BRD – Groupe Société Générale S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

DECEMBER 31, 2016

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
as of December 31, 2016
(Amounts in thousands RON)

	Note	Group		Bank	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
ASSETS					
Cash in hand	5	1,800,529	1,339,602	1,800,506	1,339,580
Due from Central Bank	6	5,339,460	7,480,319	5,339,460	7,480,319
Due from banks	7	1,998,271	2,314,800	1,971,333	2,287,837
Derivatives and other financial instruments held for trading	8	1,203,282	1,218,112	1,203,299	1,218,133
Loans and advances to customers	9	27,838,705	26,741,471	27,384,110	26,376,425
Finance lease receivables	10	663,517	549,354	-	-
Financial assets available for sale	11	11,609,855	9,208,959	11,585,000	9,190,919
Investments in associates and subsidiares	12	134,071	121,787	158,997	157,527
Property, plant and equipment	13	833,580	851,260	825,393	843,628
Investment property	13	13,946	15,337	13,946	15,337
Goodwill	14	50,130	50,130	50,130	50,130
Intangible assets	15	90,250	82,617	86,070	76,214
Deferred tax asset	20	65,060	19,194	61,321	15,584
Other assets	16	240,836	185,668	178,018	141,233
Total assets		**51,881,492**	**50,178,610**	**50,657,583**	**49,192,866**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	17	531,601	701,180	531,601	701,180
Due to customers	18	42,192,749	41,178,674	42,290,738	41,271,873
Borrowed funds	19	1,101,558	1,099,793	138,451	348,037
Derivatives and other financial instruments held for trading	8	211,032	153,210	211,066	153,218
Current tax liability	20	142,082	1,463	140,124	-
Deferred tax liability	20	710	539	-	-
Other liabilities	21	1,027,927	786,308	978,420	737,369
Total liabilities		**45,207,659**	**43,921,167**	**44,290,400**	**43,211,677**
Share capital	22	2,515,622	2,515,622	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		276,697	380,308	276,697	380,308
Reserves from defined pension plan	21	(4,650)	12,442	(4,650)	12,442
Retained earnings		3,835,793	3,299,819	3,579,514	3,072,817
Non-controlling interest		50,371	49,252	-	-
Total equity		**6,673,833**	**6,257,443**	**6,367,183**	**5,981,189**
Total liabilities and equity		**51,881,492**	**50,178,610**	**50,657,583**	**49,192,866**

The financial statements have been authorized by the Group's management on March 9, 2017 and are signed on the Group's behalf by:

François Bloch
Chief Executive Officer

Petre Bunescu
Deputy Chief Executive Officer

Stephane Fortin
Chief Financial Officer

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE PROFIT OR LOSS
for the year ended December 31, 2016
(Amounts in thousands RON)

		Group		Bank	
	Note	**2016**	**2015**	**2016**	**2015**
Interest and similar income	23	1,807,507	1,939,702	1,689,231	1,828,226
Interest and similar expense	24	(221,037)	(423,651)	(207,735)	(405,973)
Net interest income		**1,586,470**	**1,516,051**	**1,481,496**	**1,422,253**
Fees and commissions, net	25	**772,666**	**749,641**	**737,021**	**718,232**
Foreign exchange gain	27	179,116	149,695	178,700	148,936
Gain on derivative and other financial instruments held for trading	26	73,231	131,071	72,774	130,569
Gain on financial assets available for sale		131,419	25,751	131,318	25,150
Income from associates	28	27,752	16,316	16,939	14,327
Other income	29	6,995	6,702	15,924	14,115
Operating income		**2,777,649**	**2,595,227**	**2,634,172**	**2,473,582**
Personnel expenses	31	(687,785)	(654,659)	(643,091)	(611,999)
Depreciation, amortisation and impairment on tangible and intangible assets	32	(128,529)	(131,217)	(124,561)	(127,694)
Contribution to Guarantee Scheme and Resolution Fund	30	(65,139)	(88,050)	(65,139)	(88,050)
Other operating expenses	33	(506,119)	(511,371)	(476,886)	(481,774)
Total operating expenses		**(1,387,572)**	**(1,385,297)**	**(1,309,677)**	**(1,309,517)**
Net operating profit		1,390,077	1,209,930	1,324,495	1,164,065
Cost of risk	34	(483,508)	(658,214)	(461,176)	(631,149)
Profit before income tax		**906,569**	**551,716**	**863,319**	**532,916**
Current income tax expense	20	(165,773)	(25,327)	(157,783)	(17,571)
Deferred tax (expense) / income	20	22,703	(59,153)	22,745	(69,923)
Total income tax		**(143,070)**	**(84,480)**	**(135,038)**	**(87,494)**
Profit for the period		**763,499**	**467,236**	**728,281**	**445,422**
Profit attributable to equity holders of the parent		757,530	465,821		
Profit attributable to non-controlling interests		5,969	1,415		
Basic earnings per share (in RON)	40	**1.0870**	**0.6684**	**1.0450**	**0.6391**

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2016
(Amounts in thousands RON)

	Note	Group		Bank	
		2016	**2015**	**2016**	**2015**
Result for the period		**763,499**	**467,236**	**728,281**	**445,422**
Net comprehensive income that was or will be reclassified to profit and loss in subsequent periods		**(103,611)**	**38,242**	**(103,611)**	**38,242**
Reclassifications to profit and loss during the period		(131,419)	(25,751)	(131,318)	(25,150)
Revaluation differences		8,072	71,277	7,971	70,676
Income tax relating to available-for-sale financial assets	20	19,736	(7,284)	19,736	(7,284)
Net comprehensive income not to be reclassified to profit and loss in subsequent periods		**(17,092)**	**2,476**	**(17,092)**	**2,476**
Gain/(Loss) on defined pension plan	21	(20,347)	2,948	(20,347)	2,948
Income tax relating to defined pension plan	20	3,256	(472)	3,256	(472)
Other comprehensive income for the period, net of tax		**(120,703)**	**40,718**	**(120,703)**	**40,718**
Total comprehensive income for the period, net of tax		**642,796**	**507,954**	**607,578**	**486,140**
Attributable to:					
Equity holders of the parent		636,827	506,539		
Non-controlling interest		5,969	1,415		

(Amounts in thousands RON)

Group

	Note	Attributable to equity holders of the parent				Non-controlling interest	Total equity
		Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan		
December 31, 2014		**2,515,622**	**342,066**	**2,830,911**	**9,966**	**51,650**	**5,750,215**
Total comprehensive income		-	38,242	465,821	2,476	1,415	507,954
Net Profit for the period		-	-	465,821	-	1,415	467,236
Other comprehensive income		-	38,242	-	2,476	-	40,718
Shared-based payment		-	-	3,087	-	-	3,087
Equity dividends		-	-	-	-	(3,813)	(3,813)
December 31, 2015		**2,515,622**	**380,308**	**3,299,819**	**12,442**	**49,252**	**6,257,443**
Total comprehensive income		-	(103,611)	757,530	(17,092)	5,969	642,796
Net Profit for the period		-	-	757,530	-	5,969	763,499
Other comprehensive income		-	(103,611)	-	(17,092)	-	(120,703)
Shared-based payment		-	-	1,453	-	-	1,453
Equity dividends		-		(223,009)		(4,850)	(227,859)
December 31, 2016		**2,515,622**	**276,697**	**3,835,793**	**(4,650)**	**50,371**	**6,673,833**

Bank

	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan	Total equity
December 31, 2014		**2,515,622**	**342,066**	**2,624,763**	**9,966**	**5,492,417**
Total comprehensive income		-	38,242	445,422	2,476	486,140
Net Profit for the period		-	-	445,422	-	445,422
Other comprehensive income		-	38,242	-	2,476	40,718
Shared-based payment		-	-	2,632	-	2,632
December 31, 2015		**2,515,622**	**380,308**	**3,072,817**	**12,442**	**5,981,189**
Total comprehensive income		-	(103,611)	728,281	(17,092)	607,578
Net Profit for the period		-	-	728,281	-	728,281
Other comprehensive income		-	(103,611)	-	(17,092)	(120,703)
Shared-based payment		-	-	1,425	-	1,425
Equity dividends				(223,009)		(223,009)
December 31, 2016		**2,515,622**	**276,697**	**3,579,514**	**(4,650)**	**6,367,183**

(Amounts in thousands RON)

	Note	Group 2016	Group 2015	Bank 2016	Bank 2015
Cash flows from operating activities					
Profit before tax		**906,569**	**551,716**	**863,319**	**532,916**
Adjustments for non-cash items					
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets	32	128,529	131,217	124,561	127,694
Share based payment	31	1,453	3,087	1,425	2,632
Loss from investment revaluation		(10,814)	(1,988)	-	-
Net expenses from impairment of loans and from provisions	21,34	645,568	748,779	620,553	719,404
Income tax paid		(37,515)	(71,728)	(30,275)	(62,824)
Operating profit before changes in operating assets and liabilities		**1,633,790**	**1,361,083**	**1,579,583**	**1,319,822**
Changes in operating assets and liabilities					
Current account with NBR		2,140,859	(1,647,898)	2,140,859	(1,647,898)
Accounts and deposits with banks		100,946	(63,641)	100,953	(63,647)
Available for sale securities		(2,504,506)	(965,365)	(2,497,692)	(950,766)
Loans		(1,740,952)	(712,650)	(1,628,106)	(650,754)
Lease receivables		(114,163)	(19,283)	-	-
Other assets		(63,501)	(443,006)	(44,943)	(423,759)
Due to banks		(169,579)	46,660	(169,579)	46,660
Due to customers		1,014,075	5,144,633	1,018,865	5,151,016
Other liabilities		293,028	227,932	294,292	193,602
Total changes in operating assets and liabilities		**(1,043,793)**	**1,567,382**	**(785,351)**	**1,654,454**
Cash flow from operating activities		**589,997**	**2,928,465**	**794,232**	**2,974,276**
Investing activities					
Acquisition of equity investments		(1,470)	(67)	(1,470)	(67)
Acquisition of tangible and intangible assets	13,15	(117,102)	(90,874)	(114,803)	(86,914)
Proceeds from sale of tangible and intangible assets		11	1,353	11	1,353
Cash flow from investing activities		**(118,561)**	**(89,588)**	**(116,262)**	**(85,628)**
Financing activities					
Proceeds from borrowings		815,817	515,305	20,448	108,017
Repayment of borrowings		(814,051)	(2,380,453)	(230,033)	(2,026,493)
Dividends paid		(227,858)	(3,813)	(223,009)	-
Net cash from financing activities		**(226,092)**	**(1,868,961)**	**(432,595)**	**(1,918,476)**
Net movements in cash and cash equivalents		**245,344**	**969,915**	**245,374**	**970,173**
Cash and cash equivalents at beginning of the period	35	**3,265,893**	**2,295,978**	**3,265,032**	**2,294,859**
Cash and cash equivalents at the end of the period	35	**3,511,237**	**3,265,893**	**3,510,408**	**3,265,032**

Operational cash flows from interest and dividends	Group 2016	Group 2015	Bank 2016	Bank 2015
Interest paid	262,630	456,069	248,735	437,675
Interest received	1,962,143	2,183,577	1,843,995	2,065,596
Dividends received	17,791	17,954	28,949	23,817

The amount of undrawn borrowing facilities that may be available for future operating activities is 681,165 (December 31, 2015: 714,173) and represents a stand by line concluded with the parent for contingency funding purposes as requested by the Romanian banking regulations on liquidity management. As at December 31, 2015 the amount included the stand by line concluded with the parent in amount of 678,675 and also 35,498 in relation with international financial institutions.

(Amounts in thousands RON)

1. Corporate information

BRD – Groupe Société Générale (the "Bank" or "BRD") is a joint stock company incorporated in Romania. The Bank commenced business as a state owned credit institution in 1990 by acquiring assets and liabilities of the former Banca de Investitii. The Bank headquarters and registered office is 1-7 Ion Mihalache Blvd, Bucharest.

BRD together with its subsidiaries (the "Group') offers a wide range of banking and financial services to corporates and individuals, as allowed by law. The Group accepts deposits from the public and grants loans and leases, carries out funds transfer in Romania and abroad, exchanges currencies and provides other financial services for its commercial and retail customers.

The ultimate parent is Société Générale S.A. as at December 31, 2016 (the "Parent"or "SG").

The Bank has 810 units throughout the country (December 31, 2015: 829).

The average number of active employees of the Group during 2016 was 7,708 (2015: 7,810), and the number of active employees of the Group as of the year-end was 7,605 (December 31, 2015: 7,766).

The average number of active employees of the Bank during 2016 was 7,149 (2015: 7,260), and the number of active employees of the Bank as of the year-end was 7,043 (December 31, 2015: 7,208).

The active employees are the full time employees (excluding maternity leave and long-term sick leave).

BRD – Groupe Société Générale has been quoted on Bucharest Stock Exchange ("BVB") since January 15, 2001.

The shareholding structure of the Bank is as follows:

	December 31, 2016	**December 31, 2015**
Societe Generale France	60.17%	60.17%
Fondul Proprietatea	3.64%	3.64%
SIF Transilvania	3.28%	3.48%
SIF Oltenia	2.17%	2.70%
Legal entities	27.49%	26.66%
Individuals	3.25%	3.35%
Total	**100.00%**	**100.00%**

2. Basis of preparation

a) Basis of preparation

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, and Order of the National Bank of Romania Governor no. 27/2010 with subsequent amendments, BRD prepared consolidated and separate financial statements for the year ended December 31, 2016 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU").

The consolidated financial statements include the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement, and consolidated notes.

The separate financial statements include the separate statement of financial position, the separate income statement, the separate statement of comprehensive income, the separate statement of changes in shareholders' equity, the separate cash flow statement, and separate notes.

The consolidated and the separate financial statements are presented in Romanian lei ("RON"), which is the Group's and its subsidiaries' functional and presentation currency, rounded to the nearest thousand, except when otherwise indicated. The consolidated and separate financial statements have been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments, other financial assets and liabilities held for trading, which have all been measured at fair value.

The Bank and Group's management has made an assessment of the Bank and Group's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank and Group's ability to continue as a going concern. Therefore, the consolidated and separate financial statements are prepared on the going concern basis.

b) Basis for consolidation

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2016. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2015: 99.98%), BRD Finance IFN S.A. (49% ownership, 2015: 49%,), BRD Corporate Finance SRL (100% ownership, 2015: 100 %) and BRD Asset Management SAI S.A. (99.98% ownership, 2015: 99.98%). According to IFRS 12 9(b), the Group controls BRD Finance IFN S.A even though it holds less than half of the voting rights, through the power to govern the financial and operating policies of the entity under various agreements. All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

Starting October 1, 2014 the activity of BRD Corporate Finance SRL was temporarily interrupted for a period of three years.

(Amounts in thousands RON)

2. Basis of preparation (continued)

b) Basis for consolidation (continued)

Group

Associates	**Field of activity**	**Address**
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova
BRD Asigurari de Viata SA	Insurance	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, Bucharest
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest
BRD Sogelease Asset Rental SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest

Bank

	Field of activity	**Address**
Associates		
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova
BRD Asigurari de Viata SA	Insurance	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, Bucharest
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest
Subsidiaries		
BRD Sogelease IFN SA	Financial lease	1-7, Ion Mihalache Street, Bucharest
BRD Finance IFN SA	Financial institution	1-7, Ion Mihalache Street, Bucharest
BRD Asset Management SAI SA	Fund administration	18 Elefterie Street, district 5, Bucharest
BRD Corporate Finance SRL	Business consultancy	1-7, Ion Mihalache Street, Bucharest

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date such control ceases.
Equity and net income attributable to non-controlling interest are shown separately in the statement of financial position and statement of comprehensive income, respectively. Acquisition of non-controlling interest is accounted for so that the difference between the consideration and the fair value of the share of the net assets acquired is recognised as goodwill. Any negative difference between the cost of acquisition and the fair values of the identifiable net assets acquired (i.e. a gain from a bargain purchase) is recognised directly in the income statement in the year of acquisition.

The Bank is accounting the investments in subsidiaries and associates in the separate financial statements at cost less impairment adjustment.

2. Basis of preparation (continued)

c) Changes in accounting policies and adoption of revised/amended IFRS

The accounting policies adopted are consistent with those of the previous financial year.

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standard Board ("IASB") and adopted by the EU are effective for the current period and have also been adopted in these financial statements. The impact of the application of these new and revised IFRSs has been reflected in the financial statements and was estimated as not being material, except disclosures already presented.

- **IAS 27 Separate Financial Statements (Amendment)**
  The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors.

- **IAS 1: Disclosure Initiative (Amendment)**
  The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments.

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

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**
  The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**
  The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

2. Basis of preparation (continued)

c) Changes in accounting policies and adoption of revised/amended IFRS (continued)

- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**
  The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to *IAS 28 Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

- The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015.

  - **IFRS 2 Share-based Payment*:*** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

  - **IFRS 3 Business combinations*:*** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

  - **IFRS 8 Operating Segments*:*** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

  - **IFRS 13 Fair Value Measurement*:*** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

  - **IAS 16 Property Plant & Equipment*:*** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

  - **IAS 24 Related Party Disclosures*:*** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

  - **IAS 38 Intangible Assets*:*** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

2. Basis of preparation (continued)

c) Changes in accounting policies and adoption of revised/amended IFRS (continued)

- The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016.

  - **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - **IFRS 7 Financial Instruments**: **Disclosures**: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

  - **IAS 19 Employee Benefits**: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

  - **IAS 34 Interim Financial Reporting*:*** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

d) Standards and Interpretations that are issued but have not yet come into effect

Standards issued but not yet effective up to the date of issuance of the Group and Bank’s consolidated and separate financial statements are listed below. This listing is of standards and interpretations issued, which the Group and Bank reasonably expects to be applicable at a future date. The Group and Bank intends to adopt those standards when they become effective.
The Group and Bank is in progress of assessing the impact of the adoption of these standards, amendments to the existing standards and interpretations on the consolidated and separate financial statements of the Group and Bank in the period of initial application.

- **IFRS 9 Financial Instruments: Classification and Measurement**
  The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

2. Basis of preparation (continued)

d) Standards and Interpretations that are issued but have not yet come into effect (continued)

- **IFRS 15 Revenue from Contracts with Customers**
  The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**
  The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU.

- **IFRS 16: Leases**
  The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**
  The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than

2. Basis of preparation (continued)

d) Standards and Interpretations that are issued but have not yet come into effect (continued)

its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU.

- **IAS 7: Disclosure Initiative (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the EU.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU.

- **IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. These Amendments have not yet been endorsed by the EU.

- **IAS 40: Transfers to Investment Property (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU.

- **IFRIC 22 Interpretation: Foreign Currency Transactions and Advance Consideration**
  The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related

2. Basis of preparation (continued)

d) Standards and Interpretations that are issued but have not yet come into effect (continued)

asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU.

- The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU.

  - **IFRS 1 First-time Adoption of International Financial Reporting Standards*:*** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.

