amendments introduce the presentation requirements of judgements made in order to present aggregated reporting segments;
- IFRS 13 – The measurement at fair value: the amendments clarifies the fact that short- term liabiliaties and claims that have no interest attached can be presented in the fair value note – at the amount invoiced, if the discount effect is not significant.
- IAS 16 and IAS 38 – clarifies the restatement of accumulated depreciation at the time of the reevaluation;
- IAS 24 – Expands the definition of affiliated entities;
- IAS 40 – Investment properties; amendments that clarify the criteria for separation between an investment property in accordance with IAS 40 or a business combination in accordance with IFRS 3;
- IFRS 7 - Financial Instruments Presentation: amendments clarify continuing involvement in the asset transferred.

d) Amendments to IAS 27 – The amendments allow an entity assesses its subsidiaries, associates and joint ventures in the separate financial statements using the equity method. The Bank believes that this amendment will not have a significant effect on the financial statements.

B. Standards that have not yet been approved by the European Union

a) IFRS 9 Financial Instruments (effective date: annual periods beginning on 1 January 2018)

This standards replaces the requirements from IAS 39 "Financial Instruments: recognition and measurements on classifying and measuring financial assets, except for the matters regarding the hedge accounting in respect of wich entities will be able to choose between applying IAS 39 or IFRS 9.
The financial assets will be classified using one or more evaluation methods: at amortization cost or at the fair value. A financial asset cand be evaluated at amortized cost only if the next two requirements are fulfilled: the assets are held within a business model of the company whose objective is to manage based on contractual performance and cash flows at dates specified at specified contractual dates according to the contractual terms to be presented only by the principal and interest. Subsequent gains or losses from changes in the value of assets measured at fair value are recognized in profit or loss except for investments in equity instruments that are not held for trading, for which the standard allows measurement at initial recognition at fair value with recognition subsequent value changes in the comprehensive income. The casual loss in IAS 39 is replaced with the expected loss model. Also, disclosure requirements are substantial.

The Bank is part of the project implementation of this standard, started by the Group, currently undertaking the process of evaluating the financial instruments under IFRS 9.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

A) Standards that have not been yet approved by the European Union (continued)

b) IFRS 15 – Revenues from contracts with clients (effective for periods beginning on or after 1 January 2018).

The Standard issued on 28 May 2014 replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC – 31. The standard is applicable to contracts with clients, other than insurance, financial instruments, leasing. The standard prescribes a single model for the analysis of customer contracts and two approaches for recognition of revenue - at one time or duration of the contract, depending on the time of fulfilling the obligation under the contract.
The Bank believes that this amendment will not have a significant effect on the individual financial statements because most contracts with customers are covered by other standards.

5. RISK MANAGEMENT

(a) Introduction

This note provides details of the Bank's exposure to risk and describes the methods used by management to control the risks. The most important types of financial risk to which the Bank is exposed are credit risk, liquidity risk, market risk (interest rate risk, currency risk, counterparty risk). The bank is also exposed to reputational risk, strategic risk, operational risk and risk related to taxation.
Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.
The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

Risk management structure

The Board of Directors is the last responsible for identifying and controlling risks, yet there are separate and independent bodies responsible for managing and monitoring risks. The Bank conducts its entire business on the principles of corporate governance. The Board of Directors and the Management Committee are independent and separate structures.

Board of directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Management Committee

The management committee has the responsibility to monitor the overall risk process within the bank.

Credit Committee

Credit Committee (CC) is a permanent decisional committee, acting within delegations and competencies established by the Board of Directors. Credit Committee is the highest deliberative body in lending activities - within the limits set by the Board of Directors of the Bank and except the competence of the Asset Quality Committee - and has the right to sub-delegation.

5. RISK MANAGEMENT (CONTINUED)

(a) Introduction (continued)

Assets Quality Committee

Assets Quality Committee ("AQC") is a permanent decisional committee, acting within delegations and competencies established by the Board of Directors, aiming on taking measures to prevent and reduce losses stemming from lending activity. AQC is the highest deliberative body in all other aspects of crediting that is not in the competence of the loan and has the right to sub-delegation.

Financial Risk Committee

The main objective of the Financial Risk Committee is to protect the Bank's own funds and their allocation, to align the Bank's assets and liabilities taking into account the pricing structure and maturity profile in accordance with law, rules and regulations of the National Bank of Romania, internal Bank's structures and its parent company as they were adopted by the Bank. Financial Risk Committee ensures continuous monitoring and control of the Bank's exposure to market risk, liquidity risk and interest rate risk, risk related to shares, property risk and currency risk.

Operational Risk Committee

Operational Risk Committee proposes approves and verifies aspects of operational risk issuing opinions where is required by law, by parent company or by corporate bodies. Regarding operational risk issues, the main objective of the Committee is to assist the Board of Directors in reviewing the overall operational risk profile of the Bank. Operational risk is the risk of loss due to inadequacy or error process, human resources and internal systems or due to external events. Operational risk also includes legal risk and compliance risk (if associated with legal or administrative sanctions). Legal compliance risk component is also included in the category of operational risk.

(b) Credit risk

Credit risk is defined as the current or future risk to earnings and capital adversely affected as a result of failure by the debtor of its contractual obligations or failure in meeting the objectives.

Credit risk identification system

Credit risk identification, monitoring, control and administration are activities performed both at the level of the territorial units and Head Office.

The main purpose of the monitoring process of the credit portfolio is to supervise its quality by an early identification (either manual or automatic) of those risk factors, negative symptoms or detrimental events which may affect the creditworthiness of the counterparty, its debt repayment capacity and, as the case may be, the value of the guarantees/ collaterals/ their enforceability.

The frequency of monitoring activities shall be determined depending on the risk profile of the counterparty, the availability and accuracy of information.

The persons assigned to the task within the territorial units and/or the specialized staff of the structures with competencies in credit management, have the obligation to analyze and watch the manner in which loan drawings are used, the compliance with the conditions considered in their approval, throughout the loan period, monitoring the reimbursing modality, as well as the status of the reimbursement sources etc. and immediately notifying of any anomaly to the Head Office competent structures, in line with the specific provisions implemented by the Bank.

5. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The monitoring process consists of three different streams:

- Daily monitoring (identification of risk exposures);
- Periodic monitoring activities (at least once a month);
- General monitoring of the portfolio.

The daily relationship with the counterparty and the continuous support provided by the early warning system implemented by the Bank are the basis of the identification of risky exposures in the Banca Comerciala Intesa Sanpaolo Romania S.A. portfolio. The commercial units that manage the crediting relationship with the counterparties are responsible for the detection of negative events (negative symptoms/ detrimental events).

When negative symptoms or detrimental events are identified, a detailed counterparty analysis is necessary for the above mentioned clients that could result in the classification of the counterparty exposure to "problem" or "nonperforming" category, as per stipulations of the dedicated process for risky and nonperforming exposures management.

Portfolio performance evaluation is done on a daily basis (using information from the previous day), based on negative symptoms detectable in the Bank's database and information available in the morning through the Credit Risk Bureau. Based on this evaluation, customers are classified into two categories, namely, high risk or low risk based on the score obtained by correlating all available information on internal and external database.

Based on the results of the monitoring and control activities carried out concerning creditworthiness of the client, his payment behavior, as recorded in specific documents implemented by the competent structures of the Bank, the commercial units make proposals of measures, which are submitted to the approval of the hierarchical superior and/or to other competent authorities in this respect.

After their approval, the measures established shall be communicated in writing to the counterparty with a view to their application.

Collection and workout process (workout)

During the collection and recovery process, the following main steps were identified:

- „Soft" collection activities
- Action plan
- Recovery activities („hard collection")

The main methods to recover the receivables resulting from the lending activity are:

1. Extrajudicial recovery
2. Judicial recovery.

Both methods are usually activated when the debtor's worthiness is seriously and irreversibly damaged, the purpose being to identify the bes strategy for recovering the exposure.

The process may include:

- Restructuring the counterparty's credit exposure (replacement of the exposure),
- Amicably recovery by identifying the potential sources of repayment (usually others than the ones sustained by the debtor's economic-financial performance), that may involve the debtor, and also the co-debtors, guarantees, third parties.
- Enforcement recovery by all means, including over the guarantees issued in the Bank's favor.
- Recovery by including the receivables in a portfolio offered for sale to third parties.

5. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

- Moving the assets in the receivables account, followed by selling the assets or transfering the assets to other entities;
- Recovery during the insovlency procedure.

The Bank has defined the following methods of achieving the replacement operations:

- ***Loans rescheduling:*** the method by which the Bank modifies the intermediary maturity and/or the payment of one/or more loan rates, without exceeding the initial loan period.
- ***Loans rescheduling - prolongation:*** the method by which the Bank changes the maturity and/or the payment of one/or more rates, by exceeding the initial period of the loan and/or by classifying the loan in a different category (medium/long term).
- ***Loan refinancing:*** the Bank grants a new cash credit facility to reimburse the the partial/complete loan/loans owned by the applicant/counterparty.
- ***Conversion of the revolving loans in non revolving loans,*** a method characterized by eliminating the revolving character of the loan and by switching to a medium or long term product.

When any amicable method of recovering the exposure is ineffective, the Credit Recovery Department analyses and applies the decision of the competent authority to initiate legal procedures against the debtor/third parties, that represent the last solution for the Bank to recover the receivables.

Counterparty's creditworthiness assessment is performed, which could result in the classification of the counterparty exposure to "problem" or "nonperforming" category thus allowing evaluating the best strategy in order to:

- minimize the risk of losses for credit facilities which are still performing;
- maximize the recovery of outstanding exposure for nonperforming loans.

Starting May 2015, the Bank adopted the following rules for classification of debtors in accordance with IFRS as endorsed by the European Union and aligned with the requirements of the main shareholder and the Bank of Italy:

Nonperforming Loans, classified as follows:

- **Doubtful:** Balance and off-balance sheet exposures (loans, letters of guarantees, derivatives etc.) to borrowers being effectively insolvent (although not yet legally) or in comparable status, regardless of any loss forecasts made by the Bank.
- **Unikely to pay** - Classification in this category is based on the assessment made by the Bank showing that the debtor is unlikely to completely fulfill the obligation to repay the loan (through repayment of principal and/or interest) without recourse to actions such as execution of collaterals/personal guarantees. Such an assessment should be made regardless of the debt service or outstanding and/or unpaid amounts (rates).
- **Past due:** - Balance sheet exposures (loans, letters of guarantees, derivatives, etc) other than those classified as doubtful, substandard or restructured that, as at reporting date, are past due for over 90 days and also exceed a threshold of materiality representing 5% of the total exposure of the borrower cash.

Performing loans are balance sheet and off-balance sheet exposures (loans, guarantees, derivatives etc.) other than those classified as doubtful, unlikelyto pay or past due.

5. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

IFRS classification available for 31 December 2014

Nonperforming loans:

- **Doubtful:** Balance and off-balance sheet exposures (loans, letters of guarantees, derivatives etc.) to borrowers being effectively insolvent (although not yet legally) or in comparable status, regardless of any loss forecasts made by the Bank.
- **Substandard:** Balance and off-balance sheet exposures (loans, letters of guarantees, derivatives etc.) to borrowers experiencing temporary objective financial or economic difficulties that are likely to be overcome in a reasonable period of time.
- **Restructured:** Balance and off-balance sheet exposures (loans, letters of guarantees, derivatives etc.) where the Bank (or a pool of banks) renegotiates the original terms of a debt due to deterioration of the creditworthiness of the debtor (for example by granting a payment moratorium or by decreasing the debt or the interests). If such renegotiation results in a loss, the exposure will be classified as restructured.
- **Past due:** Balance sheet exposures (loans, letters of guarantees, derivatives, etc) other than those classified as doubtful, substandard or restructured that, as at reporting date, are past due for over 90 days and also exceed a threshold of materiality representing 5% of the total exposure of the borrower cash.

Performing loans Balance and off-balance sheet exposures (loans, securities, derivatives etc.) other than those classified as doubtful, substandard, restructured or past due.