  - **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

  - **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

e) Significant accounting judgments and estimates

In the process of applying the Group and Bank's accounting policies, management is required to use its judgments and make estimates in determining the amounts recognized in the consolidated and separate financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 43.

Impairment losses on loans and receivables
The Group and Bank reviews its loans and advances at each reporting date to assess whether there is any objective evidence of impairment and an allowance should be recorded in the income statement. When determining the level of allowance required, estimations regarding the amount and timing of future expected cash flows are made, based on assumptions about a number of factors; the actual outcome could differ, resulting in future changes to the allowance.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days, whether a severe alteration in the counterparty's financial standing is observed, entailing a high probability that the debtor will not be able to fully meet its credit obligations, whether concessions in the form of restructuring were consented by the Group and Bank under the circumstances of financial hardship experienced by the debtor, whether legal procedures were initiated or the debtor was transferred to specialized recovery structures (regardless of the number of days past due).

For individually significant loans and advances, the Group and Bank identifies and quantifies the expected future cash flows to be used for a total or partial reimbursement of the obligations, based on the capacity of the client/business to generate revenues, proceeds resulting from sale of collaterals and other clearly identified sources of repayment. The individual assessment threshold is defined in between 500 - 1,500 thousands EUR, depending on the client type and customers' management departments.

The remaining loans and advances classified as impaired are grouped based on similar credit risk characteristics (debtor segmentation, product type, impairment trigger, delinquency) and a collectively estimated impairment allowance is computed against these exposures. The estimated loss rates, determined at the level of each sub-portfolio, are based on statistical observations and expertly adjusted, in order to reflect the perspectives of the recovery process and of the business environment.

The Group and Bank also books provisions for assets without objective evidence of impairment ("incurred but not reported losses"). The collective assessment takes into account the depreciation that is likely to affect the portfolio, determined based on statistically assessed probabilities of default and loss given default rates. The probability of default is estimated as an average of the default rates observed on a relevant time horizon, in order to reflect current context, while the loss given default corresponds to the newly defaulted clients.

The methodology and assumptions used for estimating the provisioning parameters for collectively assessed impaired financial assets, as well as for assets without objective evidence of impairment are periodically reviewed in order to reduce the potential gaps between estimated losses and observed losses during a certain period of time. The level of provisions is back-tested at least annually, by means of statistical analysis.

Law no 77/2016 on in-kind payment of loan debts entered into force starting May 13, 2016. According this Law the clients may give the real-estate property brought as collateral to the Bank and in return the loan debt is erased. The loans affected by the provisions of this regulation are loans covered by real estate collateral with an initial amount below 250 thousands EUR and outside Prima Casa governmental program.

The bank initially considered the level of uncertainty regarding the impact of the law on its financial position and performance as significant, given (i) the short period of time elapsed from entering into force to the end of the reporting period, (ii) the numerous factors that may affect clients' behavior: clients' situation (with/without financial difficulties) and capacity to refinance, type of collateral (primary or secondary residence, plot of land), Loan-to-Value, real estate market situation and expected future evolution of the market, etc.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

In October 2016, the Constitutional Court rendered its decision regarding the constitutionality of this law in the following main terms: (i) real estate assets devaluation cannot be solely invoked (ii) only the hardship principles can be applied, therefore significantly narrowing down its scope to clients facing repayment difficulties for their housing (main residence) loans. In January 2017, the motivation of this judgement was made public, confirming in essence the October 2016 decision while introducing 3 new elements : (i) social utility (when restructuring or terminating a PiK loan), (ii) good faith of PiK loan clients and (iii) real estate asset devaluation as a contributor a to hardship.

The Bank properly assesses the counterparties for which notifications are received and the necessary level of provision is booked by considering the related collaterals. For the remaining portfolio which would be eligible under this law an appropriate collective provision was computed and accounted for.

Impairment of goodwill
The Group and Bank determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group and Bank to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill as of December 31, 2016 was 50,130 (December 31, 2015: 50,130).

Retirement benefits

The cost of the defined benefit retirement plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions are described in Note 21.

Provisions for other risks and charges

The Bank operates in a regulatory and legal environment that, by nature has a heightened element of litigation risk inherent to its operations and, as a result it is involved in various litigations or is subject to various obligations arising from legislation in force.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case, as mentioned in this note. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Generally, the first step is to establish the existence of the present obligation followed by the estimation of the amount needed to settle that obligation taking into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates.

In case of litigations:

i. For a single individual litigation the Bank assess whether there is more likely than not to have an unfavourable court decision considering the factors mentioned above; then it estimates the amount at risk; in case there are several scenarios possible with different outcomes, the amount at risk is the weighted average of the amounts at risk for each scenario using the probability distribution for all scenarios (100% is allocated to the possible scenarios) and provisions 100% of the estimated amount;

(Amounts in thousands RON)

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

ii. For multiple litigations, the assessment of "more likely than not" could be substantiated for the entire population using statistics and provision computation to be made at pool level.

In case of obligations arising from various legislation, the bank assesses first if there is no realistic alternative of settling that obligation, and if not, it estimates the amount needed to settle that obligation (using similar approach as above) and books provisions representing 100% of the estimated amount.

f) Segment information

A segment is a component of the Group and Bank:

- That engages in business activity from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and;
- For which distinct financial information is available;

The Group and Bank's segment reporting is based on the following segments: *Retail* including Individuals and Small Business, *Non-retail* including Small and medium enterprises ("SMEs") and Large corporate and *Corporate Center* including: treasury activities, ALM and other categories unallocated to the business lines mentioned above (fixed assets, taxes, equity investments, etc).

3. Summary of significant accounting policies

a) Foreign currency translation

Transactions in foreign currencies are initially recorded using the functional currency rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the profit and loss.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.
The exchange rates of the currencies with the most significant impact on the Group and Bank's consolidated and separate financial statements as of December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
RON/ EUR	4.5411	4.5245
RON/ USD	4.3033	4.1477

b) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short-term placements at other banks, excluding amounts in transit and loans to banks, with less than 90 days maturity from the date of acquistion. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

3. Summary of significant accounting policies (continued)

c) Current accounts and deposits with banks

Current accounts and deposits with banks are initially measured at fair value and subsequently measured at amortized cost.

d) Loans and advances to customers

Loans and advances to customers originated by the Group and Bank by providing money directly to the borrower are recognized when the cash is advanced to those parties. They are measured initially at fair value including arrangement costs. Loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

If there is objective evidence that the Group and Bank will not be able to collect all amounts due (principal and interest) according to the original contractual terms of the loan, such loans are considered impaired. The amount of the impairment is the difference between the carrying amount and the recoverable amount of each loan, being the present value of expected cash flows discounted at the loan's effective interest rate including the amounts expected to be recovered from collateral, if the loan is collateralized and foreclosure is probable.

Impairment and recoverability are assessed, measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for impaired loans and receivables that are not individually significant. Loans and receivables for which an objective evidence of impairment was not identified, regardless the loans are individually significant or not, are included in a portfolio for collective impairment assessment. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account. The loss amount is recognised into profit and loss. If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the release of the allowance is credited to the income statement.

A write-off is performed when the entire loan is deemed uncollectible (very high uncertainty regarding recoverable amount and timeframe).
Write-off is not conditioned by the closure of the legal procedures, nor does it imply the forfeit of the bank's claims to the receivables/financial asset. A write-off is performed only where the chances of recoveries are remote

The Bank performs permanent write offs in several situations, such as

- Financial assets are considered immaterial, thus do not justify the initiation of the recovery process
- The collaterals which cover the receivables have a recovery value deemed immaterial and no other recovery sources could be identified
- Exhaustion of all legal means or end of the statute of limitation period for enforcement rights, etc.

Any subsequent recoveries of previously written-off loans and receivables are recognized as income.

e) Restructured loans

Where possible, the Group and Bank seeks to restructure loans with the purpose of facilitating the recovery of the receivables from client facing financial difficulties, rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated the loan is no longer considered past due, but will be considered as impaired since, in the absence of such an operation, the client would have been unable to

3. Summary of significant accounting policies (continued)

e) Restructured loans (continued)

make repayments according to the original reimbursement schedule. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

f) Leases

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

Group as a lessor

Finance leases are those which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item and are recognized as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are allocated both to the principal and the interest income on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in income on a straight-line basis over the lease term.

Group as a lessee

Leases which do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Rents payable are recognized as an expense in the period in which they are incurred.

g) Investment in associates

An associate is an enterprise in which the Group and Bank exercises significant influence and is neither a subsidiary nor a joint venture. Associates are accounted using the equity method for consolidation purposes and cost method for separate financial statements.

Under the equity method, an investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group and Bank’s share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The Group and Bank does an assessment of any additional impairment loss with respect to the net investment in associate.

The income statement reflects the share of the results of operations of associates. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of associates and the Group are identical and the associates’ major accounting policies conform to those used by the Group for like transactions and similar events in similar circumstances.

3. Summary of significant accounting policies (continued)

h) Investments and other financial assets classified as available for sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as : (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available for sale financial assets are recognized initially at fair value plus directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the settlement date. Fair value movements between trade date and settlement date are recognized in other comprehensive income. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace.

After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as other comprehensive income in the available for sale reserve until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in the available for sale reserve is included in the income statement. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date.

If an available-for sale asset carried at fair value is impaired, an amount comprising the difference between its cost and its current fair value less any impairment loss previously recognized in profit or loss is transferred from available for sale reserve to income statement.

When the Group and Bank identifies a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost, it considers that this is also objective evidence of impairment.
The Group and Bank consider as objective evidence of impairment exists when the decline in fair value is higher than 15% per year for two consecutive financial. Impairement reversals in respect of equity instruments classified as available-for sale are not recognized in income statement.

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

If the fair value cannot be reliably determined by reference to an active market, the bank uses valuation techniques with reference to observable market inputs.

i) Tangible assets

The cost of tangible asset is recognized as an asset if, and only if: (a) it is probable that future economic benefits associated with the item will flow to the Group; and (b) the cost of the item can be measured reliably.

Buildings and other tangible assets are stated at cost less accumulated depreciation and any impairment loss.

In accordance with IAS 29 “Reporting in Hyperinflationary Economies”, tangible assets have been restated, as appropriate, by applying the change in the consumer price index from the date of acquisition through December 31, 2003.

3. Summary of significant accounting policies (continued)

i) Tangible assets (continued)

Depreciation is computed on a straight-line basis over the estimated useful life of the asset, as stated below:

Asset type	*Years*
Buildings and special constructions	10-40
Computers and equipment	3-5
Furniture and other equipment	15
Vehicles	5

Land is not depreciated. Construction-in-progress is not depreciated until used. Expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is recognized as an asset under the same general recognition principle used at initial recognition.

The carrying values of tangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying amount of a tangible asset is greater than the estimated recoverable amount, it is written down to its recoverable amount. Tangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

j) Investment properties

Assets are classified as investment property if the property (land or a building—or part of a building—or both) is held (by the Bank or Group as owner) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or for administrative purposes; or (b) sale in the ordinary course of business.

Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party, or ending of construction or development. Transfers are made from investment property when and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

The depreciation of buildings included in investment properties is computed using the linear method over the useful lives as presented in note 3. i).

3. Summary of significant accounting policies (continued)

k) Non-current assets held for sale

Non-current assets for which the carrying amount is estimated to be recovered principally through a sale transaction rather than continuing use are classified as held for sale.

Assets held for sale are initially and subsequently measured at the lower of the carrying amount and the fair value at the date of the measurement. For any decrease of the fair value below the carrying amount, impairment is recognised into profit and loss accounts. The increase of the fair value of a held for sale asset is accounted for as an impairment release. Fair value increase is recognised up to the level of the initial carrying amount of the asset.

On the period an asset is classified as held for sale no depreciation charged is recognised. An assets that ceases to be classified as held for sale is measured at the lower of the carrying amount before the asset was classified as held for sale adjusted by the depreciation that would have been recognised had the asset was not classified as held for sale and its recoverable amount.

l) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group and Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of cash-generating unit is less than the carrying amount, an impairment loss is recognized.

m) Intangible assets

Intangible assets are measured initially at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

All intangible assets of the Group and Bank carried as of December 31, 2016 and 2015 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 5 years. The amortization period and the amortization method are reviewed at least at each financial year end.

At each statement of financial position date or whenever events or changes in circumstances indicate the carrying value may not be recoverable, intangibles are reviewed for impairment. Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount by recognising impairment.

n) Derivative financial instruments

The Group and Bank uses derivative financial instruments such as forward currency contracts, currency swaps, currency options, swaps and cross currency swaps on interest rate, as products offered to its clients but also to hedge its risks associated with interest rate, liquidity and exchange rate. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

3. Summary of significant accounting policies (continued)

n) Derivative financial instruments (continued)

Derivatives are carried as assets when their fair value is positive and as liabilities when fair value is negative. Any gains or losses arising from changes in fair value of derivatives that are not designated as hedge accounting instruments are taken directly to profit or loss for the year.
The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest swap contracts is determined by reference to market values of similar instruments.

The Group and Bank designates certain derivatives held for risk management as hedging instruments in qualifying accounting hedging relationships. The Group and Bank formally documents the relationship between the hedging instruments and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Group and Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value during the period for which the hedge is designated. The actual results of the hedge as recommended by IAS 39 should be in the range of 80-125 percent, but the Group and Bank uses a more prudent approach and the range considered is 88-114 percent.

The Group and Bank uses fair value hedges. When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit and loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

o) Borrowings

Borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently borrowings are stated at amortized cost using the effective interest rate method.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized as well as through the amortization process.

p) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle or realize on a net basis.

3. Summary of significant accounting policies (continued)

q) Sale and repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position as securities and are measured in accordance with the applicable accounting policies. The liability for amounts received under these agreements is included in customers' or interbank deposits. The difference between sale and repurchase price is treated as interest expense using the effective yield method. Assets acquired with a corresponding commitment to resell at a specified future date (reverse repos) are recorded as loans and advances.

r) Customers' deposits and current accounts

Customers' current accounts and other deposits are initially recognised at fair value and subsequently measured at amortized cost using the effective interest rate method.

s) De-recognition of financial assets and liabilities

Financial assets

A financial asset is derecognized where:
- The rights to receive cash flows from the assets have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either a) has transferred substantially all the risks and rewards of the asset, or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

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

t) Recognition of income and expenses

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

Interest and similar income

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any origination fees and incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

3. Summary of significant accounting policies (continued)

t) Recognition of income and expenses (continued)

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

Fee and commission income

The Group and Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services

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

Levies

IFRIC 21 “Levies” clarifies the accounting for a liability to pay a levy. For an entity, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. Furthermore, if an obligation to pay a levy is triggered when a minimum activity threshold is reached, the corresponding liability is recognised when that minimum activity threshold is reached.
The main related taxes which fall under the provisions of IFRIC 21 are as follows:
- The Bank annual contribution to Deposit Guarantee Scheme is fully recognised in the income statement at 1st January of the year in which the payment is made.
- The Bank annual contribution to the Single Resolution Fund, is fully recognised in the income statement at 1st January of the year in which the payment is made.

Dividend income
Revenue is recognized when the Group and Bank ’s right to receive the payment is established.

Net trading income
Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

u) Employee benefits

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

3. Summary of significant accounting policies (continued)

u) Employee benefits (continued)

Social Security Contributions:
The Group and its subsidiaries as well as its employees are legally obliged to make contributions described in the financial statements as social security contributions to the National Pension Fund, managed by the Romanian State Social Security (a defined contribution plan financed on a pay-as-you-go basis). The Group and Bank has no legal or constructive obligation to pay future benefits. Its only obligation is to pay the contributions as they fall due. If the members of the Romanian State Social Security plan cease to be employed by either the Group or its subsidiary, there will be no obligation on the Group to pay the benefits earned by these employees in previous years. The Group and Bank's contributions are included in salaries and related expenses.

Post-employment benefits:
The Group and Bank has a contractual obligation to pay to retiring employees a benefit calculated taking into account the salary at the date of retirement and the number of years served by the individual. The cost of providing benefits under defined benefit plans is estimated annually using the projected unit credit actuarial valuation method and is recognized to the income statement on an accruals basis.
Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance are recognized as actuarial gains and losses.

Actuarial gains and losses, excluding amounts expensed as net interest on the net defined benefit liability are components used to re-measure the net defined benefit liability. These components are immediately and fully recognised as unrealised gains and losses and presented under Reserves from defined pension plan. These items are subsequently never reclassified in income statement but transferred to retain earnings.

Where a new or amended plan comes into force, the past service cost is immediately recognized in profit or loss.

An annual charge is recorded under Personnel expenses for defined benefit plans, consisting of:
- the additional entitlements vested by each employee (current service cost);
- past service cost resulting from a plan amendment or a curtailment;
- the financial expense resulting from the discount rate (net interest on the net defined benefit liability);
- the settlement of plans.

Share–based payment transactions:
Employees (including senior executives) of the Group and Bank receive remuneration in the form of SG share–based payment transactions, whereby employees render services as consideration for equity instruments ('equity–settled transactions') and Group Societe Generale attains certain ratios.

The cost of equity–settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

The cumulative expense recognized for equity–settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group and Bank 's best estimate of the number of equity instruments that will ultimately vest. The income statement expense for a period is recorded in "Personnel expenses" and represents the movement in cumulative expense recognized as at the beginning and end of that period.

3. Summary of significant accounting policies (continued)

u) Employee benefits (continued)

Where the terms of an equity–settled award are modified, the minimum expense recognized in "Personnel expenses" is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share–based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity–settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non–vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other benefits
The Bank also grants to all employees having a seniority in the Bank higher than 3 years as at January 1, 2014, an annual contribution to the pension fund in total amount of EUR 200 /year/employee.

v) Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit, computed in accordance with Romanian tax rules and accrued for in the period to which it relates.

Deferred income tax liabilities are recognized for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts at the statement of financial position date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unutilized tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Deferred income tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities after taking into account the tax rates and legislation that have been enacted or substantially enacted until the statement of financial position date.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

w) Provisions

Provisions are recognized when the Group and Bank has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as borrowing cost.

3. Summary of significant accounting policies (continued)

x) Contingencies

Contingent liabilities are not recognized in the financial statements but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

y) Earnings per share

Basic earnings per share are calculated by dividing net profit/ (loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2016 and 2015 there were no dilutive equity instruments issued by the Group and Bank.

z) Dividends on ordinary shares

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

aa) Related parties

Parties are considered related with the Group and Bank when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party in making financial and operating decisions.

Related party transaction represents a transfer of resources or obligations between related parties, regardless of whether a price is charged.

bb) Subsequent events

Post - balance sheet events that provide additional information about the Group and Bank's position at the statement of financial position (adjusting events), or those that indicate that the going concern assumption is not appropriate are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when significant.

cc) Financial guarantees

In the ordinary course of business, the Group and Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances and performance guarantees.

Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group and Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement in 'Credit loss expense'. The premium received is recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

4. Segment information

The segments used for management purposes are based on customer type and size, products and services offered as follows:

In Retail (Individuals & Small Business) category the following customer's segments are identified:

- Individuals – the Bank provides individual customers with a range of banking products such as: saving and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities, etc.
- Small business – business entities with annual turnover lower than EUR 1 million and having an aggregated exposure at group level less than EUR 0.3 million. Standardised range of banking products is offered to small companies and professional: saving and deposits taking, loans and other credit facilities, etc.

Retail customers include clients with similar characteristics in terms of financing needs, complexity of the activity performed and size of business for which a range of banking products and services with medium to low complexity is provided.

In Non –Retail category the following customer's segments are identified:

- Small and medium enterprises (companies with annual turnover between EUR 1 million and EUR 50 million and the aggregated exposure at group level higher than EUR 0.3 million);
- Large corporate (corporate banking and companies with annual turnover higher than 50 million EUR, municipalities, public sector and other financial institutions).

The Bank provides these customers with a range of banking products and services, including saving and deposits taking, loans and other credit facilities, transfers and payment services, provides cash-management, investment advices, securities business, project and structured finance transaction, syndicated loans and asset backed transactions.

The Corporate Center includes: treasury activities, ALM and other categories unallocated to Retail and Non-Retail business lines.

The Executive Committee monitors the activity of each segment separately for the purpose of making decisions about resource allocation and performance assessment.

(Amounts in thousands RON)

4. Segment information (continued)

Group

	2016				2015			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	**51,881,492**	**19,243,053**	**9,259,169**	**23,379,270**	**50,178,610**	**18,207,851**	**9,082,974**	**22,887,785**
Loans and advances to customers, net & Finance lease receivables	28,502,222	19,243,053	9,259,169	-	27,290,825	18,207,851	9,082,974	-
Other assets	23,379,270	-	-	23,379,270	22,887,785	-	-	22,887,785
Total liabilities	**51,881,492**	**26,020,524**	**16,172,225**	**9,688,743**	**50,178,610**	**23,649,283**	**17,529,391**	**8,999,936**
Due to customers	42,192,749	26,020,524	16,172,225	-	41,178,674	23,649,283	17,529,391	-
Other liabilities	9,688,743	-	-	9,688,743	8,999,936	-	-	8,999,936

Bank

	2016				2015			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	**50,657,583**	**18,699,395**	**8,684,715**	**23,273,473**	**49,192,866**	**17,751,211**	**8,625,214**	**22,816,441**
Loans and advances to customers, net & Finance lease receivables	27,384,110	18,699,395	8,684,715	-	26,376,425	17,751,211	8,625,214	-
Other assets	23,273,473	-	-	23,273,473	22,816,441	-	-	22,816,441
Total liabilities	**50,657,583**	**26,020,524**	**16,270,214**	**8,366,845**	**49,192,866**	**23,649,283**	**17,622,590**	**7,920,993**
Due to customers	42,290,738	26,020,524	16,270,214	-	41,271,873	23,649,283	17,622,590	-
Other liabilities	8,366,845	-	-	8,366,845	7,920,993	-	-	7,920,993

(Amounts in thousands RON)

4. Segment information (continued)

	Group							
	2016				2015			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	1,586,470	1,027,355	446,449	112,666	1,516,051	963,169	476,285	76,597
Fees and commissions, net	772,666	585,543	188,631	(1,508)	749,641	541,121	213,889	(5,369)
Total non-interest income	418,513	104,559	90,357	223,597	329,535	104,924	92,093	132,518
Operating income	**2,777,649**	**1,717,457**	**725,437**	**334,755**	**2,595,227**	**1,609,214**	**782,267**	**203,746**
Total operating expenses	**(1,387,572)**	**(989,438)**	**(380,373)**	**(17,761)**	**(1,385,297)**	**(978,095)**	**(393,078)**	**(14,124)**
Cost of risk	(483,508)	(272,899)	(20,955)	(189,654)	(658,214)	(176,628)	(495,592)	14,006
Profit before income tax	**906,569**	**455,120**	**324,109**	**127,340**	**551,716**	**454,491**	**(106,403)**	**203,628**
Total income tax	(143,070)	(72,424)	(53,198)	(17,448)	(84,480)	(69,962)	17,442	(31,960)
Profit for the period	**763,499**	**382,696**	**270,911**	**109,892**	**467,236**	**384,529**	**(88,961)**	**171,668**
Cost Income Ratio	**50.0%**	**57.6%**	**52.4%**	**5.3%**	**53.4%**	**60.8%**	**50.2%**	**6.9%**

(Amounts in thousands RON)

4. Segment information (continued)

	Bank							
	2016				2015			
	Total	**Retail**	**Non retail**	**Corporate Center**	**Total**	**Retail**	**Non retail**	**Corporate Center**
Net interest income	1,481,496	954,111	414,727	112,658	1,422,253	896,244	449,408	76,601
Fees and commissions, net	737,021	557,611	180,949	(1,539)	718,232	515,231	207,751	(4,751)
Total non-interest income	415,655	103,043	88,663	223,949	333,097	103,899	93,224	135,974
Operating income	**2,634,172**	**1,614,765**	**684,339**	**335,068**	**2,473,582**	**1,515,374**	**750,384**	**207,824**
Total operating expenses	**(1,309,677)**	**(930,206)**	**(361,745)**	**(17,726)**	**(1,309,517)**	**(920,149)**	**(375,135)**	**(14,233)**
Cost of risk	(461,176)	(252,800)	(18,758)	(189,618)	(631,149)	(152,368)	(492,729)	13,948
Profit before income tax	**863,319**	**431,759**	**303,836**	**127,724**	**532,916**	**442,857**	**(117,480)**	**207,539**
Total income tax	(135,038)	(68,209)	(48,000)	(18,829)	(87,494)	(67,822)	17,992	(37,664)
Profit for the period	**728,281**	**363,550**	**255,836**	**108,895**	**445,422**	**375,035**	**(99,488)**	**169,875**
Cost Income Ratio	**49.7%**	**57.6%**	**52.9%**	**5.3%**	**52.9%**	**60.7%**	**50.0%**	**6.8%**

(Amounts in thousands RON)

5. Cash in hand

	Group		Bank	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Cash in vaults	1,403,967	918,297	1,403,944	918,275
Cash in ATM	396,562	421,305	396,562	421,305
Total	**1,800,529**	**1,339,602**	**1,800,506**	**1,339,580**

6. Due from Central Bank

	Group		Bank	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Current accounts	3,839,460	4,280,319	3,839,460	4,280,319
Deposits	1,500,000	3,200,000	1,500,000	3,200,000
Total	**5,339,460**	**7,480,319**	**5,339,460**	**7,480,319**

The Group and Bank decreased the deposits with the Central Bank according to the National Bank of Romania decision to reduce the rates for minimum obligatory reserves
for foreign currency from 14% as of December 2015 to 10% as of December 2016.

7. Due from banks

	Group		Bank	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Deposits at Romanian banks	267,047	281,233	267,047	281,233
Deposits at foreign banks	658,318	1,543,544	632,186	1,517,420
Current accounts at Romanian banks	808	840	3	2
Current accounts at foreign banks	597,248	489,183	597,248	489,182
Reverse repo	474,849	-	474,849	-
Total	**1,998,271**	**2,314,800**	**1,971,333**	**2,287,837**

As of December 31, 2016 amounts due from banks include exposures to SG Group amounting 225,926 at Group level (December 31, 2015 exposures of 233,658) and 199,795 at Bank level (December 31, 2015 exposures of 207,534).

(Amounts in thousands RON)

8. Derivatives and other financial instruments held for trading

Group

	December 31, 2016		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	197,954	43,094	3,102,359
Currency swaps	30,124	18,456	2,642,290
Forward foreign exchange contracts	18,664	28,077	1,398,477
Options	65,522	65,835	4,720,439
Total derivative financial instruments	**312,264**	**155,462**	**11,863,565**
Trading treasury notes	891,018	55,570	896,754
Total	**1,203,282**	**211,032**	**12,760,319**

	December 31, 2015		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	169,662	47,080	3,932,869
Currency swaps	15,302	27,517	4,340,395
Forward foreign exchange contracts	14,074	6,332	1,431,335
Options	71,669	72,281	5,216,567
Total derivative financial instruments	**270,706**	**153,210**	**14,921,166**
Trading treasury notes	947,406	-	882,033
Total	**1,218,112**	**153,210**	**15,803,199**

Bank

	December 31, 2016		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	197,954	43,094	3,102,359
Currency swaps	30,141	18,490	2,647,302
Forward foreign exchange contracts	18,664	28,077	1,398,477
Options	65,522	65,835	4,720,439
Total derivative financial instruments	**312,281**	**155,496**	**11,868,577**
Trading treasury notes	891,018	55,570	896,754
Total	**1,203,299**	**211,066**	**12,765,331**

	December 31, 2015		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	169,662	47,080	3,932,869
Currency swaps	15,323	27,524	4,360,855
Forward foreign exchange contracts	14,074	6,332	1,431,335
Options	71,669	72,281	5,216,565
Total derivative financial instruments	**270,727**	**153,217**	**14,941,624**
Trading treasury notes	947,406	-	882,033
Total	**1,218,133**	**153,217**	**15,823,657**

The Group and Bank received cash collateral from the parent for derivatives transactions in amount of 124,484 (December 31, 2015: 88,392).

The Group applied also hedge accounting (fair value hedge) and as at December 31, 2016 has one hedging instrument.

(Amounts in thousands RON)

8. Derivatives and other financial instruments held for trading (continued)

On September 30, 2013, the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 104.18 million EUR with a fixed interest rate of 1.058%. The remaining period for the hedging instrument is of 4.2 years.

The hedging relationship was effective throughout the reporting period.

The fair value of hedging instrument for Group and Bank was the following:

	December 31, 2016		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	13,610	-	473,092

	31 decembrie 2015		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	15,583	-	565,653

In 2016 the Group recognised a total loss of RON 1,994 resulting from the hedging instrument (2015: RON 2,960 gain) and a gain of RON 850 resulting from the hedged item (2015: RON 1,538 loss).

Forwards
Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts concluded by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.
The Bank purchases and sells options in the over-the-counter markets. Options purchased by the Bank provide the Bank with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

(Amounts in thousands RON)

8. Derivatives and other financial instruments held for trading (continued)

Options written by the Bank provide the purchaser the opportunity to purchase from or sell to the Bank the underlying asset at an agreed-upon value either on or before the expiration of the option. The options are kept in order to neutralize the customer deals.

Trading treasury notes are treasury discount notes and coupon bonds held for trading purposes. All the treasury notes are issued by the Romanian Government in RON, EUR and USD.

9. Loans and advances to customers

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Loans, gross	31,414,527	30,744,036	30,885,456	30,312,244
Loans impairment	(3,575,822)	(4,002,565)	(3,501,346)	(3,935,819)
Total	**27,838,705**	**26,741,471**	**27,384,110**	**26,376,425**

During 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) from financial assets available for sale (December 31, 2015: 272,040) to "loans and advances to customers" and measures them at amortised cost, amounting 263,728 at December 31, 2016. The reclassification was made based on the Group's and Bank's intention and capacity to keep these instruments till maturity in order to benefit only from principal and interest. This reclassification is prospective.

The loans structure is the following:

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Working capital loans	4,686,250	5,422,564	4,686,250	5,422,564
Loans for equipment	4,944,079	4,987,421	4,888,549	4,976,371
Trade activities financing	472,395	494,488	472,395	494,488
Acquisition of real estate, including mortgage for individuals	10,331,907	9,481,552	10,331,907	9,481,552
Consumer loans	8,450,809	8,406,899	7,977,268	7,986,156
Other	2,529,087	1,951,113	2,529,087	1,951,113
Total	**31,414,527**	**30,744,037**	**30,885,456**	**30,312,244**

As of December 31, 2016, balances relating to factoring, both for Group and Bank, amount to 462,208 (December 31, 2015: 465,394) and those relating to discounting 10,147 (December 31, 2015: 29,005).

As of December 31, 2016 the amortized cost of loans granted to the 20 largest corporate clients of the Group and Bank (groups of connected borrowers) amounts to 1,883,730 (December 31, 2015: 1,584,361), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 5,042,356 (December 31, 2015: 4,430,510).

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

Impairment allowance for loans

	Group			Bank		
	Specific impairment		Collective impairment	Specific impairment		Collective impairment
	Retail lending	Corporate lending	Retail&Corporate	Retail lending	Corporate lending	Retail&Corporate
Balance as of December 31, 2014	**1,309,965**	**3,031,993**	**183,814**	**1,249,592**	**3,031,993**	**183,814**
Increases due to amounts set aside for estimated loan losses during the period	599,560	2,133,706	172,714	580,111	2,133,706	164,927
Decreases due to amounts reversed for estimated loan losses during the period	(505,317)	(1,742,471)	(75,790)	(505,009)	(1,742,471)	(75,790)
Decreases due to amounts taken against allowances	(472,704)	(662,681)	-	(452,149)	(662,681)	-
Foreign exchange losses	16,572	12,661	543	16,572	12,661	543
Balance as of December 31, 2015	**948,076**	**2,773,208**	**281,281**	**889,117**	**2,773,208**	**273,494**
Increases due to amounts set aside for estimated loan losses during the period	570,228	1,197,475	316,497	553,322	1,197,475	314,005
Decreases due to amounts reversed for estimated loan losses during the period	(371,004)	(1,156,118)	(120,231)	(371,002)	(1,156,118)	(120,231)
Decreases due to amounts taken against allowances	(342,210)	(530,880)	-	(330,545)	(530,880)	-
Foreign exchange (gain) / losses	(2,467)	9,866	2,101	(2,467)	9,866	2,101
Balance as of December 31, 2016	**802,623**	**2,293,551**	**479,648**	**738,425**	**2,293,551**	**469,369**

Impaired loans

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Impaired loans 90 days past due and more	2,722,628	3,653,911	2,647,139	3,585,793
Provisions for impaired loans 90 days past due and more	(2,289,199)	(2,944,371)	(2,225,001)	(2,889,408)
Impaired loans less than 90 days past due	1,306,115	1,583,449	1,306,115	1,583,449
Provisions for impaired loans less than 90 days past due	(806,977)	(772,918)	(806,977)	(772,918)
Net impaired loans	**932,567**	**1,520,071**	**921,276**	**1,506,916**

The value of loans individually determined to be impaired for the Group is 4,028,744 (December 31, 2015: 5,237,360), while for the Bank is 3,953,253 (December 31, 2015: 5,169,242).

BRD Group reduced the non-performing loans ratio mainly as a result of write-offs and sales of non-performing loans.

(Amounts in thousands RON)

10. Lease receivables

The Group acts as a lessor through the subsidiary BRD Sogelease IFN SA having in the portfolio vehicles, equipment (industrial, agricultural) and real estate. The leases are denominated mainly in EUR and RON, with transfer of ownership of the leased asset at the end of the lease term. The receivables are secured by the underlying assets and by other collateral. The payment timing analysis of lease receivables is as follows:

	Group	
	December 31, 2016	December 31, 2015
Gross investment in finance lease:		
Under 1 year	278,738	263,013
Between 1 and 5 years	533,031	413,252
Higher than 5 years	16,614	29,862
	828,383	**706,127**
Unearned finance income	(65,947)	(57,772)
Net investment in finance lease	**762,436**	**648,355**
Net investment in finance lease:		
Under 1 year	249,208	237,230
Between 1 and 5 years	497,698	383,097
Higher than 5 years	15,530	28,029
	762,436	**648,355**

	December 31, 2016	December 31, 2015
Net investment in the lease	762,436	648,355
Accumulated allowance for uncollectible minimum lease payments receivable	(98,919)	(99,001)
Total	**663,517**	**549,354**

The guarantees relating to finance lease receivables individually determined to be impaired as at December 31, 2016 amounts to 59,957 (December 31, 2015: 68,806). The amounts are capped to the gross exposure level. The value of finance lease receivables individually determined to be impaired is 108,994 (December 31, 2015: 115,143).

As at December 31, 2016 and December 31, 2015, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Less than one year	1,800	1,497	1,800	1,497
Between one and five years	5,490	3,657	5,490	3,657
More than five years	6,351	4,112	6,351	4,112
	13,641	**9,266**	**13,641**	**9,266**

(Amounts in thousands RON)

11. Financial assets available for sale

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Treasury notes	11,517,101	8,772,381	11,517,101	8,772,381
Equity investments	26,279	89,821	26,279	89,821
Other securities	66,475	346,757	41,620	328,717
Total	**11,609,855**	**9,208,959**	**11,585,000**	**9,190,919**

Treasury notes

Treasury notes consist of treasury discount notes and coupon bonds issued by the Ministry of Public Finance, rated as BBB- by Standard&Poors. As of December 31, 2016 no treasury notes have been pledged for repo transactions (as of December 31, 2015 treasury notes amounting 74,033 have been pledged for repo transactions).

Equity investments

Other equity investments represent shares in Romanian Commodities Exchange, Bucharest Clearing House (the former Romanian Securities Clearing and Depository Company), Depozitarul Central S.A. (Shareholders' Register for the National Securities Commission), Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA, Romanian Clearing House (SC Casa Romana de Compensatie SA), Investor Compensating Fund (Fondul de Compensare a Investitorilor), TransFond, Societe Generale European Business Services SA, Bucharest Stock Exchange, Visa Inc.

Other securities

The Group holds funds units in:

	Group		
December 31, 2016	**Unit value**	**No of units**	**Market value**
BRD Simfonia	40	534,231	21,238
BRD Obligatiuni	165	21,980	3,617
BRD Diverso	156	150,878	23,581
BRD Actiuni	152	101,798	15,483
BRD Index	129	19,794	2,556
Total		**828,681**	**66,475**

	Group		
December 31, 2015	**Unit value**	**No of units**	**Market value**
BRD Simfonia	39	297,743	11,586
BRD Obligatiuni	161	77,544	12,506
BRD Diverso	152	175,730	26,764
BRD Actiuni	144	116,238	16,724
BRD Index	126	21,794	2,748
BRD Eurofond	596	3,900	2,323
BRD USD Fond	414	5,000	2,068
Total		**697,949**	**74,719**

(Amounts in thousands RON)

11. Financial assets available for sale (continued)

The Bank holds fund units in:

	Bank		
December 31, 2016	**Unit value**	**No of units**	**Market value**
BRD Diverso	156	150,878	23,581
BRD Actiuni	152	101,798	15,483
BRD Index	129	19,794	2,556
Total		**272,470**	**41,620**

	Bank		
December 31, 2015	**Unit value**	**No of units**	**Market value**
BRD Obligatiuni	161	64,753	10,443
BRD Diverso	152	175,730	26,764
BRD Actiuni	144	116,238	16,724
BRD Index	126	21,794	2,748
Total		**378,515**	**56,679**

During 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) from financial assets available for sale (December 31, 2015: 272,040) to “loans and advances to customers” and measures them at amortised cost, amounting 263,728 at December 31, 2016. Please see note 9.