Performing loans could be divided in two sub-categories, respectively:
- **Performing –Standard:** This refers to all the exposures without any anomalies attached, or with anomalies that do not require management in accordance with the principles defined for the classification of Problem Loans. From a portfolio management point of view, these exposures fall under the responsibility of the commercial structure responsible and are managed in accordance with normal/ordinary credit granting and monitoring processes.
- **Performing (watch list).** It refers to the exposure granted to customers (private, corporate, other entities etc) which, due to inherent characteristics or because of external factors, show signs of varying degrees of difficulty, with possible deterioration of the credit quality.

Performing Loans include credit with potential problems that have not yet incurred, but could lead to breach of contract unless timely resolved.

Impairment methodology

Performing loans are collectively assessed based on groups of assets with similar characteristics, as follows:
a) Size
b) Days past due, at the reporting date
c) Customer type
d) Activity
e) Product type

Nonperforming loans are assessed case by case or based on a portfolio approach, as follows:

5. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

- Past Due: impairment of exposures classified within this category, lower than the equivalent of EUR 15,000, is assessed through an automatic calculation;
- Unlikely to pay and doubtful: impairment of exposures below materiality (the equivalent of EUR 150,000) is assessed automatically, while impairment of exposures exceeding the defined threshold is subject to individual assessment.

Assessment based on a portfolio approach, for exposures below materiality, is made by the Risk Management Department on a monthly basis, according to the model developed based on internally available historical information.

The significant exposures are subject to an individual evaluation The recovery forecasts are made at classification, and subsequently every 6 (six) months, and in any case, for any relevant event that may occur during the period (i.e. significant changes of the financing period etc).

The assessments are based on an attentive and in-depth qualitative and quantitative analysis:
(i) of the economic, asset and financial situation of the counterparty in addition to
(ii) exogenous factors such as trends in the reference sector.

An analytical assessment is made for each individual credit on the basis of the risk implied by the technical form of the outstanding, the degree of dependence on any mitigating factors, and if significant, the financial effects of the time realistically estimated as necessary for its recovery.

A recovery forecast is made on the basis of the evaluation of the significance of the guarantees/collaterals in place, the type of utilisation, the counterparty's solvency and its current and prospective profitability.

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (CONTINUED)
(b) Credit Risk (Continued)

	Loans and advances to customers		Placements with banks		Available for sale financial instruments		Loan commitments and guarantee letters	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Total net exposure	2,805,709,917	2,883,488,505	755,110,209	828,278,813	481,375,092	499,536,470	1,107,793,317	1,058,688,165
Non-performing loans, individually impaired:								
Doubtful	739,293,135	868,611,544	-	-	-	-	1,199,621	2,306,970
Unlikely to pay	69,037,841	163,777,176	-	-	-	-	812,890	2,129,747
Past due	5,625,793	6,107,001	-	-	-	-	2,918	4,360
Gross exposure	**813,956,769**	**1,038,495,721**					**2,015,429**	**4,441,076**
Impairment allowance	(582,735,196)	(727,896,953)	-	-	-	-	(734,017)	(688,121)
Net exposure	**231,221,573**	**310,598,768**	-	-	-	-	**1,281,412**	**3,752,955**
out of which rescheduled as defined by NBR, at net value	*74,054,077*	*110,392,793*	-	-	-	-	-	-
Collectively impaired loans								
Performing – Standard	2,366,280,093	2,358,055,569	-	-	-	-	1,079,580,478	1,022,077,030
Performing – Watch List	258,992,176	250,164,560	-	-	-	-	28,759,207	37,460,897
Gross exposure	**2,625,272,269**	**2,608,220,129**	-	-	-	-	**1,108,339,685**	**1,059,537,927**
Impairment allowance	(50,783,925)	(35,330,392)	-	-	-	-	(1,827,780)	(4,602,717)
Net exposure	**2,574,488,344**	**2,572,889,737**	-	-	-	-	**1,106,511,905**	**1,054,935,210**
out of which rescheduled as defined by NBR, at net value	*114,316,943*	*119,147,335*						
Past due, performing loans								
< 30 days	130,132,945	99,634,047						
31 - 60 days	36,344,823	29,184,001						
61 - 90 days	8,959,781	19,837,682						
>91 days	9,371,145	7,122,358						
Net exposure	**184,808,694**	**155,778,088**						
Out of which rescheduled, at net value	*8,857,914*	*14,614,426*						

(all amounts are presented in RON, unless otherwise stated)

5. MANAGEMENTUL RISCULUI (continuare)

(b) Riscul de credit (continuare)

	Loans and advances to customers		Placements with banks		Available for sale financial instruments		Loan commitments and guarantee letters	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Neither past due nor impaired								
Performing – Standard	2,223,341,089	2,306,392,500	755,110,209	828,278,813	481,375,092	499,536,470	1,078,765,459	1,022,077,030
Doubtful loans – Watch List	166,338,561	138,570,371	-	-	-	-	28,636,664	37,460,897
	2,389,679,650	**2,444,962,871**	**755,110,209**	**828,278,813**	**481,375,092**	**499,536,470**	**1,107,402,123**	**1,059,537,927**
out of which rescheduled as defined by NBR, at net value	*105,459,029*	*104,532,910*	-	-	-	-	-	-

Impaired loans and advances

The Bank classified loans and advances as being impaired where there is proper evidence that a loss event has occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the asset.

Overdue and not-individually impaired exposures

Overdue and not-impaired exposures are those exposures for which there is interest and instalment overdue and payment rates, for which the Bank believes that there is no sufficient evidence to lead to prominence them as nonperforming because of the delay in number of days, of the outstanding amount towards the total exposure and economic and financial situation of the client.

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collaterals held and other techniques to reduce credit risk – fair values

	31 December 2015	31 December 2014
Performing loans		
Mortgages	3,427,857,776	3,369,757,552
Pledge on equipments	319,621,355	402,214,303
Pledge on goods, merchandize etc,	151,957,409	153,612,277
Other express, irrevocable and unconditional personal guarantees issued by the National Loan Guarantee Fund for Small and Medium-sized Enterprises (FNGCIMM SA)	25,434,152	49,693,003
Guarantees received from the public institutions of Romania –0% level of risk, "First Home" program	163,804,029	145,197,057
Pledge on vehicles	96,640,532	90,610,811
Letters of guarantee	446,583,535	339,313,253
Other express, irrevocable and unconditional personal guarantees issued by FGC of Romania	31,656,976	34,633,127
Pledge on collateral deposits	20,279,421	20,492,571
Intrinsic guarantees related to financial leasing	40,674,475	-
Total	**4,724,509,660**	**4,605,523,953**

Collaterals held and other techniques to reduce credit risk – fair values

	31 December 2015	31 December 2014
Non-performing loans		
Mortgages	779,203,955	1,023,307,793
Pledge on equipments	87,158,661	78,763,016
Pledge on goods, merchandize etc,	21,921,053	19,799,983
Other express, irrevocable and unconditional personal guarantees issued by the National Loan Guarantee Fund for Small and Medium-sized Enterprises (FNGCIMM SA)	46,139,132	48,611,685
Guarantees received from the public institutions of Romania –0% level of risk, "First Home" program	293,570	482,649
Pledge on vehicles	9,725,721	11,253,738
Letters of guarantee	137,810	2,243,449
Other express, irrevocable and unconditional personal guarantees issued by FGC of Romania	6,075,688	7,545,541
Pledge – collateral deposits	218,516	794,866
Intrinsic guarantees related to financial leasing	2,914,174	-
Total	**953,788,280**	**1,192,802,720**

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT(continued)
(b) Credit risk (continued)

Loans secured by mortgages

The table below stratifies credit exposures on mortgages and advances to retail customers and corporate on loan-to-value intervals (LTV). LTV is calculated as the ratio of the gross amount of the loan - or committed amount for loan commitments - and the collateral value. Gross amounts exclude any adjustments for impairment.

Evaluation of collaterals excludes any adjustments for obtaining and selling of collateral. Collateral values presented below for mortgage loans are based on the value of revalued collateral in accordance with the latest revaluation report made by ANEVAR certified valuators.

In 2015 the Bank acquired the portfolio of performing loans of subsidiary Intesa Sanpaolo Leasing Romania IFN SA. Starting October 2015, the portfolio of guarantees accepted by the Bank comprises the following type of guarantee: "Intrinsic guarantees related to financial leasing ".

After the Bank had obtained the preliminary approval of the National Bank of Romania for financial leasing activities, there were three settlements of assignment of receivables related to performing lease contracts of Intesa Sanpaolo Leasing IFN SA, which took place in October and November 2015. The gross value of the assigned contracts was RON 39,265,469.58 (first installment: RON 3,070,468.49; second installment: RON 32,208,709.22; third installment: RON 3,986,291.87).

	Loan to value rate (LTV)	31 December 2015	31 December 2014
	50%	225,830,855	230,963,385
	51% -70%	436,723,030	352,958,382
Corporate	71% - 90%	264,028,928	426,660,740
	91% - 100%	82,316,436	163,585,672
	>100%	954,236,125	1,065,889,538
	Total	**1,963,135,374**	**2,240,057,718**

	Loan to value rate (LTV)	31 December 2015	31 December 2014
	50%	140,648,495	108,585,655
	51% -70%	171,590,955	157,140,788
Retail	71% - 90%	307,884,686	296,053,015
	91% - 100%	59,898,738	60,849,889
	>100%	55,276,006	63,297,876
	Total	**735,298,880**	**685,927,222**

"First Home" product was not included in the above presentation of the Retail category. As at 31 December 2015 exposures relating to "First Home" program are in the amount of RON 327.35 million (31 December 2014: RON 291.72 million).
As at 31 December 2015, the 100% - 110% LTV segment, includes 105 loans with an exposure of RON 21.29 million, while the > 110% LTV segment 166 loans with an exposure of RON 34.20 million.
Total exposure of clients with loans below EUR 150,000 secured by mortgages (excluding "First Home" program) is in the amount of RON 689.79 million, out of which exposures with LTV above 100% amount to RON 49.83 million.
In addition to assessing the quality of corporate customers, in accordance with the internal procedures the Bank revaluates commercial mortgage collaterals at least once a year and residential mortgage collaterals once every 3 years.
Assets obtained by taking possession of collateral

The situation of the acquired assets, net worth:

	31 December 2015	31 December 2014
Properties	7,027,114	7,183,377

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT(continued)

(b) Credit risk (continued)

Concentration by sector	Loans and advances to customers		Placements with banks		Available for sale financial instruments	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Agriculture	287,430,505	314,807,012	-	-	-	-
Other activities	7,527,484	10,641,054	-	-	-	-
Commerce	296,304,931	318,026,197	-	-	-	-
Constructions	176,848,877	190,357,331	-	-	-	-
Processing and conservation	24,233,512	35,635,183	-	-	-	-
Manufacturing(gas, electric energy)	55,429,146	112,349,065	-	-	-	-
Extraction (oil, gravel)	7,296,189	9,015,270	-	-	-	-
Furniture, shoes, equipment manufacturing	340,652,448	389,175,077	-	-	-	-
Other industrial activities	105,164,617	75,321,766	-	-	-	-
Transportation services	46,860,830	45,671,872	-	-	-	-
Hotels	52,898,087	58,892,502	-	-	-	-
Real estate	144,430,321	186,736,285	-	-	-	-
Leasing	2,662,790	3,177,310	-	-	-	-
Car and ships repairs	1,946,060	2,684,566	-	-	-	-
Other services	207,644,802	164,536,650	-	-	-	-
Individuals	1,048,379,318	966,461,364	-	-	-	-
Banks	-	-	755,110,209	828,278,813	-	-
Sovereign exposures	-	-		-	481,375,092	499,536,470
Total net exposure	**2,805,709,917**	**2,883,488,505**	**755,110,209**	**828,278,813**	**481,375,092**	**499,536,470**

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The portfolio of government securities held and classified as available for sale is described below.