(Amounts in thousands RON)

12. Investments in subsidiaries and associates

Group

Associates	%	December 31, 2015	Additions/ Reclassifications	Increase / (decrease) in net assets	December 31, 2016
ALD Automotive	20.00%	17,550	-	(1,171)	16,379
Mobiasbanca Groupe Societe Generale S.A.	20.00%	49,595	-	7,198	56,793
BRD Asigurari de Viata SA	49.00%	27,613		3,124	30,737
Fondul de Garantare a Creditului Rural	33.33%	15,717	-	953	16,670
Biroul de Credit S.A.	16.38%	3,272		219	3,491
BRD Fond de Pensii S.A.	49.00%	6,298	1,470	467	8,236
BRD Sogelease Asset Rental SRL	20.00%	1,742	-	24	1,766
		121,787	**1,470**	**10,814**	**134,072**

Group

Associates	%	December 31, 2014	Additions/ Reclassifications	Increase / (decrease) in net assets	December 31, 2015
ALD Automotive	20.00%	17,449	-	101	17,550
Mobiasbanca Groupe Societe Generale S.A.	20.00%	46,391	-	3,204	49,595
BRD Asigurari de Viata SA	49.00%	27,942		(329)	27,613
Fondul de Garantare a Creditului Rural	33.33%	16,164	-	(447)	15,717
Biroul de Credit S.A.	16.03%	3,189	67	16	3,272
BRD Fond de Pensii S.A.	49.00%	6,905	-	(607)	6,298
BRD Sogelease Asset Rental SRL	20.00%	1,691	-	51	1,742
		119,731	**67**	**1,989**	**121,787**

(Amounts in thousands RON)

12. Investments in subsidiaries and associates (continued)

Bank

	%	December 31, 2015	Additions/ Reclassifications	December 31, 2016
ALD Automotive	20.00%	11,873	-	11,873
Mobiasbanca Groupe Societe Generale S.A.	20.00%	29,017	-	29,017
BRD Asigurari de Viata SA	49.00%	17,697	-	17,697
Fondul de Garantare a Creditului Rural	33.33%	14,220	-	14,220
Biroul de Credit S.A.	16.38%	729		729
BRD Fond de Pensii S.A.	49.00%	14,690	1,470	16,160
Associates		**88,226**	**1,470**	**89,696**
BRD Sogelease IFN SA	99.98%	11,558	-	11,558
BRD Finance Credite de Consum IFN SA	49.00%	53,019	-	53,019
BRD Asset Management SAI SA	99.98%	4,321	-	4,321
BRD Corporate Finance SRL	100.00%	403	-	403
Subsdiaries		**69,301**	**-**	**69,301**
Total associates and subsidiaries		**157,527**	**1,470**	**158,997**

(Amounts in thousands RON)

12. Investments in subsidiaries and associates (continued)

Bank

	%	December 31, 2014	Additions/ Reclassifications	December 31, 2015
ALD Automotive	20.00%	11,873	-	11,873
Mobiasbanca Groupe Societe Generale S.A.	20.00%	29,017	-	29,017
BRD Asigurari de Viata SA	49.00%	17,697	-	17,697
Fondul de Garantare a Creditului Rural	33.33%	14,220	-	14,220
Biroul de Credit S.A.	16.03%	662	67	729
BRD Fond de Pensii S.A.	49.00%	14,690	-	14,690
BRD Sogelease Asset Rental SRL	20.00%		-	
		88,159	**67**	**88,226**
Associates				
BRD Sogelease IFN SA	99.98%	11,558	-	11,558
BRD Finance Credite de Consum IFN SA	49.00%	53,019	-	53,019
BRD Asset Management SAI SA	99.98%	4,321	-	4,321
BRD Corporate Finance SRL	100.00%	403	-	403
Subsdiaries		**69,301**	**-**	**69,301**
Total associates and subsidiaries		**157,460**	**67**	**157,527**

(Amounts in thousands RON)

12. Investments in subsidiaries and associates (continued)

The subsidiaries and associate summary of financial position and income statement as at December 31, 2016 are as follows**:**

Subsidiaries	%	Current assets	Non-current assets	Net assets	% of net assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Net profit/(loss)
BRD Sogelease IFN SA	99.98%	397,498	494,005	206,456	n/a	891,503	268,667	416,380	685,047	40,369	15,322
BRD Finance Credite de Consum IFN SA	49.00%	41,658	509,953	99,956	n/a	551,611	309,250	142,406	451,656	69,514	11,705
BRD Asset Management SAI SA	99.98%	28,617	151	26,926	n/a	28,768	1,842	-	1,841	14,084	8,564
Associate											
ALD Automotive	20.00%	32,121	367,923	81,895	16,379	400,044	129,558	188,592	318,149	242,055	21,143
Mobiasbanca Groupe Societe Generale S.A.	20.00%	1,393,004	566,720	283,974	56,795	1,959,724	1,577,015	98,735	1,675,750	135,795	66,191
BRD Asigurari de Viata SA	49.00%	181,035	57,404	62,730	30,738	238,439	77,849	97,860	175,709	124,728	15,928
Fondul de Garantare a Creditului Rural	33.33%	724,282	-	50,004	16,667	724,282	51,558	622,720	674,278	25,746	3,834
Biroul de Credit S.A.	16.38%	14,171	7,467	21,322	3,492	21,638	316	-	316	13,900	6,280
BRD Fond de Pensii S.A.	49.00%	14,816	6,277	16,807	8,236	21,093	4,286	-	4,286	14,026	322
BRD Sogelease Asset Rental SRL	20.00%	14,473	101,797	8,828	1,766	116,270	4,828	102,614	107,442	29,580	(1,112)

The information as at December 31, 2016 regarding subsidiaries and associates are preliminary and not audited.

(Amounts in thousands RON)

13. Properties, plant and equipment and Investment properties

	Group					
	Land & Buildings	**Investment properties**	**Office equipments**	**Materials and other assets**	**Construction in progress**	**Total**
Cost:						
as of December 31, 2014	**1,310,667**	**39,300**	**262,294**	**532,925**	**20,227**	**2,165,413**
Additions	3,684	1,281	1,395	7,506	49,616	63,482
Transfers	30,358	(14,561)	23,394	13,449	(53,331)	(691)
Transfers into/from inventory	(7,125)	5,922	(0)	0	6	(1,197)
Disposals	(10,969)	(2,661)	(22,537)	(23,390)	-	(59,557)
as of December 31, 2015	**1,326,615**	**29,281**	**264,546**	**530,490**	**16,518**	**2,167,450**
Additions	1,108	-	64	6,624	76,750	84,546
Transfers	6,572	-	20,736	22,862	(50,158)	12
Disposals	(6,275)	-	(47,193)	(32,121)	(7,637)	(93,226)
as of December 31, 2016	**1,328,020**	**29,281**	**238,153**	**527,855**	**35,473**	**2,158,782**
Depreciation and impairment:						
as of December 31, 2014	**(596,303)**	**(18,926)**	**(213,156)**	**(431,343)**	**-**	**(1,259,728)**
Depreciation	(46,338)	(1,576)	(22,033)	(26,198)	-	(96,145)
Impairment	925	-	-	(253)	-	672
Disposals	8,973	2,661	22,807	20,810	-	55,251
Transfers	(8,591)	7,961	-	603	-	(27)
Transfers into/from inventory	3,192	(4,068)	-	-	-	(876)
as of December 31, 2015	**(638,142)**	**(13,948)**	**(212,382)**	**(436,381)**	**-**	**(1,300,853)**
Depreciation	(45,301)	(1,391)	(21,680)	(22,243)	-	(90,615)
Impairment	(4,488)	-	-	184	-	(4,304)
Disposals	4,786	-	48,623	31,107	-	84,516
as of December 31, 2016	**(683,145)**	**(15,339)**	**(185,439)**	**(427,333)**	**-**	**(1,311,256)**
Net book value:						
as of December 31, 2014	**714,364**	**20,374**	**49,138**	**101,582**	**20,227**	**905,685**
as of December 31, 2015	**688,473**	**15,333**	**52,164**	**94,109**	**16,518**	**866,597**
as of December 31, 2016	**644,875**	**13,942**	**52,714**	**100,522**	**35,473**	**847,526**

(Amounts in thousands RON)

13. Properties, plant and equipment and Investment properties (continued)

Bank

	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Total
Cost:						
as of December 31, 2014	**1,300,890**	**39,300**	**251,522**	**531,207**	**20,226**	**2,143,145**
Additions	3,319	1,284	1,205	7,515	49,617	62,942
Transfers	30,358	(14,561)	23,394	13,449	(53,331)	(690)
Transfers into/from inventory	(7,125)	5,922	(0)	0	6	(1,197)
Disposals	(10,926)	(2,660)	(21,919)	(22,414)	-	(57,920)
as of December 31, 2015	**1,316,516**	**29,285**	**254,202**	**529,757**	**16,518**	**2,146,278**
Additions	1,106	-	39	6,541	76,750	84,436
Transfers	6,572	-	20,736	22,862	(50,158)	11
Disposals	(6,275)	-	(47,675)	(32,055)	(7,637)	(93,642)
as of December 31, 2016	**1,317,919**	**29,285**	**227,302**	**527,103**	**35,473**	**2,137,082**
Depreciation and impairment:						
as of December 31, 2014	**(592,481)**	**(18,926)**	**(203,484)**	**(429,934)**	**-**	**(1,244,825)**
Depreciation	(46,123)	(1,576)	(21,480)	(26,123)	-	(95,302)
Impairment	932	-	-	(251)	-	681
Disposals	8,960	2,661	21,605	19,820	-	53,046
Transfers	(8,591)	7,961	-	608	-	(22)
Transfers into/from inventory	3,177	(4,068)	-	-	-	(891)
as of December 31, 2015	**(634,126)**	**(13,948)**	**(203,359)**	**(435,880)**	**-**	**(1,287,313)**
Depreciation	(45,061)	(1,391)	(21,029)	(22,170)	-	(89,651)
Impairment	(4,488)	-	-	184	-	(4,304)
Disposals	4,786	-	47,670	31,069	-	83,525
as of December 31, 2016	**(678,889)**	**(15,339)**	**(176,718)**	**(426,797)**	**-**	**(1,297,743)**
Net book value:						
as of December 31, 2014	**708,409**	**20,374**	**48,038**	**101,273**	**20,226**	**898,320**
as of December 31, 2015	**682,390**	**15,337**	**50,843**	**93,877**	**16,518**	**858,965**
as of December 31, 2016	**639,030**	**13,946**	**50,584**	**100,306**	**35,473**	**839,339**

The Group and Bank holds investment property as a consequence of the ongoing rationalisation of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties. The investment properties have a fair value of 14,780 as at December 31, 2016 (December 31, 2015: 15,807). The fair value has been determined based on a valuation by an independent valuer in 2016. Rental income from investment property of 1,876 (December 31, 2015: 1,875) has been recognised in other income.

(Amounts in thousands RON)

14. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999.

Following the acquisition, the branch becomes the present Sucursala Mari Clienti Corporativi ("SMCC") – the branch dedicated to large significant clients, most of them taken over from the former Societe Generale Bucharest.

As at December 31, 2016, the branch had a number of 4 116 active customers (2015: 4 020), with loans representing 14% from total loans managed by the network (2015: 11%) and with deposits representing about 17 % of networks' deposits (2015: 20%).

Most of the SMCC non-retail clients are large multinational and national customers.

Taking into account the stable base of clients and the contribution to the bank's net banking income, the branch which generated the goodwill is considered profitable, without any need of impairment.

15. Intangible assets

The balance of the intangible assets as of December 31, 2016 and 2015 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2014	**336,678**	**309,949**
Additions	35,216	32,027
Disposals	(8,317)	(7,800)
Transfers	691	691
as of December 31, 2015	**364,268**	**334,867**
Additions	42,485	41,706
Disposals	157	157
Transfers	(11)	(11)
as of December 31, 2016	**406,899**	**376,719**
Amortization:		
as of December 31, 2014	**(251,452)**	**(230,958)**
Amortization expense	(37,318)	(34,649)
Disposals	7,119	6,954
as of December 31, 2015	**(281,651)**	**(258,653)**
Amortization expense	(34,998)	(31,996)
as of December 31, 2016	**(316,649)**	**(290,649)**
Net book value:		
as of December 31, 2014	**85,226**	**78,991**
as of December 31, 2015	**82,617**	**76,214**
as of December 31, 2016	**90,250**	**86,070**

16. Other assets

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Advances to suppliers	49,224	32,161	-	-
Sundry debtors	147,987	65,046	140,662	58,913
Prepaid expenses	23,367	23,578	20,344	21,011
Repossessed assets	11,301	10,757	8,806	8,122
Prepaid income tax	-	43,051	-	42,790
Other assets	8,957	11,075	8,206	10,397
Total	**240,836**	**185,668**	**178,018**	**141,233**

(Amounts in thousands RON)

16. Other assets (continued)

The sundry debtors balances is represented mainly by commissions, sundry receivables, dividends to be received and are presented net of an impairment allowance, which at Group level is 81,307 (December 31, 2015: 60,810) and at Bank level is 66,075 (December 31, 2015: 47,510).

Also included in sundry debtors there is an amount of 43,108 (December 31, 2015: -) paid to the fiscal authorities following a tax inspection carried out in 2016; the amount is under litigation with the authorities and the Bank estimates that is more likely than not that it will win the litigation.

As of December 31, 2016 the carrying value of repossessed assets for Group is 11,301 (December 31, 2015: 10,757). As of December 31, 2016 the carrying value of repossessed assets for Bank is 8,806 (December 31, 2015: 8,122), representing four residential buildings. (December 31, 2015: three residential buildings).

17. Due to banks

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Demand deposits	379,295	522,759	379,295	522,759
Term deposits	152,306	178,421	152,306	178,421
Due to banks	**531,601**	**701,180**	**531,601**	**701,180**

18. Due to customers

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Demand deposits	24,284,279	22,115,228	24,325,745	22,161,073
Term deposits	17,908,470	19,063,446	17,964,993	19,110,800
Due to customers	**42,192,749**	**41,178,674**	**42,290,738**	**41,271,873**

Term deposits refer to all deposits with initial maturities over 3 days.

During 2016 the Group and the Bank reclassified the deposit of Renault Finance S.A. Lausanne from “Due to banks” to “Due to customers” (December 31, 2016: 80 million RON). The change has been applied retrospectively for December 31, 2015 (80 million RON).

19. Borrowed funds

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Borrowings from related parties	869,522	713,579	26,445	29,701
Borrowings from international financial institutions	231,354	383,048	111,324	315,170
Borrowings from other institutions	371	621	371	621
Other borrowings	311	2,545	311	2,545
Total	**1,101,558**	**1,099,793**	**138,451**	**348,037**

The maturity structure and the re-pricing gap of the borrowings are presented in note 41.
Other funds borrowed from related parties are senior unsecured and are used in the normal course of business.

(Amounts in thousands RON)

20. Taxation

Current income tax is calculated based on the taxable income as per the tax statement derived from the stand alone accounts of each consolidated entity. As at December 31, 2016 the Group has a current tax liability in total amount of 142,082 (December 31, 2015: 1,463).

The deferred tax liability/asset is reconciled as follows:

	Group December 31, 2016			
	Temporary differences	**Consolidated Statement of Financial Position Asset / (Liability)**	**Consolidated Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**
Deferred tax liability				
Defined benefit obligation	5,762	922	-	3,255
Investments and other securities	(333,836)	(53,414)	(171)	19,736
Total	**(328,074)**	**(52,492)**	**(171)**	**22,991**
Deferred tax asset				
Tangible and intangible assets	94,780	15,164	2,143	-
Provisions and other liabilities	635,481	101,677	20,731	-
Total	**730,261**	**116,841**	**22,874**	**-**
Taxable items	**402,187**			
Deferred tax		**64,349**	**22,703**	**22,991**

The taxable item in amount of 64,349 represents a deferred tax asset of 65,060 and a deferred tax liability of 710.

	Bank December 31, 2016			
	Temporary differences	**Individual Statement of Financial Position Asset / (Liability)**	**Individual Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**
Deferred tax liability				
Defined benefit obligation	5,762	922	-	3,255
Investments and other securities	(329,401)	(52,704)	-	19,736
Total	**(323,639)**	**(51,782)**	**-**	**22,991**
Deferred tax asset				
Tangible and intangible assets	96,502	15,440	1,885	-
Provisions and other liabilities	610,392	97,663	20,860	-
Total	**706,894**	**113,103**	**22,745**	**-**
Taxable items	**383,255**			
Deferred tax		**61,321**	**22,745**	**22,991**

(Amounts in thousands RON)

20. Taxation (continued)

	Group December 31, 2015			
	Temporary differences	**Consolidated Statement of Financial Position Asset / (Liability)**	**Consolidated Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**
Deferred tax liability				
Defined benefit obligation	(14,587)	(2,334)	-	(472)
Investments and other securities	(456,115)	(72,978)	4,427	(7,284)
Total	**(470,702)**	**(75,312)**	**4,427**	**(7,756)**
Deferred tax asset				
Tangible and intangible assets	81,381	13,021	1,054	-
Fiscal loss	-	-	(85,533)	-
Provisions and other liabilities	505,914	80,945	20,899	-
Total	**587,295**	**93,966**	**(63,580)**	**-**
Taxable items	**116,593**			
Deferred tax		**18,655**	**(59,153)**	**(7,756)**

The taxable item in amount of 18,655 represents a deferred tax asset of 19,194 and a deferred tax liability of 539.

	Bank December 31, 2015			
	Temporary differences	**Individual Statement of Financial Position Asset / (Liability)**	**Individual Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**
Deferred tax liability				
Defined benefit obligation	(14,587)	(2,334)	-	(472)
Investments and other securities	(452,748)	(72,440)	-	(7,284)
Total	**(467,335)**	**(74,774)**	**-**	**(7,756)**
Deferred tax asset				
Tangible and intangible assets	84,720	13,555	84	-
Fiscal loss	-	-	(85,533)	-
Provisions and other liabilities	480,016	76,802	15,526	-
Total	**564,736**	**90,358**	**(69,923)**	**-**
Taxable items	**97,401**			
Deferred tax		**15,584**	**(69,923)**	**(7,756)**

Movement in deferred tax is as follows:

	Group	**Bank**
Deferred tax asset, net as of December 31, 2014	**85,564**	**93,263**
Deferred tax recognized in other comprehensive income	(7,756)	(7,756)
Deferred tax recognized in profit and loss	(59,153)	(69,923)
Deferred tax asset, net as of December 31, 2015	**18,655**	**15,584**
Deferred tax recognized in other comprehensive income	22,992	22,992
Deferred tax recognized in profit and loss	22,703	22,745
Deferred tax asset, net as of December 31, 2016	**64,350**	**61,321**

(Amounts in thousands RON)

20. Taxation (continued)

Reconciliation of total tax charge	Group		Bank	
	2016	2015	2016	2015
Profit before income tax	**906,569**	**551,716**	**863,319**	**532,916**
Income tax (16%)	145,051	88,275	138,131	85,267
Fiscal credit	(15,912)	(4,481)	(15,784)	(4,393)
Non-deductible elements	25,356	16,076	22,562	14,984
Non-taxable elements	(11,425)	(15,390)	(9,871)	(8,364)
Expense from income tax at effective tax rate	**143,070**	**84,480**	**135,038**	**87,494**
Effective tax rate	15.8%	15.3%	15.6%	16.4%

Recognition of deferred tax asset at Bank level of 19,194 is based on the management's profit forecasts, which indicates that it is probable that future tax profit will be available against which this asset can be utilised.

21. Other liabilities

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Sundry creditors	364,716	295,870	296,541	222,391
Other payables to State budget	31,733	34,572	30,441	33,299
Deferred income	20,093	18,604	20,093	18,604
Payables to employees	147,011	113,378	140,706	107,752
Dividends payable	-	-	-	-
Financial guarantee and loan contracts provisions	444,888	306,248	474,031	338,848
Other provisions	19,486	17,636	16,608	16,475
Total	**1,027,927**	**786,308**	**978,420**	**737,369**

Sundry creditors are expected to be settled in no more than twelve months after the reporting period.

Payables to employees include, among other, gross bonuses, amounting to 50,323 (2015: 42,265) and post-employment benefits amounting to 74,972 (2014: 52,218).

As at 31 December 2016 the Bank has maintained the same provision related to potential consumer protection litigations amounting to 9,000 (December 31, 2015: 9,000). The Bank assessed the potential impact of possible future law suits related to ongoing credit contracts taking into account a scenario of significant growth in the number of litigations in the context of the excessive negative publicity for banks and particular focus of ANPC on the relation between banks and individual customers. The accounted provision reflects this evaluation of the Bank.

Post-employment benefit plan

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are not funded. A full actuarial valuation by a qualified independent actuary is carried out annually.

Reserves from defined pension plan are in total amount of -4,650 as at December 31, 2016 (December 31, 2015: 12,442), during the year the Bank registered net loss on pension plan in total amount of 17,092 (December 31, 2015: gain 2,476).

(Amounts in thousands RON)

21. Other liabilities (continued)

Expenses recognised in profit and loss

	2016	2015
Total service cost	2,226	2,196
Interest cost on benefit obligation	1,022	877
Net benefit expense	**3,248**	**3,073**

Movement in defined benefits obligations

	December 31, 2016	December 31, 2015
Opening defined benefit obligation	**52,218**	**52,715**
Total service cost	2,226	2,196
Benefits paid	(841)	(623)
Interest cost on benefit obligation	1,022	877
Actuarial losses arising from changes in demographic assumptions	28,861	-
Actuarial (gains) arising from changes in financial assumptions	(8,514)	(2,947)
Closing defined benefit obligation	**74,972**	**52,218**

Main actuarial assumptions

	December 31, 2016	December 31, 2015
Discount rate	1.60%	2.00%
Inflation rate	1.75%	1.90%
Salary increase rate	3.00%	2.90%
Average remaining working period (years)	13.38	10.46

	December 31, 2016	December 31, 2015
Experience adjustment	974	789
Change in assumptions	(4,951)	2,158

Sensitivities on the defined benefit obligation

The results of any valuation depend upon the assumptions employed. Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase.
The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate used were 1% higher, then the defined benefit obligation would be lower by about 15.48% meaning 63,366.
- If the discount rate used were 1% lower, then the defined benefit obligation would be higher by about 19.38%. meaning 89,502.
- If the salary increase rate used were 1% higher, then the defined benefit obligation would be higher by about 19.46% meaning 89,562.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The eventual cost of providing the benefits depends on the actual future experience. Other factors such as the number of new employees could also change the cost.

(Amounts in thousands RON)

21. Other liabilities (continued)

Line Provisions includes provisions for litigations and provisions for other risk and charges. Expected timing of outflow for litigations represents the completion of the dispute and it cannot be appreciated, the final result depending on various factors. Based on the legal department analysis, the Group assessed the mater and concluded that no additional litigation provision is necessary.

The movement in other provisions is as follows:

Group	
Carrying value as of December 31,2014	**38,113**
Additional expenses	14,608
Reversals of provisions	(35,085)
Carrying value as of December 31,2015	**17,636**
Additional expenses	6,825
Reversals of provisions	(4,975)
Carrying value as of December 31, 2016	**19,486**

Bank	
Carrying value as of December 31,2014	**32,609**
Additional expenses	12,498
Reversals of provisions	(28,632)
Carrying value as of December 31,2015	**16,475**
Additional expenses	5,010
Reversals of provisions	(4,877)
Carrying value as of December 31, 2016	**16,608**

The increase in financial guarantee and loan contracts provisions is triggered by the mixed effect of new default entries, 2015 closed facilities, new provision estimates for existing defaulters and increase of default loss rates for clients provisioned inside homogenous groups.

The movement in financial guarantee and loan contracts provisions is as follows:

Group	
Carrying value as of December 31,2014	**198,658**
Additional expenses	592,807
Reversals of provisions	(489,405)
Foreign exchange losses	4,188
Carrying value as of December 31,2015	**306,248**
Additional expenses	554,188
Reversals of provisions	(417,693)
Foreign exchange (gain)	2,145
Carrying value as of December 31, 2016	**444,888**

Bank	
Carrying value as of December 31,2014	**224,287**
Additional expenses	599,778
Reversals of provisions	(489,405)
Foreign exchange losses	4,188
Carrying value as of December 31,2015	**338,848**
Additional expenses	550,731
Reversals of provisions	(417,693)
Foreign exchange (gain)	2,145
Carrying value as of December 31, 2016	**474,031**

(Amounts in thousands RON)

22. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2015: 696,901). Included in the share capital there is an amount of 1,818,721 (2015: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of December 31, 2016 represents 696,901,518 (2015: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2015: RON 1).
During 2016 and 2015, the Bank did not buy back any of its own shares.

23. Interest and similar income

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Interest on loans	1,506,460	1,636,060	1,389,680	1,526,079
Interest on deposit with banks	12,825	13,391	11,328	11,896
Interest on available for sale	281,765	284,129	281,765	284,129
Interest from hedging instruments	6,457	6,122	6,457	6,122
Total	**1,807,507**	**1,939,702**	**1,689,231**	**1,828,226**

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 127,479 for Group and 115,815 for Bank (2015: 168,585 for Group and 162,073 for Bank).

24. Interest and similar expense

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Interest on term deposits	163,522	309,253	166,705	312,495
Interest on demand deposits	37,537	65,616	37,543	65,654
Interest on borrowings	19,978	43,202	3,487	22,242
Interest from hedging instruments	-	5,580	-	5,582
Total	**221,037**	**423,651**	**207,735**	**405,973**

25. Fees and commissions, net

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Services	641,942	609,369	627,793	596,631
Management fees	107,353	105,609	107,353	105,609
Packages	50,777	52,591	50,777	52,591
Transfers	129,068	150,192	129,068	150,193
OTC withdrawal	67,351	64,726	67,351	64,726
Cards	202,191	157,673	202,191	157,673
Brokerage and custody	25,587	24,126	25,587	24,126
Other	59,615	54,451	45,466	41,713
Loan activity	97,980	93,913	76,484	75,242
Off balance sheet	32,744	46,358	32,744	46,358
Total	**772,666**	**749,641**	**737,021**	**718,232**

(Amounts in thousands RON)

26. Gain on derivative and other financial instruments held for trading

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Gain on instruments held for trading	13,394	13,220	12,937	12,718
Gain / (loss) on interest rate derivatives	(2,355)	1,914	(2,355)	1,914
Gain on currency and interest swap	44,387	91,294	44,387	91,294
Gain on forward foreign exchange contracts	10,554	17,318	10,554	17,318
Gain on currency options	4,137	6,594	4,137	6,594
Gain / (loss) on hedging	(1,144)	1,421	(1,144)	1,421
Other	4,258	(690)	4,258	(690)
Total gain on derivative and other financial instruments held for trading	**73,231**	**131,071**	**72,774**	**130,569**

27. Foreign exchange gain

	Grup		Banca	
	2016	**2015**	**2016**	**2015**
Foreign exchange income	20,879,221	21,651,429	20,842,716	21,612,851
Foreign exchange expenses	(20,700,105)	(21,501,734)	(20,664,016)	(21,463,915)
Total	**179,116**	**149,695**	**178,700**	**148,936**

28. Income from associates

	Grup		Banca	
	2016	**2015**	**2016**	**2015**
Share of increase in net profits from associates	27,752	16,316	-	-
Dividends from associates	-	-	16,939	14,327
Total	**27,752**	**16,316**	**16,939**	**14,327**

29. Other income

Other income includes income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, both for the Group and the Bank, is 1,876 (2015: 1,875).

30. Contribution to Deposit Guarantee Fund and Bank Resolution Fund

According to the Romanian legislation (Law no. 311/2015 on Deposit Guarantee Schemes and the Bank Deposit Guarantee Fund), the deposits of individuals and certain entities, including small and medium enterprises and large companies are covered up to EUR 100,000 by the Bank Deposit Guarantee Fund (“Fund”).

Each credit institution participating to deposit guarantee scheme shall pay the annual contribution as determined and notified by the Fund. The amount of the contribution refers to the total covered deposits at the end of the previous year and reflects also the degree of risk associated to each credit institution in the scheme.
The degree of risk is determined based on the financial and prudential indicators reported by the credit institutions to the National Bank of Romania. For this purpose, the Bank Deposits Guarantee Fund uses a methodology approved by the National Bank of Romania considering also the guidelines issued by the European Banking Authority.

For the year ended December 31, 2016 the expense related to the Deposit Guarantee Fund was 47,269 (December 31, 2015: 72,543 according to Government Ordinance No. 39/1996 requirements).

(Amounts in thousands RON)

30. Contribution to Deposit Guarantee Fund and Bank Resolution Fund (continued)

According to Law no. 312/2015 on recovery and resolution of credit institution and investment firms, each credit institution shall pay an annual contribution to Bank Resolution Fund as determined and notified by the National Bank of Romania.

The National Bank of Romania as the local resolution authority establish the credit institutions annual contributions to Bank Resolution Fund, in compliance with Commission Delegated Regulation EU 2015/63, supplementing Directive 2014/59 of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements.

For the year ended December 31, 2016 the expense related to the Bank Resolution Fund was 17,870 (December 31, 2015: 15,507 according to Government Ordinance No. 39/1996 requirements).

Both contributions to the Bank Deposit Guarantee Fund and Bank Resolution Fund meet the criteria for recognition as taxes and accounted in accordance with IFRIC 21 " Levies" requirements. The liability is recognized at the date when the obligating event occurs and the contribution is recognized as an expense in full at the same date.

31. Personnel expenses

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Salaries	504,562	474,388	471,008	442,729
Social security	119,303	118,473	111,755	111,277
Bonuses	45,521	40,994	42,861	38,849
Post-employment benefits	2,407	2,450	2,407	2,450
Other	15,992	18,354	15,060	16,694
Total	**687,785**	**654,659**	**643,091**	**611,999**

Employee expenses for share - based payment transactions are included in line Other and related expenses in amount of 1,453 for Group and 1,425 for Bank for 2016 (2015: 3,087 for Group and 2,632 for Bank).

Share based payment transactions

On November 2nd, 2010 SG established a share based payment program that grants each employee of the bank 40 Societe Generale shares. The two performance conditions for the tranches were fully satisfied and the shares were given to the employees in March 31, 2015 and March 31, 2016.

The terms and conditions of the grant were (all shares were settled by physical delivery of shares):

(Amounts in thousands RON)

31. Personnel expenses (continued)

Grant date/ employees entitled	Number of instruments	Vesting conditions	Contractual life of share based options
shares granted to all employees of the group at 02/11/2010	16	Positive net income attributable to the Groupe Societe Generale for financial year 2012 presence in the group until 31/03/2015	4 years and 5 months
shares granted to all employees of the group at 02/11/2010	24	improvement of customer satisfaction between 2010 and 2013 presence in the group until 31/03/2016	5 years and 5 months
Total shares	**40**		

The number and weighted average exercise price of shares is as follows:

	Group		Bank	
	Fair value (EUR)	**Number of shares granted**	**Fair value (EUR)**	**Number of shares granted**
Granted during the period				
- exercise date 31/03/2015	34.6	108,432	34.6	103,760
- exercise date 31/03/2016	33.2	152,835	33.2	146,352

The fair value at grant date was 42,1 EUR/share, the valuation method used being arbitrage model, and for countries outside France was considered 82% for first tranche and 79% for second tranche.The fair value of the award at the grant date was estimated by considering the market prices of the SG shares at that date. Those market prices were adjusted to account for the dividends estimated to be distributed during the vesting period (i.e.: dividends to which the employees are not entitled according to the terms of the award), as follows:

- a haircut of 18% was applied to the market value of the shares to estimate the fair value of the award vesting in 2015, and
- a haircut of 21% was applied to the market value of the shares to estimate the fair value of the award vesting in 2016.

The haircuts presented above were estimated by considering SG's history and policy for dividends distribution.

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Expense in 2010	1,070	1,070	1,070	1,070
Expense in 2011	6,025	6,025	6,025	6,025
Expense in 2012	6,809	6,809	6,809	6,809
Expense in 2013	6,675	6,675	6,675	6,675
Expense in 2014	12,498	12,498	11,451	11,451
Expense in 2015	3,087	3,087	2,632	2,632
Expense in 2016	1,453	-	1,425	-
Total share based payment recognised	**37,617**	**36,164**	**36,087**	**34,662**

(Amounts in thousands RON)

32. Depreciation, amortisation and impairment on tangible and intangible assets

	Group		Bank	
	2016	2015	2016	2015
Depreciation and impairment	93,531	93,899	92,565	93,045
Amortisation	34,998	37,318	31,996	34,649
Total	**128,529**	**131,217**	**124,561**	**127,694**

The difference between the amount presented in note 13 and the amount presented in note 32 represents depreciation of investment property in total amount of 1,390 at Group and Bank level (December 31, 2015: 1,575).

33. Other operating expense

	Group		Bank	
	2016	2015	2016	2015
Administrative expenses	397,868	411,351	372,618	384,565
Publicity and sponsorships	33,988	30,900	33,495	30,111
Other expenses	74,264	69,120	70,773	67,098
Total	**506,120**	**511,371**	**476,886**	**481,774**

Administrative expenses refer mainly to rentals, maintenance expenses, local taxes and various utilities such as energy and telecommunication.

The Group and Bank has operating leases that are cancellable with prior notice much shorter than the remaining contract period and/or with penalties to be paid which are much lower than lease expense for the remaining contract period. For details regarding future minimum lease payments please see note 36.

Other expenses include mainly corporate and technical assistance with Societe Generale Paris, audit fees, etc.

34. Credit loss expense

	Group		Bank	
	2016	2015	2016	2015
Net impairment allowance for loans	435,964	578,184	417,450	555,475
Net impairment allowance for sundry debtors	38,283	38,532	38,720	42,473
Net impairment allowance for risk and charges	1,686	(14,377)	(129)	(16,134)
Net impairment allowance for finance lease	3,567	18,861	-	-
Income from recoveries of derecognized receivables	(161,896)	(90,566)	(159,116)	(88,256)
Write-offs & sales of bad debts	32,866	24,179	31,213	27,219
Financial guarantee and loan contracts	133,038	103,401	133,038	110,372
Total	**483,508**	**658,214**	**461,176**	**631,149**

35. Cash and cash equivalents for cash flow purposes

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short term placements at other banks. The amounts in transit in amount of 169,790 (December 31, 2015: 249,082) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 91,641 (December 31, 2015: 113,303) for the Bank and also the ones amounting 26,132 (December 31, 2015: 26,124) for the Group are excluded. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

(Amounts in thousands RON)

35. Cash and cash equivalents for cash flow purposes (continued)

Group

	December 31, 2016	December 31, 2015
Cash in hand	1,800,529	1,339,602
Current accounts and deposits with banks	1,710,708	1,926,291
Total	**3,511,237**	**3,265,893**

Bank

	December 31, 2016	December 31, 2015
Cash in hand	1,800,506	1,339,580
Current accounts and deposits with banks	1,709,902	1,925,452
Total	**3,510,408**	**3,265,032**

For the purpose of consolidated cash flow statement the net expenses from impairment of loans and from provisions are reconciled as follows:

Group

	2,016	2,015
Net impairment allowance for loans	435,964	578,184
Net impairment allowance for sundry debtors	38,283	38,532
Net impairment allowance for finance lease	3,566	18,861
Write-offs & sales of bad debts	32,866	24,179
Financial guarantee and loan contracts	133,038	103,401
Net movement in other provisions	1,850	(14,378)
Total	**645,567**	**748,779**

Bank

	2016	2015
Net impairment allowance for loans	417,450	555,475
Net impairment allowance for sundry debtors	38,720	42,473
Write-offs & sales of bad debts	31,213	27,219
Financial guarantee and loan contracts	133,038	110,372
Net movement in other provisions	132	(16,134)
Total	**620,553**	**719,404**

36. Commitments

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Tangible non-current assets	3,464	1,420	3,464	1,420
Intangible non-current assets	8,707	2,669	8,707	2,669
Operational leasing, rents and other services	388,612	309,937	388,612	309,937
Total	**400,783**	**314,026**	**400,783**	**314,026**

Guarantees and credit commitments are presented in note 41.1.