	31 December 2015	31 December 2014
Government securities and treasury bills:		
Rating BBB- and lower	481,375,092	499,536,470

The table below describes the exposures arising from financial derivatives. Overall transactions with the derivatives of the Group are fully secured by cash.

	Banking institutions		Other	
31 December 2015	**Notional**	**Fair value**	**Notional**	**Fair value**
Financial derivatives acquired	323,217,046	1,562,501	237,911,691	272,101
Financial derivatives sold	323,137,811	1,529,449	237,880,550	188,568
31 December 2014				
Financial derivatives acquired	347,757,210	1,465,039	47,840,489	332,616
Financial derivatives sold	246,858,746	820,760	106,127,569	831,391

(c) Country risk

Situations that may lead to the emergence of country risk may include events such as those that affect profitability and return on investment. This category can include nationalization, restrictions on repatriation of profits or damages. Other situations that can generate country risk are: raising taxes, corruption, restrictive regulatory framework for foreigners, etc.
A number of other factors can also influence country risk. From the demographic and educational dynamics, private sector investments policy, banking system and to external debt, all of them affect the economic situation of the country and may underlie the country risk.
In terms of country risk, as indicated by the ruling group, eurozone countries are not subject to continuous monitoring.
Following the recommendation of the National Bank of Romania, uncollectible loans, with 0 recovery estimate, fully provided for, have been writen off, their value being RON 533,758,194 at 31 December 2015 (31 December 2014: RON 369,815,408).
During 2015 the Bank wrote off exposures amounting to RON 231,906,492 (2014: RON 370,129,580).

(d) Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Liquidity risk management

Liquidity risk arises because of the possibility that the bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on regular basis. The bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high liquid assets which could be used to secure additional funding if required.

The Bank maintains a portfolio of eligible assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has EUR 270,000,000 money market limit with Intesa Sanpaolo S.p.A. Milan and a committed back-up line of credit in amount of EUR 50,000,000 from Intesa Sanpaolo S.p.A. Milan that it can access to meet liquidity needs in case of a liquidity crisis. In accordance with the Bank's policy the liquidity position is assessed and managed under a variety of scenarios, giving consideration to stress factors relating to both the market in general and specifically to the Bank.

Liquidity risk exposures

The key ratio used by the Bank for the management of Liquidity Risk is the ratio between net liquid assets and customer accounts. For this purpose net liquid assets are considered as cash and cash equivalents, securities for which there is an active and liquid market less any deposits from banks, debt securities, loans and other liabilities due the following month.

Rate of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2015	2014
As at 31 December	58.25%	49.81%
Average for the period	50.25%	39.07%
Maximum for the period	67.74%	49.81%
Minimum for the period	37.68%	31.71%

Level of liquidity ratios calculated according to National Bank of Romania requirements are given below as follows:

	2015				
	<=1 months	**1-3 months**	**3-6 months**	**6-12 months**	**>12 months**
As at 31 December	1.20	3.01	5.80	8.08	2.52
Maximum for the period	1.58	7.32	25.02	26.93	3.18
Minimum for the period	1.19	1.30	1.91	2.74	2.16

	2014				
	<=1 months	**1-3 months**	**3-6 months**	**6-12 months**	**>12 months**
As at 31 December	1.67	6.81	6.25	11.47	2.78
Maximum for the period	2.57	6.93	12.05	11.47	2.78
Minimum for the period	1.41	1.73	3.84	3.82	2.00

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

31 December 2015	Book value	<1 month	1-3 months	3 months – 1year	1-5 years	> 5years
Derivative assets	1,834,602	1,151,380	683,222		-	-
Cash and balances with central Bank	712,170,436	712,170,436	-	-	-	-
Placements with banks	110,600,698	110,600,698	-	-	-	-
Loans and advances to customers	2,805,709,917	230,941,007	154,841,765	623,377,355	753,245,636	1,043,304,154
Financial assets available for sale (Treasury bills)	481,375,092	481,375,092	-	-	-	-
Other assets	20,086,635	20,086,635	-	-	-	-
Total assets	**4,131,777,380**	**1,556,325,248**	**155,524,987**	**623,377,355**	**753,245,636**	**1,043,304,154**

31 December 2015	Book value	<1 month	1-3 months	3 months – 1year	1-5 years	> 5years
Derivative liabilities	1,718,017	1,129,263	588,754	-	-	-
Deposits from banks	142,625,239	142,625,239	-	-	-	-
Borrowings from banks	660,985,074	1,983,273	-	19,249,194	475,568,310	164,184,298
Deposits from customers	2,900,066,773	1,634,102,319	366,068,081	620,414,077	278,557,693	924,603
Subordinated borrowings	31,710,039	-	-	-	31,710,039	-
Other liabilities	27,181,724	27,181,724	-	-	-	-
Total liabilities	**3,764,286,866**	**1,807,021,818**	**366,656,835**	**639,663,271**	**785,836,042**	**165,108,901**
Net position	**367,490,514**	**-250,696,570**	**-211,131,848**	**-16,285,916**	**-32,590,406**	**878,195,253**

Future interest related to financial liabilities	Total	<1 month	1-3 months	3 months – 1year	1-5 years	> 5years
Deposits and borrowings from banks	92,986,936	2,684,571	1,571,413	13,335,065	54,370,363	21,025,524
Deposits from clients	26,982,459	11,706,247	2,169,920	11,202,681	1,886,163	17,448

Treasury bills are eligible and can be used for liquidity purposes at any time, regardless of their maturity, being therefore placed on the first bucket.

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

31 December 2014	Book value	<1 month	1-3 months	3 months – 1 year	1-5 years	> 5 years
Derivative assets	1,797,655	1,656,970	117,709	22,976	-	-
Cash and balances with central Bank	602,915,825	602,915,825	-	-	-	-
Placements with banks	308,034,381	308,034,381	-	-	-	-
Loans and advances to customers	2,883,488,505	224,641,332	213,106,491	643,484,622	826,153,809	976,102,251
Financial assets available for sale (Treasury bills)	499,536,470	499,536,470	-	-	-	-
Other assets	12,704,277	12,704,277	-	-	-	-
Total assets	**4,308,477,113**	**1,649,489,255**	**213,224,200**	**643,507,598**	**826,153,809**	**976,102,251**

31 December 2014	Book value	<1 month	1-3 months	3 months – 1 year	1-5 years	> 5 years
Derivative liabilities	1,652,151	1,543,869	88,333	19,949	-	-
Deposits from banks	828,825,405	81,435,230	-	95,244,625	484,066,800	168,078,750
Borrowings from banks	3,067,079,410	1,794,815,837	326,032,634	550,956,431	383,807,083	11,467,425
Deposits from customers	31,420,864	-	-	-	31,445,115	-
Subordinated borrowings	24,529,506	24,529,506	-	-	-	-
Total liabilities	**3,953,507,336**	**1,902,324,442**	**326,120,967**	**646,221,005**	**899,318,998**	**179,546,175**
Net position	**354,969,777**	**-252,835,187**	**-112,896,767**	**-2,713,407**	**-73,140,938**	**796,556,076**

Future interest related to financial liabilities	Total	<1 month	1-3 months	3 months – 1 year	1-5 years	> 5 years
Deposits and loans from banks	141,722,838	5,663,825	2,115,313	25,919,410	81,636,974	26,387,316
Deposits from clients	14,895,856	2,330,559	3,993,364	5,894,037	2,657,794	20,102

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (continued)

e) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank does not hold Trading Portfolios. The market risk for the Banking Book is monitored based on a Value-at-Risk (VaR) methodology regarding Foreign Exchange risk and sensitivity analysis for the Interest Rate risk.

Interest rate risk exposure related to activities out of the trading portfolio

Interest rate risk arises from the possibility that changes in interest rates affect future cash flows or fair values of financial instruments. Bank has set limits on interest rate differences in the banking portfolio. In accordance with Bank policies, positions are monitored on a regular basis and daily gaps are checked.

The following table shows the interest rate risk of the Bank based on sensitivity ratio to interest rate for + / - 50 basis points, respectively + / - 100 basis points, for both, 2014 and 2015.

	+100 basis pt.	-100 basis pt.	+50 basis pt.	-50 basis pt.
Sensitivity of projected net interest income (in RON)				
2015				
At 31 December	3,342,495	-1,490,038	1,670,968	-690,078
Average for the period	5,344,327	-2,941,144	2,606,135	-1,728,611
Maximum for the period	8,560,191	-1,490,038	4,271,475	-690,078
Minimum for the period	3,342,495	-4,808,776	1,578,897	-2,979,769
2014				
At 31 December	7,135,133	-3,269,046	3,565,543	-2,767,720
Average for the period	8,921,217	-5,853,311	4,459,309	-4,129,619
Maximum for the period	11,544,525	-3,269,046	5,770,859	-2,475,747
Minimum for the period	6,085,004	-8,333,369	3,041,380	-5,718,720

The table below presents annual interest rates obtained or provided by the Bank for the interest bearing assets and liabilities during the financial year 2015 (in percentages):

2015	**RON Range of interest rates**		**USD Range of interest rates**		**EUR Range of interest rates**	
Assets	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Current accounts with the National Bank of Romania	0.17	0.31	-	-	0.10	0.29
Placements with banks	0.25	2.80	0.03	0.55	-0.05	0.25
Loans and advances to customers	2.28	23	4.28	9.5	0.08	14.85
Liabilities						
Deposits from customers	0.10	6.65	0.25	4.00	0.35	4.45
Deposits from banks	0.20	2.80	0.18	0.55	-0.23	0.08
Subordinated debts	-	-	-	-	0.9610	1.0810
Borrowings from banks	-	-	-	-	0.2760	3.6810

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (continued)

(e) Market risk (continued)

The table below presents annual interest rates obtained or provided by the Bank for the interest bearing assets and liabilities during the financial year 2014 (in percentages):

2014	RON		USD		EUR	
	Range of interest rates		Range of interest rates		Range of interest rates	
Assets	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Current accounts with the National Bank of Romania	0.32	0.76	-	-	0.32	0.38
Placements with banks	0.25	6.20	0.02	0.31	0.00	0.50
Loans and advances to customers	2.81	23	4.26	9.5	0.21	14.85
Liabilities						
Deposits from banks	0.05	6.50	-	-	0.00	0.40
Subordinated debts	-	-	-	-	1.2220	1.3310
Borrowings from banks	-	-	-	-	0.3490	3.9270

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (CONTINUED)

(e) Market risk (continued)

The table below represents the statement of cash flows (notional and future interest) relating to interest bearing assets and liabilities allocated to time bands depending on the time of re-pricing. If assets / liabilities bearing variable interest are awarded on the basis of notional proper time period re-pricing and cash flows resulting from the application of spread are distributed on time to maturity bands according to the repayment schedule. In the case of assets / liabilities bearing fixed interest, notional and interest cash flows are spread over time bands according to the repayment schedule.