(Amounts in thousands RON)

36. Commitments (continued)

As at December 31, 2016 and December 31, 2015 the future minimum lease payments regarding operating leases and rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Less than one year	75,847	74,773	75,847	74,773
Between one and five years	176,391	142,557	176,391	142,557
More than five years	133,986	89,766	133,986	89,766
	386,224	**307,096**	**386,224**	**307,096**

(Amounts in thousands RON)

37. Related parties

The Group and Bank enters into related party transactions with its parent, other SG entities, subsidiaries, associates and key management personnel. All related party transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties. The transactions/balances with subsidiaries were eliminated for consolidation purposes. The transactions/balances with related parties can be summarized as follows:

	Group							
	2016				2015			
	Parent	Other related parties	Associates	Key management of the institution	Parent	Other related parties	Associates	Key management of the institution
Assets	**378,291**	**111,657**	**4,870**	**1,071**	**385,038**	**71,597**	**2,487**	**1,974**
Nostro accounts	27,851	44,533	42	-	46,608	7,811	-	-
Deposits	26,132	35,726	-	-	26,124	39,812	-	-
Loans	91,641	24,118	1,789	1,071	113,308	21,052	2,485	1,974
Derivative financial instruments	228,849	-	-	-	198,998	67	-	-
Other assets	3,818	7,280	3,039	-	-	2,855	2	-
Liabilities	**1,329,229**	**63,856**	**110,361**	**16,526**	**1,244,229**	**100,532**	**69,783**	**14,389**
Loro accounts	7,380	30,411	133	-	150	84,288	298	-
Deposits	238,056	20,026	109,472	16,526	374,175	15,713	69,379	14,389
Borrowings	869,511	-	-	-	713,576	-	-	-
Derivative financial instruments	115,285	-	-	-	109,203	-	-	-
Other liabilities	98,997	13,419	756	-	47,125	531	106	-
Commitments	**7,480,893**	**154,349**	**7,403**	**282**	**10,521,882**	**117,634**	**7,430**	**264**
Total commitments granted	169,493	11,158	2,758	282	156,729	15,655	2,001	264
Total commitments received	904,855	143,191	4,645	-	892,023	80,411	5,429	-
Notional amount of foreign exchange transactions	4,526,245	-	-	-	7,456,700	21,568	-	-
Notional amount of interest rate derivatives	1,880,300	-	-	-	2,016,430	-	-	-
Income statement	**112,757**	**8,054**	**17,944**	**160**	**162,799**	**20,876**	**22,775**	**258**
Interest and commision revenues	17,826	2,796	12,382	41	18,279	1,485	11,130	66
Interest and commission expense	19,620	615	439	83	32,324	16,072	426	192
Net gain/(loss) on interest rate derivatives	(31,372)	-	-	-	(7,430)	-	-	-
Net gain on foreign exchange derivatives	81,782	455	-	-	89,304	(2)	-	-
Dividend income	-	3	16,939		-	-	14,327	-
Other income	-	-	69	-	-	-	29	-
Other expenses	24,901	4,185	(11,885)	36	30,322	3,321	(3,137)	0

(Amounts in thousands RON)

37. Related parties (continued)

	Bank									
	2016					2015				
	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution
Assets	**348,341**	**111,626**	**58,569**	**2,180**	**599**	**358,914**	**71,579**	**46,595**	**2**	**1,138**
Nostro accounts	27,851	44,533	-	42	-	46,608	7,811	-	-	-
Deposits	-	35,726	-	-	-	-	39,812	-	-	-
Loans	91,641	24,118	57,350	1,789	599	113,308	21,034	46,574	-	1,138
Derivative financial instruments	228,849	-	17	-	-	198,998	67	21	-	-
Other assets	-	7,249	1,202	349	-	-	2,855	-	2	-
Liabilities	**455,446**	**63,066**	**124,568**	**110,316**	**11,988**	**528,352**	**100,001**	**122,908**	**69,677**	**7,608**
Loro accounts	7,380	30,411	-	133	-	150	84,288	-	298	-
Deposits	238,056	20,026	97,992	109,472	11,988	374,175	15,713	93,200	69,379	7,608
Lease payable	-	-	26,445	-	-	-	-	29,701	-	-
Derivative financial instruments	115,285	-	-	-	-	109,203	-	7	-	-
Other liabilities	94,725	12,629	131	711	-	44,824	-	-	-	-
Commitments	**7,480,893**	**154,349**	**16,746**	**7,403**	**267**	**10,521,882**	**117,634**	**29,050**	**7,430**	**183**
Total commitments granted	169,493	11,158	11,734	2,758	267	156,729	15,655	8,590	2,001	183
Total commitments received	904,855	143,191	-	4,645	-	892,023	80,411	-	5,429	-
Notional amount of foreign exchange transactions	4,526,245	-	5,012	-	-	7,456,700	21,568	20,460	-	-
Notional amount of interest rate derivatives	1,880,300	-	-	-	-	2,016,430	-	-	-	-
Income statement	**93,456**	**7,059**	**25,276**	**4,082**	**108**	**138,409**	**20,046**	**23,357**	**10,293**	**115**
Interest and commision revenues	16,330	2,059	12,038	422	32	16,784	921	12,578	556	36
Interest and commission expense	4,059	615	3,840	439	40	11,775	16,072	4,037	426	79
Net gain/(loss) on interest rate derivatives	(31,372)	-	-	-	-	(7,430)	-	-	-	-
Net gain on foreign exchange derivatives	81,782	455	202	-	-	89,304	(2)	863	-	-
Dividend income	-	3	11,158	16,939	-	-	-	5,863	14,327	-
Other income	-	-	-	-	-	-	-	-	-	-
Other expenses	22,657	3,927	(1,962)	(13,718)	36	27,976	3,055	16	(5,016)	-

(Amounts in thousands RON)

37. Related parties (continued)

Other liabilities and other expenses include mainly corporate and technical assistance with Societe Generale Paris.

The Group has collateral received from SG Paris regarding derivative instruments in total amount of 124,517 as at December 31, 2016 (December 31, 2015: 88,409). The Group has no provision booked for receivable from related parties.

As of December 31, 2016, the Board of Directors and Managing Committee members own 304,530 shares (2015: 304,530).

Key management personnel benefits for 2016 and 2015:

	Group		Bank	
	Dec-16	**Dec-15**	**Dec-16**	**Dec-15**
Short-term benefits	15,149	14,399	11,256	10,887
Long-term benefits	1,731	1,678	1,731	1,678
Termination benefits	488	-	-	-
Share-based payment transactions	2	5	2	3

(Amounts in thousands RON)

38. Interest in unconsolidated structured entities

According to IFRS 12 applied starting with January 1, 2014 the Group and Bank has to present the interests it has in entities that have been designated so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group and Bank has identified the investment funds in which it invested during the years and which manages, as being unconsolidated structured entities. The Group has chosen not to consolidate the investment funds as the management intention is to dispose of the unit funds in the foreseeable future (12 months) and, at the same time, the impact from consolidating them is considered not significant for the users of these financial statements. The structured entities are financed through the resources (unit funds) received from individuals and corporates that are afterwards placed on monetary and capital markets.

Group interest in unconsolidated structured entities and size of structured entities in 2016:

Name of structured enitity	Carrying amount of financial assets recognised in the balance sheet	Of which: liquidity support drawn	Fair value of liquidity support drawn	Carrying amount of financial liabilities recognised in the balance sheet	Nominal amount of off-balance sheet items given by the reporting institution	Of which: Nominal amount of loan commitments given	Losses incurred by the reporting institution in the current period	Maximum exposure to loss	Total balance sheet of the entity (size)
BRD Simfonia	20,816	-	-	108,605	-	-	-	20,816	1,547,012
BRD Obligatiuni	3,617	-	-	12,490	-	-	-	3,617	181,093
BRD Index	2,556	-	-	170	-	-	-	2,556	3,547
BRD Actiuni	15,483	-	-	1,847	-	-	-	15,483	18,017
BRD Diverso	23,581	-	-	581	-	-	-	23,581	27,486

Breakdown of interests in unconsolidated structured entities:

Name of structured enitity	Selected financial assets recognised in the reporting institution's balance sheet						Selected equity and financial liabilites recognised in the reporting institution's balance sheet					Off-balance sheet items given by the reporting institution	
	of which: defaulted	Derivatives	Equity instruments	Debt securities	Loans and advances	Total	Equity instruments issued	Derivatives	Deposits	Debt securities issued	Total	of which: defaulted	Total
BRD Simfonia	-	(422)	21,238	-	-	20,816	-	-	108,605	-	108,605	-	-
BRD Obligatiuni	-	-	3,617	-	-	3,617	-	-	12,490	-	12,490	-	-
BRD Index	-	-	2,556	-	-	2,556	-	-	170	-	170	-	-
BRD Actiuni	-	-	15,483	-	-	15,483	-	-	1,847	-	1,847	-	-
BRD Diverso	-	-	23,581	-	-	23,581	-	-	581	-	581	-	-

(Amounts in thousands RON)

38. Interest in unconsolidated structured entities (continued)

Interest in unconsolidated structured entities and size of structured entities in 2015:

Name of structured enitity	Carrying amount of financial assets recognised in the balance sheet	Of which: liquidity support drawn	Fair value of liquidity support drawn	Carrying amount of financial liabilities recognised in the balance sheet	Nominal amount of off-balance sheet items given by the reporting institution	Of which: Nominal amount of loan commitments given	Losses incurred by the reporting institution in the current period	Maximum exposure to loss	Total balance sheet of the entity (size)
BRD Simfonia	11,906	-	-	364,032	-	-	-	11,906	1,720,699
BRD Obligatiuni	12,506	-	-	2,967	-	-	-	12,506	21,694
BRD Index	2,748	-	-	419	-	-	-	2,748	3,498
BRD Actiuni	16,724	-	-	1,931	-	-	-	16,724	18,862
BRD Diverso	26,764	-	-	359	-	-	-	26,764	30,376
BRD Eurofond	2,323	-	-	265,712	-	-	-	2,323	1,105,316
BRD USDfond	2,068	-	-	7,424	-	-	-	2,068	34,386

Breakdown of interests in unconsolidated structured entities:

Name of structured enitity	Selected financial assets recognised in the reporting institution's balance sheet						Selected equity and financial liabilites recognised in the reporting institution's balance					Off-balance sheet items given by the	
	of which: defaulted	Derivatives	Equity instruments	Debt securities	Loans and advances	Total	Equity instruments issued	Derivatives	Deposits	Debt securities issued	Total	of which: defaulted	Total
BRD Simfonia	-	320	11,586	-	-	11,906	-	-	364,032	-	364,032	-	-
BRD Obligatiuni	-	-	12,506	-	-	12,506	-	-	2,967	-	2,967	-	-
BRD Index	-	-	2,748	-	-	2,748	-	-	419	-	419	-	-
BRD Actiuni	-	-	16,724	-	-	16,724	-	-	1,931	-	1,931	-	-
BRD Diverso	-	-	26,764	-	-	26,764	-	-	359	-	359	-	-
BRD Eurofond	-	-	2,323	-	-	2,323	-	-	265,712	-	265,712	-	-
BRD USDfond	-	-	2,068	-	-	2,068	-	-	7,424	-	7,424	-	-

(Amounts in thousands RON)

39. Contingencies

As of December 31, 2016 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 63,408 (2015: 61,698). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group’s overall financial position and performance. The Bank already booked a provision of 16,608 (December 31, 2015: 16,475) and the Group 19,486 (December 31, 2015: 17,636) in relation with the litigations.

40. Earnings per share

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Ordinary shares on the market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	757,530	465,821	728,281	445,422
Earnings per share (in RON)	1.0870	0.6684	1.0450	0.6391

41. Risk management

Risk management within the Group and Bank is based on an integrated concept that takes into account the statutory and regulatory norms as defined and required by the National Bank of Romania, Société Générale risk management standards as well as best practices accepted by the banking industry. The level of risk appetite fully reflects the Group's and Bank's risk management strategy, aiming to support a sustainable growth of its lending activities while reinforcing the Group's market positions.

Risk management governance relies on the three lines of defense model, which reinforces segregation of duties between various control functions.
The *first line* of defense is represented by the permanent supervision, performed at the level of each business unit; the business units are responsible for defining and continuously adapting the specific control and risk prevention environment, as part of daily activities.
The *second line* of defense is represented by the functions overseeing risks (risk management, compliance), which provide support to the business/operational functions in executing their duties.
The *third line* of defense is represented by the independent assurance provided by internal audit.

The Group and Bank's risk management governance is centered along the following axes:

- continuous process of identification, assessment, control and reporting, considering risk limits, approval competences, segregation of duties and other mitigation techniques
- strong managerial involvement in the risk management system and promotion of risk culture, throughout the entire organizational structure, from the Board of Directors down to operational teams;
- clearly defined internal rules and procedures;
- communication of key risk indicators across the organization in a timely, accurate, comprehensible and meaningful manner;
- continuous supervision by an independent body to monitor risks and to enforce rules and procedures.

The Group and Bank's risk management is organized around two key principles:

- risk assessment departments must be independent from the business divisions;
- the risk management approach and risk monitoring must be consistent throughout the Group and Bank.

The Group and Bank's is exposed to the risks inherent to its core businesses. The main financial assets and liabilities are the loans and advances, lease receivables, amounts placed with NBR, demand and term deposits and borrowings. These instruments are exposed to a series of risks such as credit risk, foreign exchange risk, interest rate risk, liquidity risk and market risk which are discussed below.

41.1 Credit risk

Credit risk represents the loss which the Group and Bank would suffer if a client or counterparty fails to meet its contractual obligations. The credit risk is inherent to traditional banking products (loans, commitments to lend and other contingent liabilities such as letters of credit and fair value derivative contracts / refer to the notes 8, 9, 10, 11 and 39).

The Group and Bank's credit policy is based on the principle that approval of any credit risk undertaking must rely on a sound knowledge of a given client and its business, an understanding of the purpose and structure of the transaction and the sources of debt repayment. As part of Group Société Générale, the Bank has a cash flow based lending approach, meaning the bank expects debt to be serviced primarily through the future cash flow (legal entities)/ income (individuals) generated by the client.

(Amounts in thousands RON)

41. Risk management (continued)

41.1 Credit risk (continued)

The Group and Bank assesses the quality of its non retail portfolio by use of Société Générale's rating system, with a scale from 1 to 10 (1 to 7- in bonis exposures, 8 to 10 – defaulted exposures). Within the in bonis portfolio, the most vulnerable counterparts are grouped into a distinct category (refered to assensitive, rating class 7) which is subject to increased monitoring requirements, in order to improve reactivity through timely implementation of corrective measures.

The internal rating system is based on models that include both quantitative and qualitative assessment criteria, differentiated by counterparty type and size, in which the expert judgment is a key element. Internal models are developed based on the Group and Bank's available data history. The use of rating model is regulated by internal norms and procedures. Rating review is performed at least once per year, or as soon as new and significant aspects impacting the credit quality of the counterparty occur. This process results in the classification of exposures between sound, sensitive and non performing client status.

Throughout the post approval period, the monitoring of counterparties is conducted on a continuous basis, so that potential vulnerabilities can be indentified early and reacted upon. The outcome of monitoring activity is analyzed as an inherent responsibility of commercial and risk structures. Risky counterparts above internally prescribed criteria are closely monitored through dedicated committee, with the aim of defining a strategy towards them and ensuring consistent rating and loss recognition. Retail counterparties are assessed at origination, based on application scorecards and/or behavioral rating models, and monitored throughout the lifespan of the loans using behavioral rating models.

Security, in the form of collateral (funded protection) or guarantee (unfunded protection), is accepted to mitigate credit risk and do not serve as a substitute for the borrower's ability to meet obligations. The securities accepted in support of granted commitments primarily include real estate, both residential and commercial, guarantees issued by other banks and guarantee funds, equipments and inventories.

The Group and Bank quantifies the level of credit risk concentration it undertakes by setting and strictly monitoring limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, to industry segments, to geographical regions, to BRD Groups, to product/transaction type and single protection provider (credit risk mitigations techniques).

Maximum exposure to credit risk before considering any collaterals or guarantees

	Group	
	December 31, 2016	**December 31, 2015**
ASSETS		
Due from Central Bank	5,339,460	7,480,319
Due from banks	1,998,271	2,314,800
Derivatives and other financial instruments held for trading	1,203,282	1,218,112
Loans, gross	31,414,527	30,744,036
Impairment allowance for loans	(3,575,822)	(4,002,565)
Loans and advances to customers	27,838,705	26,741,471
Finance lease receivables	663,517	549,354
Financial assets available for sale	11,609,855	9,208,959
Other assets	140,530	55,991
Total assets	**48,793,620**	**47,569,006**
Letters of guarantee granted	5,785,743	6,200,625
Financing commitments granted	5,979,179	4,418,122
Total commitments granted	**11,764,922**	**10,618,747**
Total credit risk exposure	**60,558,541**	**58,187,753**

(Amounts in thousands RON)

41. Risk management (continued)

41.1 Credit risk (continued)

	Bank	
	December 31, 2016	December 31, 2015
ASSETS		
Due from Central Bank	5,339,460	7,480,319
Due from banks	1,971,333	2,287,837
Derivatives and other financial instruments held for trading	1,203,299	1,218,133
Loans, gross	30,885,456	30,312,244
Impairment allowance for loans	(3,501,346)	(3,935,819)
Loans and advances to customers	27,384,110	26,376,425
Financial assets available for sale	11,585,000	9,190,919
Other assets	133,206	47,755
Total assets	**47,616,408**	**46,601,388**
Letters of guarantee granted	5,822,732	6,240,636
Financing commitments granted	5,642,716	4,082,382
Total commitments granted	**11,465,448**	**10,323,018**
Total credit risk exposure	**59,081,856**	**56,924,406**

(Amounts in thousands RON)

41. Risk management (continued)

41.1 Credit risk (continued)

The breakdown by rating of the Group and Bank's banking counterparties exposures is based on an internal counterparty rating system. The definitions are presented below:

Very Good – The counterparty is considered to be very reliable. The capacity to meet interest payments and capital repayments is very strong.

Good – The counterparty is judged to be of good quality. Capacity to meet interest and principal repayment is strong but counterparty is somewhat more sensitive to adverse changes in circumstances and economic conditions.

Rather Good – Counterparty has an average solvency. Ability to pay interest and capital is still sufficient, but more likely to be undermined by unfavorable economic conditions and changes in circumstances.

Sensitive – Counterparty reflected credit behaviour or financial deterioration implying increased credit risk. Timely repayment of capital and interest is uncertain and depends on favorable economic and financial conditions. Close and more frequent monitoring of the client's capacity to service the bank debt is needed, in order to be able to react to a potential deterioration via implementation of corrective measures.

Analysis of due from banks by credit rating

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Very good	1,426,697	2,067,414	1,399,759	2,040,451
Good	487,484	16,055	487,484	16,055
Rather good	73,800	220,980	73,800	220,980
Not rated*	10,290	10,351	10,290	10,351
Total	**1,998,271**	**2,314,800**	**1,971,333**	**2,287,837**

*short term exposures, mainly amounts under settlement

Sector analysis of loans granted

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Individuals	61.7%	59.9%	61.2%	59.4%
Public administration, education & health	4.0%	2.9%	4.1%	3.0%
Agriculture	1.9%	2.0%	1.9%	2.0%
Manufacturing	7.1%	8.0%	7.2%	8.1%
Transportation, IT&C and other services	2.8%	2.9%	2.7%	2.9%
Trade	6.5%	8.8%	6.6%	8.9%
Constructions	3.8%	4.1%	3.9%	4.2%
Utilities	2.4%	2.5%	2.4%	2.5%
Services	1.1%	1.3%	1.1%	1.3%
Others	3.9%	4.5%	3.9%	4.6%
Financial institutions	4.9%	3.1%	5.0%	3.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(Amounts in thousands RON)

41. Risk management (continued)

41.1 Credit risk (continued)

Sector analysis of loans individually impaired

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Individuals	1,092,612	1,323,460	1,017,122	1,255,343
Public administration, education & health	59,677	46,344	59,677	46,344
Agriculture	109,936	147,303	109,936	147,303
Manufacturing	548,368	761,670	548,368	761,670
Transportation, IT&C and other services	178,467	230,194	178,467	230,194
Trade	914,306	1,349,753	914,305	1,349,752
Constructions	524,616	709,188	524,616	709,188
Utilities	97,911	97,763	97,911	97,763
Services	193,837	211,831	193,837	211,831
Others	303,305	345,894	303,305	345,894
Financial institutions	5,709	13,960	5,709	13,960
Total	**4,028,744**	**5,237,360**	**3,953,253**	**5,169,242**

Loans to individuals include mortgage loans, consumer loans and overdrafts.