31 December 2015	**Exposure**	**Overnight**	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**
Cash and current accounts with central bank	712,386,442	712,386,442	-	-	-	-
Placements with banks	107,292,083	40,864,011	66,428,072	-	-	-
Loans and advances to customers (at gross value)	3,409,431,373	45,668,832	2,371,227,013	248,077,561	316,684,534	427,773,432
Financial assets available for sale	495,685,728	-	40,988,700	181,680,388	273,016,640	-
Total assets	**4,724,795,626**	**798,919,285**	**2,478,643,785**	**429,757,949**	**589,701,174**	**427,773,432**
Deposits and borrowings from banks	935,432,470	137,558,300	613,554,298	65,900,436	102,536,900	15,882,537
Deposits from customers	2,863,738,878	802,390,926	1,154,847,364	625,115,433	280,443,104	942,050
Total liabilities	**3,799,171,348**	**939,949,226**	**1,768,401,662**	**691,015,869**	**382,980,004**	**16,824,587**
Net position	**925,624,278**	**-141,029,941**	**710,242,123**	**-261,257,920**	**206,721,170**	**410,948,845**

31 December 2014	**Exposure**	**Overnight**	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**
Cash and current accounts with central bank	603,209,944	463,205,150	140,004,795	-	-	-
Placements with banks	303,154,606	-	303,154,606	-	-	-
Loans and advances to customers (at gross value)	3,531,844,062	-	2,726,959,237	76,727,707	285,565,321	442,591,796
Financial assets available for sale	517,711,850	-	2,228,700	91,378,775	424,104,375	-
Total assets	**4,955,920,462**	**463,205,150**	**3,172,347,338**	**168,106,482**	**709,669,696**	**442,591,796**
Deposits and borrowings from banks	950,328,038	-	762,097,307	59,202,284	107,632,153	21,396,294
Deposits from customers	3,082,938,515	456,537,077	1,298,190,949	716,273,599	611,002,768	934,121
Total liabilities	**4,033,266,553**	**456,537,077**	**2,060,288,257**	**775,475,883**	**718,634,921**	**22,330,415**
Net position	**922,653,909**	**6,668,073**	**1,112,059,081**	**-607,369,401**	**-8,965,224**	**420,261,381**

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (continued)

(e) Market risk (continued)

The Bank's policy is to maintain foreign currency position in balance covering the operational needs resulted from the ordinary activities of bank's customers.
The Bank monitors on a daily frequency total foreign currency position of the Bank and VaR. At the reporting date, net currency exposures are as follows:

31 December 2015	RON	EUR	USD	Others	Total
Assets					
Cash and current accounts with banks	479,549,692	226,906,688	2,919,045	2,795,010	**712,170,435**
Placements with banks	3,205,383	26,930,297	71,018,061	9,446,957	**110,600,698**
Financial assets available for sale	481,375,092	-	-	-	**481,375,092**
Loans and advances to customers	1,058,459,603	1,699,988,768	41,751,788	5,509,759	**2,805,709,918**
Total assets	**2,022,589,770**	**1,953,825,753**	**115,688,894**	**17,751,726**	**4,109,856,143**
Liabilities					
Deposits from banks	49,092,117	56,145,818	37,363,394	23,910	**142,625,239**
Borrowings from banks	-	660,985,074	-	-	**660,985,074**
Subordinated debts	-	31,710,039	-	-	**31,710,039**
Deposits from customers	1,466,401,498	1,368,170,587	55,732,434	9,762,254	**2,900,066,773**
Total liabilities	**1,515,493,615**	**2,117,011,518**	**93,095,828**	**9,786,164**	**3,735,387,125**
Net Foreign Currency position	**507,096,155**	**-163,185,765**	**22,593,066**	**7,965,562**	**374,469,018**

31 December 2014	RON	EUR	USD	Others	Total
Assets					
Cash and current accounts with banks	347,109,761	250,994,076	2,169,175	2,642,813	**602,915,825**
Placements with banks	194,646,493	57,959,236	51,340,931	4,087,722	**308,034,381**
Financial assets available for sale	499,536,470	-	-	-	**499,536,470**
Loans and advances to customers	901,632,528	1,969,940,612	2,773,347	9,142,018	**2,883,488,505**
Total assets	**1,942,925,252**	**2,278,893,924**	**56,283,453**	**15,872,553**	**4,293,975,182**
Liabilities					
Deposits from banks	74,058,584	4,433,448	89,442	4,617	**78,586,091**
Borrowings from banks	-	750,239,314	-	-	**750,239,314**
Subordinated debts	-	31,420,864	-	-	**31,420,864**
Deposits from customers	1,507,842,505	1,496,430,794	57,248,946	5,557,165	**3,067,079,410**
Total liabilities	**1,581,901,089**	**2,282,524,420**	**57,338,388**	**5,561,782**	**3,927,325,679**
Net Foreign Currency position	**361,024,163**	**3,630,496**	**-1,054,935**	**10,310,771**	**366,649,503**

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (continued)

e) Market risk (continued)

<u>**Value at risk**</u>, represents a control tool of the foreign exchange position by revealing the maximum amount of loss the Bank may book, taking into consideration the current exchange position and the potential profit and loss generated by this 1 year period. The intervention period considered is 1 day. The maximum permissible limit is equivalent to EUR 100,000 with a sub-limit of EUR 80,000.

Year	VaR 2015	FX VaR eq EUR
2015	31 December	4,078
2015	Average daily	10,045
2015	Max	62,443
2015	Min	1,733

Year	VaR 2014	FX VaR eq EUR
2014	31 December	3,244
2014	Average daily	9,092
2014	Max	44,301
2014	Min	1,139

(f) Operational Risk

Operational risk is the risk of loss resulting from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The Board of Directors has delegated the responsibility of operational risk to Operational Risk Committee, which is responsible for the development and implementation of controls to deal with operational risk. This responsibility is supported by the development of general Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with legal regulations;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced by the bank, and the adequacy of controls and procedures to address the risks identified;
- reporting requirements of operational losses and proposed remedial action;
- development of emergency plans;
- training and professional development;
- ethical and business standards, and
- mitigation, including insurance even this is effective.

Compliance with Group standards is supported by a program of periodic reviews undertaken by the Human Resources and Organization Department.

(all amounts are presented in RON, unless otherwise stated)

5. RISK MANAGEMENT (continued)
(f) Operational Risk (continued)

Regulations and rules from the Group must be:
- Brought to attention, formally, to the Management of the Bank (Board of Directors, Management Committee);
- Implemented in the internal regulations of the Bank.

Quarterly reports to the Group of the disclosure of state/ implement rules and regulations received. Also, the Group can ask to each Subsidiary, ad hoc basis, a reporting regarding the ones mentioned (and other frequency than quarterly).

(g) Taxation risk

The Romanian tax legislation provides for detailed and complex rules and has suffered various changes in the recent years. Interpretation of the text and practical implementation procedures of tax legislation could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Bank's treatment. Furthermore, the recent conversion to IFRS of the Romanian banks raised additional tax implications that are not yet fully clarified in the legislation and might generate potential tax risks.

The Romanian Government has a number of agencies that are authorized to conduct audits of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Bank will continue to be subject to regular controls as new laws and regulations are issued.

(h) Capital Management

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

Regulatory capital	Actual 2015	**Required 2015	Actual 2014	**Required 2014
Total capital	430,083,429	225,155,954	370,183,166	236,808,087
Risk weighted assets	2,814,449,426		2,960,101,085	
Tier 1 capital ratio	15.28%		12.51%	

Year 2014 was marked by the entry into force of Regulation (EU) No. 575/2013, Rules on capital requirements or CRR, which was adopted in June 2013 as a single regulatory framework of prudential requirements for institutions (for example credit institutions and investment firms) established in the Union.

The requirements of this Regulation, include more stringent provisions regarding the quantity and quality of capital and new regulations on liquidity management, the assets and liabilities compared to the previous regulations.
**Represents capital requirements for credit risk, market risk and operational risk calculated in accordance with Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012

5. RISK MANAGEMENT (CONTINUED)

(h) Business environment

Source: internal economic analysis

The evolution of Romanian economy in 2015 has continued on an upward slope, economic growth being sustained throughout the year. Gross domestic product was up by 3.6% in the third quarter compared to the same period of the prior year, after being up by 4.3% in the first quarter and by 3.4% in the second quarter. This increase was mainly due to increased domestic consumption (growing domestic demand) caused by the Government's fiscal and wage policy.

Inflation remains negative due to lower VAT on food and then on all products. Actual inflation without the impact of VAT reduction is growing, and as previously anticipated by the NBR, will reach a level of 1.4% at the end of the year, meaning, in real terms, that it would be at the upper limit of the variation interval (3% - 3.3%).

The exchange rate had a stable trend in 2015 in the range of 4.37 - 4.55, with a long period of stay in the range of 4.39-4.49. The increase recorded towards the end of the year was maintained at the beginning of 2016, reaching a maximum of 4.56. We expect the evolution of wchange rates to be influenced by both internal factors (economic and/or political decisions) and external factors.

Money market interest rates revealed an increased liquidity in this market, ROBOR index recording significant decline during 2015, reaching historic lows. The yield curve of Government securities issued by the Ministry of Finance had the same downward trend, as a consequence of the monetary policy of the NBR and of the increased liquidity in the financial markets globally.The level of governmental investments in the economy has declined in 2015, thus infrastructure development, privatization of state-owned entities and reforming the educational, medical and administrative systems remaining a priority in 2016.

Tax and labor incentives have led to some "heating" of the economy and an increase in consumption, situation which will be closely monitored in 2016 because it can generate imbalances in the trade balance and in the budget deficit. The fact that 2016 is an election year is likely to increase the volatility of markets and the legislative measures likely to be adopted in the near future may cause major changes in economy.

6. USE OF ESTIMATES AND JUDGMENTS

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

Currently, there is a number of legislative initiatives that could have a significant impact on the local banking system in the following periods. They refer to the following:

The Law of giving in payment by full settlement of the mortgage/home equity loans: the law states that individuals could give to a bank the mortgaged asset and settle in full their obligations towards banks., even if the total credit exposure may be greater than the value of the asset. The law was adopted by the Romanian Parliament, but was sent back for revision by the Romanian President. The law was adopted by the Romanian Senate on 29 February 2016 setting a maximum threshold of EUR 150,000. Currently, the bill is under analysis by the Chamber of Deputies. The Bank performed an analysis of exposures that could be affected by the law of giving in payment based on the loan portfolio as as 31 October 2015.

Currently, the Bank cannot determine the potential impact of adopting of this bill because there is no certainty whether the loans under the "First Home" program will be excluded from this legislative initiative. An analysis of the Bank's exposure towards clients with loan-to value ratio (LTV) exceeding 100% as at 31 December 2015, excluding "First Home" products, is presented in Note 5.

6. USE OF ESTIMATES AND JUDGMENTS (continued)

National Authority for Consumer Protection (NACP) project law according to which the loan contract will no longer stand as enforceable title, consequently banking and non-banking financial institutions will be required to obtain a court sentence in order to initiate enforcement procedures. This project law refers only to consumers.

NACP project law that transpose the requirements of Directive 2008/48/CE of the European Parliament and of the Board from 23 April 2008: refers to loans granted to consumers in foreign currency for which, where the exchange rate varies more than 20% as at a certain date during the loan tenor compared to the granting date, the banking or non-banking financial institutions are required to grant consumers certain options to sustain them and reduces their loan costs.

Individuals insolvency law no. 151/2015 published in the Official Gazette of Romania in June 2015: the law comes into force as at 31 December 2016 and refers to sustaining individuals with financial difficulties in the process of debts payment.

Regarding ANPC project laws, the Bank acknowledged the draft-law for the implementation of Directive 17/2014 on mortgage loans for individuals and performed an analysis of the potential impact at the Bank level, establishing measures and structures responsible for the implementation.

The use of judgments and estimates has the greatest importance in respect of:

a) Impairment

Assets accounted for at amortized cost are evaluated for impairment on the basis described in Note 4 letter (j) (vi).
The specific component of the total allowances for impairment applies for financial assets assessed individually for impairment and is based upon Bank's best estimate of the present value of cash flows that are expected to be received.

In estimating these cash flows, the Bank makes judgments about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed based on its own characteristics, as well as on the recoverability strategy and the estimation of cash flows considered recoverable,depending on the decisions independently approved by the Committee for Asset Quality.

The Bank reviews its loans and significant advances on an individual level at each reporting date, in order to assess whether to record an impairment loss in the income statement. In particular, management's assessments are needed for the estimation of value and coordinating future cash flows when an impairment loss is determined. These estimates are based on assumptions about several factors and actual results may differ, resulting in future changes of adjustments.

Individual assessment is required in all cases where there is objective evidence of impairment. For loans recognized at amortized value (cost amortized) the loss is measured as the difference between the exposure (at amortized cost) and net present value of future cash flows discounted at the effective interest rate.

Collective assessment is mandatory in all cases where there were no objective evidence of impairment identifiedand this is achieved by grouping financial assets according to similar characteristics of credit risk and their assessment using historical loss rates associated with information on loss experience, in the groups of assets in question and relevant observable data.

Thus, accuracy of the total adjustment for impairment depends on the estimates of future cash flows expected to be recovered ffrom individually assessed clients and on the assumptions and parameters used in determining the collective adjustments. The situation of adjustments for impairment of loans is presented in more detail in note 18.

6. USE OF ESTIMATES AND JUDGMENTS (continued)

a) Impairment (continued)

As at 1 December 2015, equity investments were measured at cost. An impairment test was performed, resulting in an impairment adjustment of RON 5 million.

Asessment of impairment of sovereign debt (see note 5) can be very complex. Since the Bank holds investments only in Romanian government securities, they were not subject to impairment testing.

Loan impairment assessment takes into account the visible effects of current market conditions on the individual / collective valuation of loans and impairment of loans and advances to customers. The Bank estimated the adjustments for impairment of loans and advances to customers based on the internal impairment methodology harmonized with the group policies and consideres that no further provision for impairment losses is required except as already provided for in the financial statements. Because of the uncertainties on the local financial markets regarding assets valuation and operating environment of the borrowers, that Bank's estimate could be revised after the date of the approval of the financial statements.

In determining the amount of adjustments for impairment, the Bank has also considered the recommendation of NBR in relation to clients under insolvency procedures. At 31 December 2015, the Bank's portfolio of insolvent clients (excluding clients under restructuring procedures) amounted to RON 483.67 million (gross), for which the Bank recorded adjustments for impairment of RON 412.47 million. The exposure towards clients with signed restructuring plans amounts to RON 97.878 million at the same date, the related adjustment for impairment being RON 78.403 million.

For most cases in insolvency, the future cash-flows includes mainly the amounts expected to be recovered through foreclosure procedures and selling of real-estate collateral mortgaged in favour of the Bank.

Based on the NBR formal recommendations included in the letters no VI/2/17655/26.11.2014 and considering the results of the recoverability analysis for insolvent cases, the Bank revised its provisions coverage for insolvent customers by increasing it up to 85.5%.

Taking into consideration the limited historical data available in terms of closed insolvencies and the early stages of insolvency procedure for a significant part of insolvent portfolio, significant uncertainties related to the difficult economic environment of the Bank's borrowers, the low level of actual recoveries up to date, as well as the reduced liquidity of actual transactions with collaterals in the market and prices obtained in recent transactions in the market, the estimated future cash flows on insolvent customers could differ from those considered by the Bank.

Uncollectable loans (estimated recovery of 0) and loans to insolvent debtors, fully provided for, were written off.

In collective assessment of impairment, the Bank has updated the "Loss given default" indicator by incorporating the statistical effect of sale of the non-performing portoflio based on estimated sales price negotiated with the investors. Current individual assessment is harmonized with the expectations of recovery from the sale of portfolio transaction. The uppdate of the indicator took into account the recovery rate recorded in accordance with the price set forth in the contract mentioned above.

b) Fair value

Where the fair values of assets and liabilities cannot be measured on active markets, because of their specialization or low volume of transactions, the fair values are determined using valuation techniques which include financial and mathematical models. The inputs for the models are derived from existing markets when possible and when not, judgement is needed to establish fair values. The judgements refer to liquidity and input values.

6. USE OF ESTIMATES AND JUDGMENTS (continued)
b) Fair value (continued)

Determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in note 3 (j) (vi).

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques which contain variable information obtained from market perceptible. When using valuation techniques (e.g. models) to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are adjusted to ensure that outputs reflect actual data and comparative market prices. To the extent that this is practical, models use only perceptible information, however, areas such as credit risk (both own and counterparty), fluctuations and correlations require management attention to be estimated. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The accounting policy of the Bank regarding the measurement through fair value is presented in Note 3 (j)(vi)
The Bank 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 (unadjusted) in an active market for an identical instrument
Level 2: Valuation techniques based on observable inputs, either directly - i.e. as prices – or indirectly - i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or 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: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques.

Valuation techniques used refers to the net present value and discounted cash flows. Assumptions and input parameters used in valuation techniques include risk-free rate and the reference interest and exchange rates

The Bank uses widely recognized valuation models for determining the fair value of financial instruments simple (interest rate instruments and foreign exchange instruments) that use only observable market data and require a little reasoning to estimate. Observable prices and model input parameters are provided by dedicated structure within the Bank.

For the treasury bills, the Bank uses to official listings nationwide through a single dedicated system, this is also the depository of such securities issued in dematerialized form in the Romanian national market.

All financial instruments recorded at fair value are classified into three categories as follows:
Level 1 - Quoted market prices
Level 2 - Valuation techniques (noticed on the market)
Level 3 - Valuation techniques (market unnoticed)

(all amounts are presented in RON, unless otherwise stated)

6. USE OF ESTIMATES AND JUDGMENTS (continued)
b) Fair value (continued)

The Bank owned the following financial instruments measured at fair value:

At 31 December 2015:

Assets measured at fair value	**Total**	**Level 1**	**Level 2**	**Level 3**
Derivative assets	**1,834,602**	-	1,834,602	-
Financial assets available for sale	**481,375,092**	481,375,092	-	-

Liabilities measured at fair value	**Total**	**Level 1**	**Level 2**	**Level 3**
Derivative liabilities	**1,718,017**	-	1,718,017	-

At 31 December 2014:

Assets measured at fair value	**Total**	**Level 1**	**Level 2**	**Level 3**
Derivative assets	**1,797,655**	-	1,797,655	-
Financial assets available for sale	**499,246,311**	499,246,311	-	-

Liabilities measured at fair value	**Total**	**Level 1**	**Level 2**	**Level 3**
Derivative liabilities	**1,652,151**	-	1,652,151	-

In 2014 and 2015 there were no transfers between Level 1 and Level 2 of fair value hierarchy.

Financial assets and liabilities

Please find below a comparison by class of the carrying amounts and fair values of financial instruments that banks are not recorded at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

The following paragraphs describe the methodologies and assumptions used to determine fair values of those financial instruments that are not already recorded at fair value in the financial statements:

Assets for which fair value approximates accounting value
For financial assets and liabilities that are due in the short term (under one year), it is assumed that the carrying amounts approximate their fair value. This assumption applies to term deposits and savings accounts without a specific maturity.

The fair value of financial assets and liabilities with fixed rate at amortized cost are estimated by comparing market interest rates after they were first recognized with current market rates for similar financial instruments.

The following table summarizes the carrying amounts and fair values of those assets and liabilities that are not listed in the bank's balance sheet at their fair value.

(all amounts are presented in RON, unless otherwise stated)

6. USE OF ESTIMATES AND JUDGEMENTS (continued)

b) Fair value (continued)

31 December 2015

	Level 1	Level 2	Level 3	Fair Value	Book Value
Financial assets					
Cash, current accounts with the central bank	-	-	712,170,436	712,170,436	712,170,436
Placements with banks	-	-	110,600,698	110,600,698	110,600,698
Loans and advances to customers	-	-	3,246,806,029	3,246,806,029	2,805,709,917
Total	**-**	**-**	**4,069,577,163**	**4,069,577,163**	**3,628,481,051**
Financial liabilities					
Deposits from banks	-	-	142,625,239	142,625,239	142,625,239
Deposits from customers	-	-	2,890,355,928	2,890,355,928	2,900,066,773
Borrowings from banks and subordinate debts	-	-	782,066,695	782,066,695	692,695,113
Total	**-**	**-**	**3,815,047,862**	**3,815,047,862**	**3,735,387,125**

31 December 2014

	Level 1	Level 2	Level 3	Fair Value	Book Value
Financial assets					
Cash, current accounts with the central bank	-	-	602,915,825	602,915,825	602,915,825
Placements with banks	-	-	308,098,462	308,098,462	308,098,462
Loans and advances to customers	-	-	3,100,429,743	3,100,429,743	2,883,488,505
Total	**-**	**-**	**4,011,444,030**	**4,011,444,030**	**3,794,438,711**
Financial liabilities					
Deposits from banks	-	-	78,583,584	78,583,584	78,583,584
Deposits from customers	-	-	3,077,298,976	3,077,298,976	3,067,079,410
Borrowings from banks and subordinate debts	-	-	881,786,817	881,786,817	781,660,178
Total	**-**	**-**	**4,037,669,377**	**4,037,669,377**	**3,927,325,679**

(all amounts are presented in RON, unless otherwise stated)

7. NET INTEREST INCOME

	2015	2014
Interest income related to:		
Unimpaired loans and advances to customers	138,203,330	191,435,379
Impaired loans and advances to customers	46,003,603	44,768,020
Unwinding interest	-18,265,957	-29,803,547
Current accounts and deposits with banks	1,647,112	4,563,914
Financial assets available for sale	16,485,892	21,569,194
Total interest income	**184,073,980**	**232,532,960**
Interest expense related to:		
Deposits from customers	-37,838,959	-64,320,752
Deposits from banks	-390,563	-1,317,587
Borrowings from banks	-18,555,513	-22,589,424
Subordinated borrowins	-313,683	-396,137
Repurchase agreements	-5	-103
Total interest expense	**-57,098,723**	**-88,624,004**
Net interest income	**126,975,257**	**143,908,956**

In 2015, interest income related to impaired loans is RON 27,737,646 (2014: RON 14,964,473).

8. NET FEE AND COMMISSION INCOME

	2015	2014
Fee and commission income		
Income from transaction fees	25,921,387	29,998,936
Income from commissions on loans	10,180,820	11,139,494
Other commission income	28,001	26,787
Total fee and commission income	**36,130,208**	**41,165,216**
Fee and commission expense		
Expeses related to transaction fees	-4,044,123	-5,262,694
Commissions paid to the Loan Guarantee Funds	-3,563,930	-4,703,615
Fees for cash acquisition	-85,074	-91,153
Inter-banking transaction fees	-393,040	-437,292
Total fee and commission expense	**-8,086,167**	**-10,494,753**
Net fee and commission income	**28,044,041**	**30,670,463**

(all amounts are presented in RON, unless otherwise stated)

9. NET TRADING INCOME

	2015	2014
Gain on foreign exchange differences	958,805	1,063,538
Gain on transactions with foreign exchange derivatives	17,375,245	14,509,065
	18,334,050	**15,572,603**

10. OTHER INCOME FROM SALE OF FINANCIAL ASSETS AVAIBALAVAILABLE FOR SALE

	2015	2014
Gain on sale of financial assest available for sale	3,793,487	370,098
Losses from sale of financial assest available for sale	-378,973	-5,008
	3,414,514	**365,090**

11. PERSONNEL EXPENSES

	2015	2014
Salaries	49,678,110	53,395,522
Social security contributions	12,170,183	14,487,505
Other personnel expenses	1,320,144	1,389,540
	63,168,437	69,272,567

Other personnel expenses represent expenses related to meal tickets.

Plata pe baza de actiuni

In 2012 the Bank purchased 39,014 shares of Intesa Sanpaolo SPA Italia which are to be attributed to amangement as remuneration according to the policy and rules approved by the Group. Until the final allocation of shares to managers, the Bank will own the shares.

In October 2015, the Bank purchased 110,000 shares for this plan, named LECOIP by the Group. As at 31 December 2015, these shares have not been awarded, being owned by the Bank and reported as financial assets available for sale.

According to the group policy, the cost of shares was covered by the Bank through a provision booked for staff bonuses in the amount of RON 314,641. At 31 December 2015 the market value of these shares was RON 2,081,972 (31 December 2014: RON 423,522).