Ageing analysis of past due but not impaired loans
Group

December 31, 2016

	1 - 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Non-retail lending	533,404	3,420	2,982	11,633	551,438
Small business lending	48,120	7,848	4,596	2,870	63,435
Consumer lending	1,062,745	73,231	36,593	15,367	1,187,936
Residential mortgages	1,220,858	158,953	52,120	17,548	1,449,478
Total	**2,865,127**	**243,452**	**96,291**	**47,418**	**3,252,289**

December 31, 2015

	1 - 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Non-retail lending	312,081	36,714	10,390	21,623	380,808
Small business lending	53,348	14,825	6,726	1,474	76,373
Consumer lending	1,030,319	83,343	34,798	14,120	1,162,580
Residential mortgages	1,187,748	207,908	74,264	20,784	1,490,704
Total	**2,583,496**	**342,790**	**126,178**	**58,001**	**3,110,465**

Bank

December 31, 2016

	1 - 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Non-retail lending	525,668	3,420	2,858	11,633	543,579
Small business lending	47,594	7,848	4,596	2,870	62,909
Consumer lending	1,003,921	73,231	36,593	15,367	1,129,112
Residential mortgages	1,220,858	158,953	52,119	17,548	1,449,477
Total	**2,798,041**	**243,452**	**96,166**	**47,418**	**3,185,078**

(Amounts in thousands RON)

41. Risk management (continued)

41.1 Credit risk (continued)

December 31, 2015

	1 - 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Non-retail lending	311,880	36,714	10,390	21,623	380,607
Small business lending	53,348	14,825	6,726	1,474	76,373
Consumer lending	979,248	83,343	34,798	14,120	1,111,509
Residential mortgages	1,187,729	207,909	74,263	20,784	1,490,685
Total	**2,532,205**	**342,791**	**126,177**	**58,001**	**3,059,174**

Ageing analysis of past due but not impaired lease receivables for Group

December 31, 2016

	1 - 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Non-retail leases	37,531	5,886	2,169	-	45,586
Retail leases	17,789	4,176	2,048	15	24,028
Total	**55,320**	**10,062**	**4,217**	**15**	**69,614**

December 31, 2015

	1 - 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Non-retail leases	15,270	14,627	160	110	30,167
Retail leases	20,124	5,861	1,983	-	27,968
Total	**35,394**	**20,488**	**2,143**	**110**	**58,135**

The Group and Bank monitors the exposures by considering the number of days past due contaminated at customer level. The amounts included in past due but not impaired and higher than 90 days represent amounts lower than the materiality threshold used for impaired loans classification.

Analysis of collateral coverage

Group

December 31, 2016

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Non-retail lending	551,439	210,278	7,860,207	3,757,142
Retail lending	2,700,848	1,421,009	16,273,291	10,372,186
Total	**3,252,287**	**1,631,287**	**24,133,498**	**14,129,328**

December 31, 2015

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Non-retail lending	380,808	175,448	7,397,654	3,423,954
Retail lending	2,729,657	1,460,518	14,998,558	9,724,441
Total	**3,110,465**	**1,635,966**	**22,396,212**	**13,148,395**

(Amounts in thousands RON)

41. Risk management (continued)

41.1 Credit risk (continued)

Bank

December 31, 2016

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Non-retail lending	543,579	210,278	7,879,397	3,757,142
Retail lending	2,641,498	1,421,009	15,867,729	10,372,186
Total	**3,185,077**	**1,631,287**	**23,747,126**	**14,129,328**

December 31, 2015

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Non-retail lending	380,607	175,448	7,434,264	3,423,954
Retail lending	2,678,567	1,460,518	14,649,564	9,724,441
Total	**3,059,174**	**1,635,966**	**22,083,828**	**13,148,395**

Analysis of collateral coverage for leasing Group

December 31, 2016

	Overdue but not impaired	Covered by collaterals & guarantees	Neither impaired nor past due	Covered by collaterals & guarantees
Non-retail leases	45,585	45,512	450,708	445,517
Retail leases	24,029	23,948	133,119	132,671
Total	**69,614**	**69,460**	**583,827**	**578,188**

December 31, 2015

	Overdue but not impaired	Covered by collaterals & guarantees	Neither impaired nor past due	Covered by collaterals & guarantees
Non-retail leases	30,167	30,118	335,034	332,309
Retail leases	27,968	27,926	140,043	139,413
Total	**58,135**	**58,044**	**475,077**	**471,722**

The fair value of properties, letters of guarantee and cash that the Group and the Bank holds as collateral relating to loans individually determined to be impaired as at December 31, 2016 amounts to 2,493,577 (December 31, 2015: 3,254,963). The value of exposures covered by collaterals and guarantees is capped to the gross exposure levels.

(Amounts in thousands RON)

41. Risk management (continued)

41.1 Credit risk (continued)

Analysis of neither impaired nor past due loans by credit rating

	Group		Bank	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Very good	12,123,497	10,406,465	12,182,059	10,452,176
Good	7,331,786	7,349,619	7,325,154	7,345,256
Rather good	2,920,029	3,057,044	2,876,192	3,052,749
Sensitive	1,094,376	1,147,954	1,091,694	1,146,378
Not rated	663,809	435,130	272,026	87,268
Total	**24,133,497**	**22,396,212**	**23,747,125**	**22,083,827**

Analysis of neither impaired nor past due lease receivables by credit rating for Group

	December 31, 2016	**December 31, 2015**
Very good	1,016	3
Good	98,732	103,651
Rather good	432,123	339,349
Sensitive	51,956	32,074
Total	**583,827**	**475,077**

(Amounts in thousands RON)

41. Risk management (continued)

41.1 Credit risk (continued)

Guarantees and credit commitments

Guarantees and letters of credit

The Group and Bank issues guarantees and letters of credit for its customers. The primary purpose of letters of credit is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group and Bank will make payments in the event that a customer cannot meet its obligations (delivery of goods, documents submitting, etc) to third parties with which it entered previously into a contractual relationship, carry a similar credit risk as loans.

The market and credit risks on these financial instruments, as well as the operational risk are similar to those arising from granting of loans. In the event of a claim on the Group and Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Group and Bank.

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities.

The Group and Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments does not necessarily represent future cash requirements, since many of these commitments will expire or be terminated without being funded.

	Group		Bank	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Letters of guarantee granted	5,785,743	6,200,625	5,822,732	6,240,636
Financing commitments granted	5,979,179	4,418,122	5,642,716	4,082,382
Total commitments granted	**11,764,922**	**10,618,747**	**11,465,448**	**10,323,018**
Letters of guarantee received	15,381,026	15,245,547	15,381,026	15,245,547
Financing commitments received	681,165	714,173	681,165	714,173
Total commitments received	**16,062,191**	**15,959,720**	**16,062,191**	**15,959,720**

41. Risk management (continued)

41.2 Market risk

Market risks are the risks of losses arising from unfavorable changes in market parameters of financial instruments (exchange rates, interest rates, securities' prices, commodities etc) and might be incurred both by the trading book transactions and by the banking book positions.

The management of market risks is a continuous process, whose primary aim is to identify and measure the market risks induced by the business activities undergone by the entity.

Trading Book related market risks

The trading business model is mainly driven by the clients' needs and comprises bonds issued by Romanian Government (firm or reversible transactions), forward and swap deals on foreign exchange or interest rate, as well as options on different underlyings (foreign exchange, interest rates and equities).

Although the trading book portfolio generates a small portion of the Bank's entire exposure to market risks, namely interest rate risk and foreign exchange risk, it is monitored separately from the banking book portfolio. The identified risks are further reported to the bank's management and to the Group, ensuring timely distribution of accurate information for decision-making processes.

The risk awareness related to the trading book activity is embraced by all actors pertaining to the Financial Markets Perimeter, several sets of controls, some of them with daily frequency, are undertaken within each unit. The functional independence conferred to the risk line from the business line, translated in an independent follow-up of risks conducted at the Market Risk Department level, guarantees a fair, unbiased picture of BRD's exposure to traded market risks.

The foundation of an efficient management framework addressing market risks relies on the main principles listed below:

- frequent update of the risk management framework, to comply with regulatory requisites, permanently adapted to market evolutions and internal changes;
- ongoing improvement of the market risk practice, aligned with the best market practices;
- validation of valuation techniques used to calculate risks metrics and results;
- defining risk measurement models and provisions for the market risks assumed (reserves);
- authorization of various market risk limits, consistent with the stated market risk appetite;
- approval of the instruments allowed for trading (new products or significant changes);
- involvement in designing the functionalities of the IT systems, data flows and operational procedures;
- monitoring and analyzing exposures and limits compliance, periodical dissemination of essential data mirroring the bank's exposure to market risks to the management bodies.

On an annual basis, the market risk appetite is approved by the Board of Directors, being aligned with the business strategy. The top-down approach transposes this high level indicator into limits, accessible to middle management and executive functions, calibrated on different measurement types (nominal, sensitivity, stress test results, VaR and SVaR levels). To properly support day to day banking activities a daily report, presenting all the market risk indicators, is delivered to the personnel acting in the Financial Markets Perimeter, to the management of Risk Department and to the SG Group. The process of monitoring the limit compliance blends together the daily metrics report with the monthly analysis of the trading book activitity, and the quarterly summaries submitted to the General Management.

(Amounts in thousands RON)

41. Risk management (continued)

41.2 Market risk (continued)

The assesment process of trading book related market risks is designed accordingly with the SG Group's methodology, combining three main risk approaches:

- Trading VAR, accompanied by SVaR;
- Stress test scenarios, based on shocks derived from historical and hypothetical scenarios;
- Complementary indicators (sensitivities, nominal, etc) which decompose the global indicators into specific ones, enabling the identification of risk areas, concentration on products, maturities that might lead to important risks unrevealed by the global risk metrics.

Value at Risk (VAR)

The purpose of VaR is to determine a maximum loss the bank might incur from the trading activity, over a given period of time, with a certain level of confidence. In accordance with the provisions of the EU Regulation no. 575/2013 - Art. 365 (1), BRD daily computes the VaR level for 1-day holding period, based on historical approach over a dynamic window, with a confidence level of 99%.

The relevance of the VaR model is assessed through **back testing**, by comparing the daily trading result with the loss estimated by the model, and is performed with daily frequency, in order to forewarn of the need to recalibrate the computational module or to reconsider the observation period of the market parameters. The model's accuracy is tested by comparing the number of days with negative P&L exceeding the VaR figure with the number of expected overshoots (induced by the model's assumptions). Should a breach occur, an investigation is conducted to identify its root and the event is escaladed to the management body of the Financial Markets' Perimeter.

No overshooting of the daily VaR by the P&L level occurred during 2016, while the 2015 year revealed one day breach of the estimated VaR, following sudden closing of the Greek Banks in June 2015.

The VaR model developed in BRD is used for management purposes only and is not transposed into capital requirements.

99% VAR (1 DAY) - KEY FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2015	0.44	0.21	0.09	0.36	0.87
2016	0.13	0.13	0.07	0.21	0.46

Stressed VAR (SVAR)

SVaR estimates a maximum loss from trading activity, for 1-day horizon and with 99% confidence level, as a consequence of adverse market movements associated with a financial crisis. SVaR is computed using the same approach as VaR, the only difference being that, in the case of SVaR, the observation period for the risk factors is fixed to a window of 12 consecutive months marked by extreme market events, according to the provisions of EU Regulation no. 575/2013 - Art. 365 (2).

The appropriateness of the one-year chosen window is assessed by comparing the SVaR level with the VaR level. If the VaR/SVaR ratio exceeds the 90% threshold at least three times during a quarter, the plausibility of the window must be reassessed. The range of daily VaR/SVaR values is analyzed on weekly basis for signals on the need to review the SVaR period.

(Amounts in thousands RON)

41. Risk management (continued)

41.2 Market risk (continued)

99% SVAR (1 DAY) - KEY FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2015	0.78	1.05	0.42	1.43	2.38
2016	0.79	0.82	0.37	1.10	2.11

Stress test assessment

Methodology
The stress test assessment is one of the main pillars of the market risk management framework, being complementary to VaR and compensating the limitation of the historical VaR methodology. While the VaR model considers historical movements of the risk factors occurred in the past, the stress testing environment incubates theoretical hypothesis or market event-specific scenario describing large, abrupt changes of the underlying risk factors on the value of the positions and portfolios. A range of hypothetical models picturing extreme shocks are daily mixed with various historical scenarios, applied for the entire trading book portfolio of the Bank, the most adverse result being retained and compared with an approved limit, derived from the market risk appetite.
The various stress test scenarios are subject to review and improvement, the accuracy of the assumptions used under the active patterns being regularly monitored. The hypothesis validation aims to certify that the shocks applied are still harsh enough and they model an unlikely event, otherwise timely detecting the necessity to recalibrate them.

STRESS TEST ASSESSMENT - KEY NEGATIVE FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2015	5.05	2.79	2.79	5.34	7.82
2016	1.84	3.23	0.77	4.15	8.82

Foreign exchange risk

The foreign exchange risk is the risk of loss resulting from changes in exchange rates, monitored for all books. The Group and Bank manages the foreign currency risk by using limits for the open foreign currency positions both by currency and at the level of global foreign currency position.

The table below indicates the currencies to which the Group and Bank had an exposure as at December 31st on its assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against RON, with all other variables held constant, on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against RON would have resulted in an equivalent but opposite impact.

(Amounts in thousands RON)

41. Risk management (continued)

41.2 Market risk (continued)

The impact on equity does not contain the impact in income statement.

2016	Group			Bank		
Currency	**Change in currency rate %**	**Effect on profit before tax**	**Effect on equity**	**Change in currency rate %**	**Effect on profit before tax**	**Effect on equity**
EUR	+5	(66,604)	1,698	+5	(68,092)	1,698
Other	+5	(7,101)	-	+5	(7,328)	-

2015	Group			Bank		
Currency	**Change in currency rate %**	**Effect on profit before tax**	**Effect on equity**	**Change in currency rate %**	**Effect on profit before tax**	**Effect on equity**
EUR	+5	(58,169)	684	+5	(59,797)	684
Other	+5	443	-	+5	25	-

(Amounts in thousands RON)

41.Risk management (continued)

41.2 Market risk (continued)

The Group and the Bank statement of financial position structure by currency is presented below:

	Group December 31,2016				Bank December 31,2016			
ASSETS	**Total**	**RON**	**EUR**	**Other**	**Total**	**RON**	**EUR**	**Other**
Cash in hand	1,800,529	1,198,458	405,061	197,010	1,800,506	1,198,434	405,061	197,011
Due from Central Bank	5,339,460	3,682,968	1,656,492	-	5,339,460	3,682,968	1,656,492	-
Due from banks	1,998,271	761,614	610,292	626,365	1,971,333	734,676	610,292	626,365
Derivatives and other financial instruments held for trading	1,203,282	909,583	293,699	0	1,203,299	909,601	293,698	0
Loans and advances to customers	27,838,705	16,321,393	11,333,767	183,545	27,384,110	15,928,499	11,272,066	183,545
Finance lease receivables	663,517	164,969	494,015	4,533	-	-	-	-
Financial assets available for sale	11,609,855	10,075,822	1,360,149	173,884	11,585,000	10,050,966	1,360,150	173,884
Investments in associates and subsidiares	134,071	106,892	-	27,179	158,997	131,818	-	27,179
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Deferred tax asset	65,060	65,060	-	-	61,321	61,321	-	-
Non current assets and other assets	1,178,612	1,159,721	11,623	7,268	1,103,427	1,084,536	11,623	7,268
Total assets	**51,881,492**	**34,496,610**	**16,165,098**	**1,219,784**	**50,657,583**	**33,832,949**	**15,609,382**	**1,215,252**
LIABILITIES								
Due to banks	531,601	287,334	185,294	58,973	531,601	287,334	185,294	58,973
Due to customers	42,192,749	26,317,161	13,435,543	2,440,045	42,290,738	26,370,213	13,480,480	2,440,045
Borrowed funds	1,101,558	467,397	634,161	-	138,451	75,175	63,276	-
Subordinated debt	-	-	-	-	-	-	-	-
Derivatives and other financial instruments held for trading	211,032	189,551	21,481	-	211,066	189,585	21,481	-
Current tax liability	142,082	142,082	-	-	140,124	140,124	-	-
Deferred tax liability	710	710	-	-	-	-	-	-
Other liabilities	1,027,927	606,390	399,203	22,334	978,420	556,884	399,202	22,334
Shareholders' equity	6,673,833	6,673,833	-	-	6,367,183	6,367,183	-	-
Total liabilities and shareholders' equity	**51,881,492**	**34,684,458**	**14,675,682**	**2,521,352**	**50,657,583**	**33,986,498**	**14,149,733**	**2,521,352**
Position		**(187,848)**	**1,489,416**	**(1,301,568)**		**(153,549)**	**1,459,649**	**(1,306,100)**
Position off BS		127,915	(1,461,345)	1,333,430		127,915	(1,461,345)	1,333,430
Position total		**(59,933)**	**28,071**	**31,862**		**(25,634)**	**(1,696)**	**27,330**

(Amounts in thousands RON)

41. Risk management (conti nued)

41.2 Market risk (continued)

	Group December 31,2015				Bank December 31,2015			
ASSETS	**Total**	**RON**	**EUR**	**Other**	**Total**	**RON**	**EUR**	**Other**
Cash in hand	1,339,602	1,112,951	158,214	68,437	1,339,580	1,112,929	158,213	68,438
Due from Central Bank	7,480,319	5,091,407	2,388,912	-	7,480,319	5,091,405	2,388,912	-
Due from banks	2,314,800	237,295	954,457	1,123,048	2,287,837	210,332	954,457	1,123,048
Derivatives and other financial instruments held for trading	1,218,112	792,188	424,575	1,349	1,218,133	792,209	424,575	1,349
Loans and advances to customers	26,741,471	13,703,545	12,803,821	234,105	26,376,424	13,338,500	12,803,820	234,105
Finance lease receivables	549,354	125,836	415,160	8,358	-	-	-	-
Financial assets available for sale	9,208,959	7,924,993	1,254,522	29,444	9,190,919	7,911,345	1,252,200	27,375
Investments in associates and subsidiares	121,787	95,445	-	26,342	157,528	131,186	-	26,342
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Deferred tax asset	19,194	19,194	-	-	15,584	15,584	-	-
Non current assets and other assets	1,134,882	1,126,947	7,161	774	1,076,412	1,068,476	7,162	774
Total assets	**50,178,610**	**30,279,931**	**18,406,822**	**1,491,857**	**49,192,866**	**29,722,096**	**17,989,339**	**1,481,431**
LIABILITIES								
Due to banks	701,180	380,444	231,687	89,049	701,180	380,444	231,687	89,049
Due to customers	41,178,674	24,986,398	13,701,023	2,491,253	41,271,873	25,047,853	13,732,767	2,491,253
Borrowed funds	1,099,793	402,144	697,649	-	348,037	64,747	283,290	-
Subordinated debt	-	-	-	-	-	-	-	-
Derivatives and other financial instruments held for trading	153,210	131,331	21,879	-	153,218	131,339	21,879	-
Current tax liability	1,463	1,463	-	-	-	-	-	-
Deferred tax liability	539	539	-	-	-	-	-	-
Other liabilities	786,308	478,655	299,368	8,285	737,369	429,716	299,368	8,285
Shareholders' equity	6,257,443	6,257,443	-	-	5,981,189	5,981,189	-	-
Total liabilities and shareholders' equity	**50,178,610**	**32,638,417**	**14,951,606**	**2,588,587**	**49,192,866**	**32,035,288**	**14,568,991**	**2,588,587**
Position		**(2,358,486)**	**3,455,216**	**(1,096,730)**		**(2,313,192)**	**3,420,348**	**(1,107,156)**
Position off BS		2,229,049	(3,364,082)	1,135,033		2,229,049	(3,364,082)	1,135,033
Position total		**(129,437)**	**91,136**	**38,303**		**(84,143)**	**56,266**	**27,877**

(Amounts in thousands RON)

41. Risk management (continued)

41.2 Market risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The main tool used in managing the interest rate risk in banking book is the gap analysis, along with a measure of the balance sheet sensitivity to yield curve shifts. In accordance with the Group's policy, positions are monitored on a regular basis and appropriate strategies are used to ensure positions are maintained within the established limits. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's and Bank's income statement and equity.