(all amounts are presented in RON, unless otherwise stated)

12. OTHER OPERATING EXPENSES

	2015	2014
Administrative expenses	32,710,058	34,749,831
Local taxes expenses	1,695,449	2,460,072
Software licensing	5,369,655	3,931,671
Advertising and marketing	337,289	723,214
Expenses related to contributions to Bank Deposits Guarantee Fund	7,186,210	8,236,038
Consultancy and professional services	4,946,110	1,400,268
Other operating expenses	95,482	25,404
	52,340,253	**51,526,498**

Administrative expenses are detailed below:

	2015	2014
Rental Expenses	12,432,023	14,887,800
Maintenance and repairs xpenses	2,022,441	3,557,344
Inventories and consumables	527,616	132,597
Heating, electricity and others	2,327,113	2,742,935
Internet and telecommunication expenses	1,187,521	1,572,670
Postage, telephone and other expenses	1,554,126	1,736,773
Travel expenses	895,208	1,100,121
Security services expenses	1,064,189	1,008,304
Expenditure related to staff trainings	113,176	134,781
Insurance expenses	417,633	449,730
Cleaning service expenses	1,076,067	1,146,692
Card service expenses	4,479,005	2,235,553
Protocol expenses	449,278	557,512
Legal services expenses	246,034	186,126
Expense with forms, stationery and other printed material	891,343	1,118,527
Transportation services	591,810	792,076
Others	2,435,475	1,390,289
	32,710,058	**34,749,831**

As a result of a detailed analysis of operating results and the degree of achievement of operational performance targets, and with the approval from the Board of Directors of the Bank, in 2015 the Bank closed 25 units which failed to meet performance targets and generated losses.

At 31 December 2014 the Bank recorded provisions covering the total costs for closure of these units. The costs of closing these branches include penalties paid to owners for unilateral termination of leases, lease improvements of the object written off.

(all amounts are presented in RON, unless otherwise stated)

13. INCOME TAX EXPENSES

	2015	2014
Current tax expense / (income)	-	-
Deferred tax expense / (income)		
Total income tax expenses	-	-

Reconciliation of effective tax rate:

		2015		2014
Profit/(Loss) before tax		**10,811,080**		**-264,106,881**
Theoretical taxation at statutory rate	16.00%	1,729,773	16.00%	-42,257,101
Elements similar to revenues	0.00%	0	0.00%	6,036
Elements similar to expenses	-0.06%	-6,475	0.00%	0
Fiscal amortisation	-7.25%	-783,389	-0.04%	103,670
Non-taxable income	-35.77%	-3,866,733	1.45%	-3,816,358
Non-deductible expenses	38.29%	4,139,492	-2.70%	7,124,339
Temporary differences	0.00%	0	-0.01%	33,642
Derecognised tax loss	-11.22%	-1,212,668	14.69%	38,805,771
Income tax expenses	-	-	-	-

(all amounts are presented in RON, unless otherwise stated)

14. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Note	Designated at fair value through profit or loss	Loans and receivables	Available for sale	At amortised cost	Total
31 December 2015						
ASSETS						
Cash and cash equivalents with the central bank	15	-	712,170,436	-	-	712,170,436
Derivatives assets held for risk management	17	1,834,602	-	-	-	1,834,602
Placements with banks	16	-	110,600,698	-	-	110,600,698
Loans and advances to customers	18	-	2,805,709,917	-	-	2,805,709,917
Financial assets available for sale	19	-	-	481,375,092	-	481,375,092
Equity Investments	19	-	-	-	7,927,588	7,927,588
TOTAL ASSETS		**1,834,602**	**3,628,481,051**	**481,375,092**	**7,927,588**	**4,119,618,333**
LIABILITIES						
Derivate liabilities held for risk management	17	1,718,017	-	-	-	1,718,017
Deposits rom banks	25	-	-	-	142,625,239	142,625,239
Loans from banks	27	-	-	-	660,985,074	660,985,074
Deposits from customers	26	-	-	-	2,900,066,773	2,900,066,773
Subordinated borrowings	28	-	-	-	31,710,039	31,710,039
TOTAL LIABILITIES		**1,718,017**	**-**	**-**	**3,735,387,125**	**3,737,105,142**

(all amounts are presented in RON, unless otherwise stated)

14. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	Note	Designated at fair value through profit or loss	Loans and receivables	Available for sale	At amortised cost	Total
31 December 2014						
ASSETS						
Cash and cash equivalents with the central bank	15	-	602,915,825	-	-	602,915,825
Derivatives assets held for risk management	17	1,797,655	-	-	-	1,797,655
Placements with banks	16	-	308,034,381	-	-	308,034,381
Loans and advances to customers	18	-	2,883,488,505	-	-	2,883,488,505
Financial assets available for sale	19	-	-	499,536,470	-	499,536,470
Equity Investments	19	-	-	-	11,269,138	11,269,138
TOTAL ASSETS		**1,797,655**	**3,794,438,711**	**499,536,470**	**11,269,138**	**4,307,041,974**
LIABILITIES						
Derivate liabilities held for risk management	17	1,652,151	-	-	-	1,652,151
Deposits rom banks	25	-	-	-	78,586,091	78,586,091
Loans from banks	27	-	-	-	750,239,314	750,239,314
Deposits from customers	26	-	-	-	3,067,079,410	3,067,079,410
Subordinated borrowings	28	-	-	-	31,420,864	31,420,864
TOTAL LIABILITIES		**1,652,151**	**-**	**-**	**3,927,326,679**	**3,928,977,830**

(all amounts are presented in RON, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANK

	31 December 2015	31 December 2014
Cash	67,660,925	82,671,393
Current accounts with the National Bank of Romania	319,507,254	380,243,460
Sight deposits with the National Bank of Romania	325,002,257	140,000,972
	712,170,436	**602,915,825**

Current accounts include compulsory reserves with the National Bank of Romania. The minimum reserve requirement set by the National Bank of Romania for sources attracted with maturity below two years and for sources attracted with residual maturity above two years, which stipulate contractual clauses regarding reimbursements, withdrawals, transfers in advance was 8% for sources attracted in RON and 14% for sources attracted in foreign currencies at 31 December 2015, as compared to 31 December 2014 when the minimum reserve requirement set by the National Bank of Romania was 10% for sources attracted in RON and 14% for sources attracted in foreign currencies. The Bank may use the minimum required reserve in daily operational activity, subject to compliance with stipulated levels for average monthly balances.

In 2015, interest rates ranged between 0.26% and 0,14% (2014: between 0.76% si 0.27%) for reserves kept in RON and between 0.29% and 0.09% (2014: between 0.38% and 0.31%) for reserves kept in EUR.

16. PLACEMENTS WITH BANKS

	31 December 2015	31 December 2014
Current accounts	44,224,017	68,223,254
Overnight deposits and term deposits	66,376,681	239,811,127
Total placements with banks	**110,600,698**	**308,034,381**

In 2015, the interest rates on bank deposits ranged between 0.25% and 2.80% for RON, and between -0,05% and 0.55% for other currencies (2014: between 1.27% and 2.04% for RON and 0.02% and 0.22% for other currencies). Placements with banks are not pledged in favor of third parties.

17. DERIVATIVES HELD FOR RISK MANAGEMENT

The fair values of derivatives held are presented below:

	31 December 2015		31 December 2014	
	Assets	Liabilities	Assets	Liabilities
Currency Swaps	1,562,501	1,515,435	1,443,063	820,760
Currency Forwards	272,101	202,582	355,592	831,391
Total	**1,834,602**	**1,718,017**	**1,797,655**	**1,652,151**

(all amounts are presented in RON, unless otherwise stated)

18. LOANS AND ADVANCES TO CUSTOMERS

	Gross Value	Impairment allowance	Net value	Gross Value	Impairment allowance	Net value
	31 December 2015			31 December 2014		
Retail loans						
Consumer loans	315,464,767	-21,860,999	293,603,768	339,585,724	-25,292,616	314,293,108
Equipments loans	-	-	-	-	-	-
Loans for real estate investments	755,968,228	-14,359,442	741,608,786	647,620,098	-10,505,960	637,114,138
Cash loans	12,885,431	-793,504	12,091,927	14,612,723	-549,930	14,062,793
Other loans to customers	9,743	-19	9,724	11,674	-24	11,650
Other receivables	1,262,578	-197,465	1,065,113	1,135,077	-155,402	979,675
Corporate loans						
Loans to financial institutions	41,526,011	-1,440,947	40,085,064	-	-	-
Equipments loans	247,256,312	-58,197,510	189,058,802	300,294,458	-58,107,551	242,186,907
Loans for real estate investments	675,422,999	-197,657,341	477,765,658	753,778,016	-228,886,144	524,891,872
Cash loans	989,209,499	-249,952,976	739,256,523	1,118,402,095	-315,170,111	803,231,984
Loans resulted from novation contracts	15,640,465	-9,664,443	5,976,022	21,622,813	-7,307,231	14,315,582
Other loans to customers	342,238,897	-71,011,010	271,227,887	440,521,457	-109,879,590	330,641,866
Finance lease contracts	32,659,424	-2,744,920	29,914,504			
Other receivables	9,684,684	-5,638,545	4,046,139	9,131,855	-7,372,925	1,758,930
Total	**3,439,229,038**	**-633,519,121**	**2,805,709,917**	**3,646,715,989**	**-763,227,484**	**2,883,488,505**

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

	31 December 2015	31 December 2014
Individual assessment		
At 1 January	**727,897,095**	**828,964,583**
Charge for the year	322,767,520	574,895,953
Release for the year	-275,760,959	-237,031,038
Write-offs	-231,906,492	-460,116,808
Adjustments for interest on impaired loans	27,737,646	29,803,547
Exchance rates differences	11,168,393	-8,619,142
At 31 December	**581,903,203**	**727,897,095**
Collective assessment		
At 1 January	**35,330,389**	**70,204,777**
Charge for the year	76,975,067	72,419,682
Release for the year	-62,779,405	-107,269,100
Exchance rates differences	2,089,866	-24,970
At 31 December	**51,615,918**	**35,330,389**

Movement in the income statement:

	31 December 2015	31 December 2014
Charges for the year	399,742,588	647,315,635
Release for the year	-338,540,364	-344,300,138
Recoveries	-35,915,105	-4,380,374
Losses not covered by impairment provisions	12,804,478	3,405,070
Total	**38,091,597**	**-302,040,194**

19. FINANCIAL ASSETS AVAILABLE FOR SALE

	31 December 2015	31 December 2014
Debt securities	481,121,383	499,246,311
Equity investments, available for sale	253,709	290,159
Total	**481,375,092**	**499,536,470**

Debt securities comprise treasury bills, bonds denominated in RON issued by Ministry of Public Finance of Romania. All securities were free of charge at 31 December 2015.

(all amounts are presented in RON, unless otherwise stated)

19. INSTRUMENTE FINANCIARE DISPONIBILE PENTRU VANZARE (continuare)

(a) Investments in shares available for sale owned by the Bank, are detailed below:

Investment	Country of incorporation	Nature of business	Shareholding 31 December 2015	Shareholding 31 December 2014
Sibex Sibiu Stock Exchange	Romania	Exchange of products	26,880	26,880
Casa Romana de Compensatie	Romania	Compensation house BMFMS	4,050	40,500
TransFonD	Romania	Compensation and settlement interbankar transfer	193,803	193,803
Biroul de Credit	Romania	Customers portfolio data collection/processing	28,976	28,976
Total			**253,709**	**290,159**

(b) Equity investments

	31 December 2015	31 December 2014
Intesa Sanpaolo Leasing IFN S.A. (i)	5,845,616	10,845,616
Intesa Sanpaolo SPA (ii)	2,081,972	423,522
Total	**7,927,588**	**11,269,138**

(i) The shares held by the Bank in the share capital of Intesa Sanpaolo Leasing Romania IFN SA (registered at the Romanian Trade Register under number J40/14030/2005 fiscal code RO 17863812) is in the amount of RON 19,845,616.
The structure of the share capital of Intesa Sanpaolo Leasing Romania IFN SA is as follows:

- Intesa Sanpaolo Romania S.A. owns a number of 997 shares of RON 1,800 per share, representing 99.7% of share capital;
- CIB Lizing Zrt. owns a number of 3 shares of 1,800 RON per share, representing 0.3% of share capital.

The Bank stake in the leasing company, the name of which changed in December 2015 to Intesa Sanpaolo Consultanta SRL, recorded an adjustment for impairment in the amount of RON 5,000 thousand, considering the analysis on the recoverability of this investment based on the intention to liquidate the company in 2016.
In 2015, the Bank incorporated leasing activity in the banking activity. After the Bank had obtained the preliminary approval of the National Bank of Romania for financial leasing activities, there were three settlements of assignment of receivables related to performing lease contracts of Intesa Sanpaolo Leasing IFN SA, which took place in October and November 2015. The gross value of the assigned contracts was RON 39,265,469.58 (first installment: RON 3,070,468.49; second installment: RON 32,208,709.22; third installment: RON 3,986,291.87).

The purchase price was equal to the fair value which was in the amount of RON 38,029,847.17, the difference representing value adjustments for impairment of lease receivables.

(ii) During 2012 Banca CR Firenze Romania SA acquired from Intesa Sanpaolo SPA. a total of 39,014 shares in the amount of RON 169,570. In October 2015, the Banck acquired additionall10,000 shares, for a bonus plan. Currently, these shares have not been assigned to staff, being held by the Bank. At 31 December 2015 the market value of these shares was RON 2,081,972 (31 December 2014: RON 423,522).

(all amounts are presented in RON, unless otherwise stated)

20. PROPERTY AND EQUIPMENT

	Land and Buildings	Computer Hardware	Other tangible assets	Total
Costs:				
At 1 January 2014	**103,685,304**	**13,318,380**	**25,965,322**	**142,969,006**
Additions	1,984,134	242,343	864,512	**3,090,989**
Disposals	-1,380,161	-125,685	-1,627,139	**-3,132,985**
At 31 December 2014	**104,289,277**	**13,435,038**	**25,202,695**	**142,927,010**
At 1 January 2015	**104,289,277**	**13,435,038**	**25,202,695**	**142,927,010**
Additions	-	595,815	479,918	**1,075,733**
Disposals	-6,140,961	-179,956	-1,175,144	**-7,496,061**
At 31 December 2015	98,148,316	13,850,897	24,507,469	136,506,682
Depreciation:				
At 1 January 2014	**32,030,514**	**11,243,674**	**17,899,987**	**61,174,175**
Disposals	-875,262	-123,935	-1,289,747	**-2,288,944**
Depreciation charge for the year	3,489,136	1,256,774	2,226,324	**6,972,235**
Impairment losses	-	-	-	-
At 31 December 2014	34,644,388	12,376,514	18,836,564	65,857,466
At 1 January 2015	**34,644,388**	**12,376,514**	**18,836,564**	**65,857,466**
Disposals	-4,296,007	-	-1,222,636	**-5,518,643**
Depreciation charge for the year	3,316,692	743,770	2,486,718	**6,547,180**
Impairment losses		-	-	-
At 31 December 2015	33,665,073	13,120,284	20,100,646	66,886,003
Net book value:				
At 31 December 2014	69,644,889	1,058,524	6,366,131	77,069,544
At 31 December 2015	64,483,243	730,613	4,406,823	69,620,679

Other tangible assets include motor vehicles, furniture and fittings, household equipment, air conditioning equipment.

All tangible assets are unencumbered and are secured to the net carrying amount at the concluding date of the insurance.

Gross value of property and equipment fully depreciated and still in use is RON 23,982,225 at 31 December 2015 (31 December 2014: RON 31,709,934).

(all amounts are presented in RON, unless otherwise stated)

21. INTANGIBLE ASSETS

	Computer software	Other intangible assets	TOTAL
Costs:			
At 1 January 2014	**53,835,218**	**10,756**	**53,845,974**
Additions	11,081,856		**11,081,856**
Disposals	-99,500	-1,049	**-100,549**
At 31 December 2014	**64,817,574**	**9,707**	**64,827,281**
At 1 January 2015	**64,817,574**	**9,707**	**64,827,28**
Additions	3,976,776		**3,976,776**
Disposals	-18,092	-2,675	**-20,767**
At 31 December 2015	**68,776,258**	**7,032**	**68,783,290**
Amortization:			
At 1 January 2014	**30,670,505**	**10,756**	**30,681,260**
Disposals	-70,268	-1,049	**-71,317**
Amortization charge for the year	6,568,092		**6,568,092**
At 31 December 2014	**37,168,328**	**9,707**	**37,178,035**
At 1 January 2015	**37,168,328**	**9,707**	**37,178,035**
Disposals	-12,096	-2,675	**-14,771**
Amortization charge for the year	7,598,904		**7,598,904**
At 31 December 2015	**44,755,136**	**7,032**	**44,762,168**
Net book value:			
At 31 December 2014	**27,649,245**	**-**	**27,649,245**
At 31 December 2015	**24,021,122**	**-**	**24,021,122**

Intangible assets include licenses for software used by the Bank.

Increase in intangible assets during 2015 (of RON 7,820,367) is mostly due to the software purchased, but also to the purchase of new licenses (in the amount of RON 1,543,797).

The remaining average amortization period is 1.5 years .

(all amounts are presented in RON, unless otherwise stated)

22. INVESTMENT PROPERTY

	Amount
Cost	
At 1 January2014	**34,605,195**
Additions	-
Disposals	-2,865,708
At 31 December 2014	**31,739,487**
At 1 January2015	**31,739,487**
Additions	-
Disposals	-
At 31 December 2015	**31,739,487**
Depreciation and impairment:	
At 1 January2014	**12,777,153**
Disposals	-276,033
Impairment charge	557,364
Depreciation charge for the year	11,497,626
At 31 December 2014	**24,556,110**
At 1 January2015	**24,556,110**
Disposals	-
Impairment charge	-
Depreciation charge for the year	156,263
At 31 December 2015	**24,712,373**
Net book value:	
At 31 December 2014	**7,183,377**
At 31 December 2015	**7,027,114**

Investment property is held by the Bank following the takeover of assets held as collaterals for non performing loans. Their fair value is based on an annual valuation performed by ANEVAR certified experts or internally, according to Group policies.
In 2015, repair costs related to investment property were in the amount of RON 2,605. Investment property are leased and generated rental income of RON 589,753 during 2015.

(all amounts are presented in RON, unless otherwise stated)

23. DEFFERED TAX

Current tax is calculated by applying the rate of 16% (2014: 16%). Deferred income taxes are calculated based on all temporary differences under the liability method using a tax rate of 16%.

Assets and liabilities related to deferred tax are attributable to the following items:

2015

				31 December		
	Balance at 1 January	**Recognized in the income statement**	**Recognized in the comprehensive income statement**	**Net**	**Asset**	**Liability**
Allowance for impairment of loans and advances to customers	-	-	-	-	-	-
Fair value of financial assets available for sale	-1,961,900	-	768,922	-1,192,978	-	1,192,978
Fiscal credit for losses	9,273,757	-	-	9,036,492	9,036,492	-
Deductible temporary differences	6,637,818		-	6,848,083	6,848,083	-
Assets related to deferred tax	**15,911,575**	**-**	**-**	**15,911,575**	**15,911,575**	**-**
Liabilities related to deferred tax	**-1,961,900**	**-**	**768,922**	**-1,192,978**	**-**	**1,192,978**

2014

				31 December		
	Balance at 1 January	**Recognized in the income statement**	**Recognized in the comprehensive income statement**	**Net**	**Asset**	**Liability**
Allowance for impairment on loans and advances to customers	-	-	-	-	-	-
Fair value of financial assets available for sale	-730,057	-	-1,231,843	-1,961,900	-	1,961,900
Fiscal credit for losses	9,273,757	-	-	9,273,757	9,273,757	-
Deductible temporary differences	6,637,818		-	6,637,818	6,637,818	-
Assets related to deferred tax	**15,911,575**	**-**	**-**	**15,911,575**	**15,911,575**	**-**
Liabilities related to deferred tax	**-730,057**	**-**	**-1,231,843**	**-1,961,900**	**-**	**1,961,900**

(all amounts are presented in RON, unless otherwise stated)

23. DEFFERED TAX (continued)

The recoverability of deferred tax asset was evaluated by the Bank in accordance with the budget for 2016 and the forecast for the period 2017 - 2021 (7 years, the period of prescription of tax losses), during which the Bank estimates to recover cumulative tax losses of RON 399,219,545 from the amount of RON 672,928,083, which is the total tax loss recorded by the Bank as at 31 December 2015.

According to the Fiscal Code, starting with 2009, the annual tax loss can be reported and recovered from income tax derived in the next seven consecutive years. Detail of the prescription period for utilization of the tax losses of the Bank is presented below:

Fisacal loss	Expiry year
RON	
58,745,350	2016
18,369,538	2017
237,342,158	2018
115,765,171	2019
242,705,866	2021

24. OTHER ASSETS

	31 December 2015	31 December 2014
Deposits paid for rent, electricity	785,995	776,102
Expenses paid in advance	3,521,326	2,770,089
Sundry debtors	13,056,397	7,367,667
Advances paid to suppliers	4,000	30,344
Inventory	759,367	744,037
Taxes due to State budget	25,166	-
Salaries to be recovered	10,800	-
Others	1,923,584	1,016,038
Total	**20,086,635**	**12,704,277**

Sundry debtors position varies mostly due to taxes to be recovered from the State budget (increase by RON 4,276,527), from MoneyGram transactions in course of settlement (RON 590,884) and other debtors (RON 715,140). The bank has a claim to recover from the State budget in the amount of RON 6,054,839.

25. DEPOSITS FROM BANKS

	31 December 2015	31 December 2014
Sight deposits	45,687,330	67,318,600
Term deposits	91,624,371	-
Amounts in transit	5,313,538	11,267,491
Total	**142,625,239**	**78,586,091**

(all amounts are presented in RON, unless otherwise stated)

26. DEPOSITS FROM CUSTOMERS

	31 December 2015	31 December 2014
Current accounts	783,701,251	495,987,458
Sight deposits	416,297,077	406,252,507
Term deposits	1,632,013,977	2,098,714,229
Collateral deposits	68,054,467	66,125,215
Total	**2,900,066,772**	**3,067,079,410**

The main part of term deposits from customers were in RON and EURO. During 2015, interest rates for term deposits ranged between 3.04% and 1.39% for RON (2014: between 2.75% and 1.94%), and for deposits in EUR ranged between 1.86% and 0.18%, (2014: between 2.24% and 1.62%).

27. BORROWINGS FROM BANKS

	31 December 2015	31 December 2014
Borrowings from Intesa Sanpaolo Group	604,367,531	688,533,665
Borrowings from European Investment Bank	56,617,543	61,705,649
Total	**660,985,074**	**750,239,314**

As at 31 December 2015 and 31 December 2014, borrowings from Intesa Sanpaolo Group comprise borrowings received from Societe Europeene de Banque SA Luxemburg and Cassa di Risparmio di Firenze. Total amount granted is EUR 133,000,000 (2014: EUR 153,000,000). In addition to the borrowings received from the Group, the Bank also receveived in 2013 a borrowing from the European Investment Bank in amount of EUR 12,500,000 (2014: EUR 13,750,000).

There are no restrictions to demand early reimbursement.

Company	Granting date	Maturity	CCY	Amount
Societe Europeenne de Banque SA Luxemburg	23.10.2008	19.10.2018	Eur	20,000,000
Societe Europeenne de Banque SA Luxemburg	27.10.2008	19.10.2018	Eur	30,000,000
Societe Europeenne de Banque SA Luxemburg	17.10.2011	17.12.2023	Eur	30,000,000
Societe Europeenne de Banque SA Luxemburg	31.01.2011	28.02.2019	Eur	50,000,000
Societe Europeenne de Banque SA Luxemburg	17.12.2013	17.12.2018	Eur	10,000,000
Banca CR Firenze	30.10.2007	24.11.2016	Eur	3,000,000

In 2015, weighted average interest rate for these loans was 2.73% (2014: 2.56 %).

(all amounts are presented in RON, unless otherwise stated)

28. SUBORDONATED BORROWINGS

	31 December 2015	31 December 2014
Subordinated borrowing from Cassa di Risparmio di Firenze	31,710,039	31,420,864
Total	**31,710,039**	**31,420,864**

The subordinated borrowing from Cassa di Risparmio di Firenze was received on 7 May 2007 in the amount of EUR 7,000,000 and has the maturity on 27 April 2017.

In case of insolvency of the debtor, creditor claims arising from the subordinated loan agreement will take precedence over any other creditor of the debtor and will have priority only to the shareholders of the debtor.

29. PROVISIONS

	31 December 2015	31 December 2014
Provision for risk and charges	1,146,016	3,539,643
Provision for litigation	3,744,522	3,561,146
Provision for letters of guarantee and off balance sheet exposure	2,561,797	4,600,458
Provisions for personnel expenses	7,533,361	11,333,235
Total	**14,985,696**	**23,034,482**

Provisions of RON 1,000,000 made in 2009 for additional taxes on buildings and related penalties that may be due to the budgets of local tax authorities starting were reversed during 2015. In addition, the provision for restructuring was reversed in 2015 as a result of its use.

The movement in provisions during 2015 is as follows:

	Letters of guarantees	Litigations	Personnel	Other	Total
At 1 January	**4,600,458**	**3,561,146**	**11,333,235**	**3,539,643**	**23,034,482**
Made during the year	9,788,041	168,324	-	1,618,035	**11,574,400**
Reversed during the year	-11,827,872	-	-2,407,524	-2,411,663	**-16,647,059**
Used during the year	-	-	-1,392,350	-1,600,000	**-2,992,350**
Exchange rate differences	1,170	15,053	-	-	**16,223**
At 31 December	**2,561,797**	**3,744,523**	**7,533,361**	**1,146,015**	**14,985,696**

(all amounts are presented in RON, unless otherwise stated)

29. PROVISIONS (CONTINUED)

Movement in income statement:

2015	Letters of guarantees	Litigations	Personnel	Other	Total
Expenses during the year	9,788,041	168,324	-	1,618,035	**11,574,400**
Income during the year	-11,827,872	-	-2,407,524	-2,411,663	**-16,647,059**
Total	**-2,039,831**	**168,324**	**-2,407,524**	**-793,628**	**-5,072,659**

2014	Letters of guarantees	Litigations	Other	Total
Expenses during the year	9,792,499	250,000	7,062,004	**17,104,503**
Income during the year	-16,621,521	-201,716	-3,658,334	**-20,481,571**
Total	**-6,829,022**	**48,284**	**3,403,670**	**-3,377,068**

30. OTHER LIABILITIES

	31 December 2015	31 December 2014
Taxes due to the State Budget	2,203,065	1,981,656
Salary payables	5,560,553	5,717,112
Expense accruals	2,889,510	341,009
Commission for guarantee letters	6,370,018	4,621,827
Open spot foreign currency position	1,985,279	1,878,607
MoneyGram creditors	4,126,944	3,566,041
Other liabilities	4,046,356	6,423,253
Total	**27,181,725**	**24,529,505**

31. SHARE CAPITAL AND RESERVES

SHARE CAPITAL

	31 December 2015	31 December 2014
Subscribed share capital	886,639,410	886,639,410
Share premiums	251,628,890	251,628,890
Restatement in accordance with IAS 29	40,174,800	40,174,800
Total share capital and share premiums	**1,178,443,100**	**1,178,443,100**

(all amounts are presented in RON, unless otherwise stated)

31. SHARE CAPITAL AND RESERVES (continued)

Movement in the number of shares is shown in the table below:

	2015 (RON)	2014 (RON)
Number of shares owned by Intesa Sanpaolo group		
At the beginning of the period	88,663,941	88,663,941
Issue of new shares	-	-
Shares issued at the merger	-	-
At the end of the period	**88,663,941**	**88,663,941**

At 31 December 2015 the share capital of the Bank is represented by 88,663.941 shares with a nominal value of 10/share. During 2015 the social capital of the Bank did not change.

All issued shares are fully paid and confer the right to one vote each.

Shareholding structure as of 31 December 2015 is shown in the table below:

Shareholder	**31 December 2015**	
	Number of shares	**%**
Intesa Sanpaolo S.p.A Italia	81,096,905	91.47
Intesa Sanpaolo Holding	314,211	0.35
Cassa di Risparmio di Firenze	7,252,825	8.18
Total	**88,663,941**	**100.00**

RESERVES

	Reserves related to financial assets available for sale	**Statutory reserve**	**Other capital reserves**	**Total**
At 1 January 2014	**3,832,796**	**15,723,724**	**11,627,247**	**31,183,768**
Increase	-	-	-	-
Net gains (losses) on available-for-sale financial assets	6,467,179	-	-	**6,467,179**
At 31 December 2014	**10,299,975**	**15,723,724**	**11,627,247**	**37,650,946**
At 1 January 2015	**10,299,975**	**15,723,724**	**11,627,247**	**37,650,946**
Increase	-	540,554	-	**540,554**
Net gains (losses) on available-for-sale financial assets	-4,036,838	-	-10,599	**-4,047,437**
At 31 December 2015	**6,263,137**	**16,264,278**	**11,616,648**	**34,144,063**

Other capital reserves as at 31 December 2015 include: general reserve for credit risk (RON 829,845), funds for general banking risks (RON 10,162,589) and other reserves (RON 624,213). General reserve for general banking risks was set beginning with financial year of 2004 until the end of financial year 2007, the accounting profit determined before the deduction of income tax - gross profit in shares and limits provided by law. General credit risk reserve was established up to 2% of the outstanding loans by the end of fiscal year 2003.
As at 31 December 2015, the Bank set-up a statutory reserve of RON 540,554, calculated as 5% of the gross profit.

(all amounts are presented in RON, unless otherwise stated)

32. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash	67,660,925	82,671,393
Current account with the National Bank of Romania	319,507,254	380,243,460
Sight deposits with the National Bank of Romania	325,002,257	140,000,972
Current accounts	44,224,017	68,223,254
Overnight deposits	66,376,680	239,811,127
Total	**822,771,133**	**910,950,206**

Current accounts with the central bank include mandatory reserve deposits. These are available to the Bank for daily operations, with the condition that, as an average during the month, the Bank maintains the minimum required limit.

32. COMMITMENTS AND CONTINGENCIES

The Bank issues guarantees and letters of credit on behalf of its customers. The market and credit risk related to these financial instruments, as well as the operating risk is similar to that arising from granting of loans. In the event of a claim as a result of a customer's default on a guarantee, these instruments also expose the Bank to liquidity risk.

The aggregate amount of outstanding gross commitments and contingencies as at period end was:

	31 December 2015	31 December 2014
Letters of guarantee issued for non-banking clients	565,039,008	492,919,854
Unused loan facilities and letters of credit	267,646,535	326,914,982
Letters of guarantee issued for other banks	277,669,570	238,853,329
Total	**1,110,355,113**	**1,058,688,165**

Letters of guarantee include letters of guarantee in the amount of RON 81,280,084 (31 December 2014: RON 100,901,569) issued for the credit risk related the loans granted by Intesa Sanpaolo Ireland to Romanian customers.
Commited future operating lease payments are disclosed below:

	31 December 2015	31 December 2014
Less than 1 year	6,877,816	11,887,845
Between 1 and 5 years	12,984,332	27,828,318
More than 5 years	136,037	9,877,555

The rentals which the Bank has to pay in the next years are according to the contracts for the rented spaces where certain units of the Bank carry out their activity (branches and agencies).

Future minimum rental under non-cancellable operating leases are as follows:

	31 December 2015	31 December 2014
Less than 1 year	353,460	622,556
Between 1 and 5 years	907,794	1,543,695
More than 5 years	754,264	867,083

(all amounts are presented in RON, unless otherwise stated)

34. RELATED PARTY TRANSACTIONS

The Bank is a member of the Intesa Sanpaolo Group. The Bank's parent company is Intesa Sanpaolo SpA, a bank incorporated in Italy, which directly owns 91.47 % of the ordinary shares of the Bank.

The related parties considered for reporting purposes include: Intesa Sanpaolo S.p.A., Intesa Sanpaolo Bank Luxembourg S.A. (former Societe Europeenne de Banque S.A.), Central-European International Bank, Intesa Sanpaolo Banka DD Sarajevo, Intesa Sanpaolo Branch Tokyo, Banka Koper, Intesa Sanpaolo Card D.O.O. ZAGREB, VUB Banka Bratislava, Vseobecna Uverova Banka AS Branch Praga, Intesa Sanpaolo Milano Branch, Cassa Di Risparmio Di Firenze, Intesa Sanpaolo Holding International S.A. Luxembourg, Intesa Sanpaolo Leasing Romania, Banca Fideuram S.P.A., Cassa Di Risparmio In Bologna SPA, Intesa Sanpaolo Spa Fil Impr Roma Centro, Intesa Sanpaolo SPA London, Intesa Sanpaolo Frankfurth Branch, Intesa Sanpaolo SPA New York, VUB GENERALI DSS AS, which are all entities controlled by the Intesa Sanpaolo Group.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Through the business activities are conducted certain banking transactions with related parties.These include loans, deposits and foreign currency transactions, acquisition of other services.

The volumes of related party transactions, outstanding balances at the year-end, and relating expense and income for the year are as follows:

Transactions with key personnel of the Bank

Key personnel is divided into two categories: governing bodies (administrators and local management) and key managers (persons with power and responsibility, directly or indirectly, to plan, direct and control the Bank's activities, including the Bank executives).

	Balance as at 31 December 2015	Income 2015	Balance as at 31 December 2014	Income 2014
Current account and deposits:				
Board of Directors	4,056,273	50,854	2,495,538	61,203
Key management personnel	1,603,583	20,083	1,247,994	22,982

Transactions with the members of the Board of Directors and key management personnel represent only transactions related to current accounts and deposits, excluding any other benefits.

The remuneration of the Board of Directors and key management personnel was:

	2015	2014
Board of Directors	2,570,886	3,998,136
Key management personnel	2,330,874	2,510,303

Beside transactions with personnel or key management personnel, the Bank performs transactions with entities significantl influence over the Bank.

(all amounts are presented in RON, unless otherwise stated)

34. RELATED PARTY TRANSACTIONS (continued)

The table below presents the balances and the related interests during the year:

Parent entity

	Interest from related parties	Interest due to related parties	Amounts due from related parties Balance as at 31 December	Amounts due to related parties Balance as at 31 December
2015	34,752	38,251	14,651,880	80,071,015
2014	118,609	98,627	16,544,994	66,941,874

Other related parties

	Interest from related parties	Interest due to related parties	Amounts due from related parties Balance as at 31 December	Amounts due to related parties Balance as at 31 December
2015	773	18,185,201	3,231,928	644,382,392
2014	2,598	22,611,345	4,131,946	720,331,255

	Interest from related parties	Interest due to related parties	Amounts due from related parties Balance as at 31 December	Amounts due to related parties Balance as at 31 December
Intesa Sanpaolo Leasing Romania IFN SA / Consultanta SRL:				
2015	240	83,858	-	14,062,032
2014	168,453	385,904	-	29,909,060

	Parent entity	Intesa Sanpaolo Leasing Romania IFN SA / Consultanta SRL:	Other related parties
2015			
Letters of guarantee issued for customers	26,501,810	45,245,000	182,908,277
Letters of guarantee recieved	90,271,471	-	182,882,137
2014			
Letters of guarantee issued for customers	148,102,908	60,508,350	163,069,341
Letters of guarantee recieved	109,466,706	-	197,564,724

34. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties

The above mentioned balances arose from the ordinary course of business. The interest charged to and by related parties is at normal commercial rates. All amounts are expected to be settled in cash. Outstanding balances at the end of the year are not secured. For the year ended 31 December 2015, the Bank did not record any impairment losses for doubtful debts relating to amounts owed by related parties (31 December 2014: nil), but recorded impairment for the stake in Intesa Sanpaolo Consulting SRL in the amount of RON 5,000,000.

35. SUBSEQUENT EVENTS

In the second part of 2015, the Bank carried out all the procedures for the sale of a portfolio of non-performing loans of approximately EUR 280 million in nominal value, out of which 95% represent corporate loans, most of them secured by real estate.
The contract was signed in January 2016 and March 2016, but all the terms of the contract will be fully implemented at the end of June 2016.
After the sale of the portfolio, the Bank's non-performing loans rate will decrease by approximately 5.2%.