Group December 31, 2016			Bank December 31, 2016		
Change in interest rate (b.p)	Effect on profit before tax	Effect on equity	Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	(88,340)	14,476	100	(82,761)	15,892
(100)	87,409	(14,476)	(100)	82,761	(15,892)

December 31, 2015			December 31, 2015		
Change in interest rate (b.p)	Effect on profit before tax	Effect on equity	Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	(71,042)	19,691	100	(66,955)	16,226
(100)	70,241	(19,691)	(100)	66,955	(16,226)

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the financial assets and financial liabilities held at 31st December. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets at 31st December considering the effects of the assumed changes in interest rates. The total sensitivity of the income statement and equity is based on the assumption that there are parallel shifts in the yield curve.

The tables below analyse the Group's and the Bank's banking book interest rate risk exposure. The Group's assets and liabilities are included at carrying amount and gaps between outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models based on clients' historic behaviour patterns, as well as conventional assumptions relating to certain balance sheet items.

(Amounts in thousands RON)

41. Risk management (continued)

41.2 Market risk (continued)

Group

December 31, 2016	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
ASSETS						
Cash in hand	198,080	32,736	147,314	812,820	609,579	1,800,529
Due from Central Bank	2,288,605	94,639	1,142,523	1,412,982	400,711	5,339,460
Due from banks	1,792,009	-	30,847	73,176	12,553	1,908,585
Derivatives and other financial instruments held for trading	312,264	-	-	-	-	312,264
Loans and advances to customers	8,768,953	10,618,580	3,393,385	3,786,666	334,895	26,902,479
Financial lease receivables	28,370	201,930	224,167	209,050	-	663,517
Financial assets available for sale	439,271	43,436	2,753,350	4,388,423	3,985,375	11,609,855
Investments in associates and subsidiares	1,116	2,235	10,055	53,629	67,036	134,070
Goodwill	417	836	3,760	20,052	25,065	50,130
Deferred tax asset	(208)	3,378	3,591	65,880	(7,581)	65,060
Non current assets and other assets	7,816	256,466	70,333	375,110	468,888	1,178,613
Total assets	**13,836,693**	**11,254,235**	**7,779,325**	**11,197,788**	**5,896,520**	**49,964,562**
Liabilities						
Due to banks	83,302	90,822	-	22,706	-	196,830
Due to customers	14,533,079	7,204,450	9,723,953	6,907,278	3,534,837	41,903,597
Debt issued and borrowed funds	171,353	301,337	239,237	358,899	30,732	1,101,558
Subordinated debt	-	-	-	-	-	-
Derivative financial instruments	211,032	-	-	-	-	211,032
Current tax liability	-	-	142,082	-	-	142,082
Deffered tax liability	6	12	53	284	355	710
Other liabilities	-	1,027,927	-	-	-	1,027,927
Total liabilities	**14,998,772**	**8,624,548**	**10,105,325**	**7,289,167**	**3,565,924**	**44,583,736**
Total shareholders' equity	**-**	**-**	**667,383**	**2,669,533**	**3,336,917**	
Net position	**(1,162,079)**	**2,629,687**	**(2,993,383)**	**1,239,088**	**(1,006,320)**	

(Amounts in thousands RON)

41. Risk management (continued)

41.2 Market risk (continued)

Group

December 31, 2015	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
ASSETS						
Cash in hand	147,376	24,356	109,602	604,740	453,528	1,339,602
Due from Central Bank	3,950,017	230,744	1,100,093	1,825,422	374,043	7,480,319
Due from banks	2,159,688	3,336	18,294	85,729	30,847	2,297,893
Derivatives and other financial instruments held for trading	270,706	-	-	-	-	270,706
Loans and advances to customers	8,560,139	10,391,550	2,666,112	4,235,370	153,751	26,006,922
Financial lease receivables	57,999	254,830	149,671	85,105	1,749	549,354
Financial assets available for sale	975,538	753,339	1,523,902	2,797,730	3,158,450	9,208,959
Investments in associates and subsidiares	1,015	2,030	9,134	48,715	60,893	121,787
Goodwill	417	836	3,760	20,052	25,065	50,130
Deferred tax asset	(6,251)	(3,080)	822	46,300	(18,597)	19,194
Non current assets and other assets	7,910	201,489	71,191	379,686	474,606	1,134,882
Total assets	**16,124,554**	**11,859,430**	**5,652,581**	**10,128,849**	**4,714,335**	**48,479,748**
Liabilities						
Due to banks	50,914	113,113	-	22,623	-	186,650
Due to customers	15,383,927	6,412,579	8,925,293	6,837,685	3,471,683	41,031,167
Debt issued and borrowed funds	322,610	461,358	154,986	129,682	31,155	1,099,793
Subordinated debt	-	-	-	-	-	-
Derivative financial instruments	153,210	-	-	-	-	153,210
Current tax liability	-	-	1,463	-	-	1,463
Deffered tax liability	6	9	40	215	269	539
Other liabilities	-	786,308	-	-	-	786,308
Total liabilities	**15,910,667**	**7,773,367**	**9,081,782**	**6,990,205**	**3,503,107**	**43,259,130**
Total shareholders' equity	**-**	**-**	**625,744**	**2,502,977**	**3,128,722**	**6,257,443**
Net position	**213,887**	**4,086,063**	**(4,054,945)**	**635,667**	**(1,917,494)**	

(Amounts in thousands RON)

41. Risk management (continued)

41.2 Market risk (continued)

Bank

December 31, 2016	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	198,057	32,736	147,314	812,820	609,579	1,800,506
Due from Central Bank	2,288,605	94,639	1,142,523	1,412,982	400,711	5,339,460
Due from banks	1,790,178	-	18,294	73,176	-	1,881,648
Derivatives and other financial instruments held for trading	312,280	-	-	-	-	312,280
Loans and advances to customers	8,747,043	10,627,862	3,419,780	3,318,904	334,295	26,447,884
Financial assets available for sale	439,271	43,436	2,753,350	4,363,568	3,985,375	11,585,000
Investments in associates and subsidiares	1,324	2,650	11,925	63,599	79,499	158,997
Goodwill	417	836	3,760	20,052	25,065	50,130
Deferred tax asset	(241)	3,315	3,281	64,455	(9,489)	61,321
Non current assets and other assets	7,710	193,442	69,406	370,164	462,705	1,103,427
Total assets	**13,784,644**	**10,998,916**	**7,569,633**	**10,499,720**	**5,887,740**	**48,740,653**
Liabilities						
Due to banks	83,303	90,822	-	22,706	-	196,831
Due to customers	14,575,769	7,205,586	9,729,063	6,939,992	3,551,175	42,001,585
Debt issued and borrowed funds	1,036	37,782	18,469	50,432	30,732	138,451
Subordinated debt	-	-	-	-	-	-
Derivative financial instruments	211,066	-	-	-	-	211,066
Deffered tax liability	-	-	-	-	-	-
Other liabilities	-	978,420	-	-	-	978,420
Total liabilities	**14,871,174**	**8,312,610**	**9,747,532**	**7,013,130**	**3,581,907**	**43,526,353**
Total shareholders' equity	**-**	**-**	**636,718**	**2,546,873**	**3,183,592**	**6,367,183**
Net position	**(1,086,530)**	**2,686,306**	**(2,814,617)**	**939,717**	**(877,759)**	

(Amounts in thousands RON)

41. Risk management (continued)

41.2 Market risk (continued)

Bank

December 31, 2015	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	147,354	24,356	109,602	604,740	453,528	1,339,580
Due from Central Bank	3,950,146	230,615	1,100,093	1,825,422	374,043	7,480,319
Due from banks	2,157,831	3,336	18,294	73,176	18,294	2,270,931
Derivatives and other financial instruments held for trading	270,727	-	-	-	-	270,727
Loans and advances to customers	8,578,534	10,400,170	2,690,879	3,822,618	149,676	25,641,877
Financial assets available for sale	975,539	753,339	1,523,902	2,779,690	3,158,450	9,190,920
Investments in associates and subsidiares	1,312	2,625	11,815	63,011	78,764	157,527
Goodwill	417	836	3,760	20,052	25,065	50,130
Deferred tax asset	(6,295)	(3,152)	526	44,955	(20,450)	15,584
Non current assets and other assets	7,792	156,820	70,138	374,072	467,590	1,076,411
Total assets	**16,083,357**	**11,568,945**	**5,529,009**	**9,607,736**	**4,704,960**	**47,494,006**
Liabilities						
Due to banks	50,915	113,113	-	22,623	-	186,650
Due to customers	15,422,783	6,412,982	8,927,107	6,875,694	3,485,800	41,124,366
Debt issued and borrowed funds	138,345	120,176	10,551	47,810	31,155	348,037
Subordinated debt	-	-	-	-	-	-
Derivative financial instruments	153,218	-	-	-	-	153,218
Other liabilities	-	737,369	-	-	-	737,369
Total liabilities	**15,765,261**	**7,383,640**	**8,937,658**	**6,946,127**	**3,516,955**	**42,549,640**
Total shareholders' equity	**-**	**-**	**598,119**	**2,392,476**	**2,990,591**	**5,981,189**
Net position	**318,096**	**4,185,305**	**(4,006,768)**	**269,133**	**(1,802,586)**	

41. Risk management (continued)

41.3 Liquidity risk

The liquidity risk is associated either with the difficulty of an enterprise to raise necessary funds in order to meet commitments or with its inability to monetize a financial asset quickly and for an amount close to its fair value.

The Group manages the exposure to the liquidity risk using a specific framework designed to manage it both under normal day-to-day conditions and in the event of a potential liquidity crisis. The liquidity risk management approach starts at the intraday level managing the daily payments flows, forecasting and managing cash flows, and factoring in the access to central bank monetary policy operations and standing facilities. It then covers a longer term perspective, comprising the maturity profile of all assets and liabilities and the funding strategy.

The liquidity risk position, under normal conditions, is measured at consolidated level using the static liquidity gaps indicator which is defined as the difference between the expected future inflows and outflows related to the current transactions (no new business included), determined for each time bucket and currency based on the contractual maturity of the transactions, considering also embedded options (e.g. prepayment for loans) or, for non-maturing products, based on a maturity modelled using historical client behaviour or a conventional maturity. For each budgeting and planning exercise, the future funding needs are assessed starting from the actual liquidity position and budgeted evolution of assets and liabilities. When a deficit is expected, funding solutions are assessed and appropriate actions are planned.

The Group performs liquidity risk stress tests on a quarterly basis in order to identify and quantify its exposures to possible liquidity stresses, analyzing potential impacts on the cash flows and liquidity position. The Group is considering 3 liquidity crisis scenarios: specific to the Group (idiosyncratic), systemic and a combination of both. The Group maintains a liquidity buffer of unencumbered, high quality liquid assets as an insurance against a range of liquidity stress scenarios. A contingency funding plan is designed to protect the stakeholders' interests and to ensure positive outcome in the event of a liquidity crisis.

The maturity structure of the Group's and the Bank's assets and liabilities as of December 31, 2016 and 2015 is as follows:

(Amounts in thousands RON)

41. Risk management (continued)

41.3 Liquidity risk (continued) Group

Group

December 31, 2016	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	1,800,529	198,080	32,736	147,314	812,820	609,579	-
Due from Central Bank	5,339,460	2,288,605	94,639	1,142,523	1,412,982	400,711	-
Due from banks	1,998,271	1,881,695	-	30,847	73,176	12,553	-
Derivatives and other financial instruments held for trading	1,203,282	1,203,282	-	-	-	-	-
Loans and advances to customers	27,838,705	1,527,382	934,902	3,503,498	12,199,849	9,673,074	-
Financial lease receivables	663,517	23,146	26,433	196,894	414,803	2,241	-
Financial assets available for sale	11,609,855	11,511,125	-	-	98,730	-	-
Investments in associates and subsidiares	134,071	1,116	2,235	10,055	53,629	67,036	-
Goodwill	50,130	417	836	3,760	20,052	25,065	-
Deferred tax asset	65,060	(208)	3,378	3,591	65,880	(7,581)	-
Non current assets and other assets	1,178,612	7,816	256,465	70,333	375,110	468,888	-
Total assets	**51,881,492**	**18,642,456**	**1,351,624**	**5,108,815**	**15,527,031**	**11,251,566**	**-**
LIABILITIES							
Due to banks	531,601	418,073	-	22,706	90,822	-	-
Due to customers	42,192,749	9,550,159	1,864,120	6,873,970	15,899,524	8,004,976	-
Debt issued and borrowed funds	1,101,558	45,019	103,252	340,431	581,510	31,346	-
Subordinated debt	-	-	-	-	-	-	-
Derivative financial instruments	211,032	211,032	-	-	-	-	-
Current tax liability	142,082	-	-	142,082	-	-	-
Deffered tax liability	710	6	12	53	284	355	-
Other liabilities	1,027,927	-	1,027,927	-	-	-	-
Shareholders' equity	**45,207,659**	**10,224,289**	**2,995,311**	**7,379,242**	**16,572,140**	**8,036,677**	**-**
Total shareholders equity	**6,673,833**	**-**	**-**	**667,383**	**2,669,533**	**3,336,917**	**-**
Gap		**8,418,167**	**(1,643,687)**	**(2,937,810)**	**(3,714,642)**	**(122,028)**	**-**
Cumulative gap		**8,418,167**	**6,774,480**	**3,836,670**	**122,028**	**0**	**-**

(Amounts in thousands RON)

41. Risk management (continued)

41.3 Liquidity risk (continued) Group

December 31, 2015	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	1,339,602	147,376	24,356	109,602	604,740	453,528	-
Due from Central Bank	7,480,319	3,950,017	230,744	1,100,093	1,825,422	374,043	-
Due from banks	2,314,800	2,176,594	-	21,630	85,729	30,847	-
Derivatives and other financial instruments held for trading	1,218,112	1,218,112	-	-	-	-	-
Loans and advances to customers	26,741,471	1,416,106	953,787	3,942,184	12,308,829	8,120,565	-
Financial lease receivables	549,354	21,955	42,394	150,520	307,826	26,659	-
Financial assets available for sale	9,208,959	8,785,521	2,801	10,402	147,603	262,632	-
Investments in associates and subsidiares	121,787	1,015	2,030	9,134	48,715	60,893	-
Goodwill	50,130	417	836	3,760	20,052	25,065	-
Deferred tax asset	19,194	(6,251)	(3,080)	822	46,300	(18,597)	-
Non current assets and other assets	1,134,882	5,805	203,593	71,191	379,686	474,607	-
Total assets	**50,178,610**	**17,716,667**	**1,457,461**	**5,419,338**	**15,774,902**	**9,810,242**	-
Liabilities							
Due to banks	701,179	565,444	-	22,623	90,490	22,623	-
Due to customers	41,178,674	10,000,478	2,148,438	6,509,979	15,526,510	6,993,269	-
Debt issued and borrowed funds	1,099,793	189,377	75,610	274,465	524,339	36,002	-
Subordinated debt	-	-	-	-	-	-	-
Derivative financial instruments	153,210	153,210	-	-	-	-	-
Current tax liability	1,463	-	-	1,463	-	-	-
Deffered tax liability	539	6	9	40	215	269	-
Other liabilities	786,308	-	786,308	-	-	-	-
Shareholders' equity	**43,921,166**	**10,908,515**	**3,010,365**	**6,808,570**	**16,141,554**	**7,052,163**	-
Total shareholders equity	**6,257,443**	-	-	**625,744**	**2,502,977**	**3,128,722**	-
Gap		**6,808,152**	**(1,552,904)**	**(2,014,976)**	**(2,869,629)**	**(370,643)**	-
Cumulative gap		**6,808,152**	**5,255,248**	**3,240,272**	**370,643**	**(0)**	-

(Amounts in thousands RON)

41. Risk management (continued)

41.3 Liquidity risk (continued) Bank

Bank

December 31, 2016	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	1,800,506	198,057	32,736	147,314	812,820	609,579	-
Due from Central Bank	5,339,460	2,288,605	94,639	1,142,523	1,412,982	400,711	-
Due from banks	1,971,333	1,879,863	-	18,294	73,176	-	-
Derivatives and other financial instruments held for trading	1,203,299	1,203,299	-	-	-	-	-
Loans and advances to customers	27,384,110	1,500,218	974,188	3,525,985	11,711,244	9,672,475	-
Financial lease receivables	-						
Financial assets available for sale	11,585,000	11,511,124	-	-	73,876	-	-
Investments in associates and subsidiares	158,997	1,324	2,650	11,925	63,599	79,499	-
Goodwill	50,130	417	836	3,760	20,052	25,065	-
Deferred tax asset	61,321	(241)	3,315	3,281	64,455	(9,489)	-
Non current assets and other assets	1,103,427	7,710	193,442	69,406	370,164	462,705	-
Total assets	**50,657,583**	**18,590,376**	**1,301,806**	**4,922,488**	**14,602,368**	**11,240,545**	**-**
Liabilities							
Due to banks	531,601	418,073	-	22,706	90,822	-	-
Due to customers	42,290,738	9,563,578	1,870,256	6,903,348	15,932,241	8,021,315	-
Debt issued and borrowed funds	138,451	1,036	19,380	36,871	50,432	30,732	-
Subordinated debt	-	-	-	-	-	-	-
Derivative financial instruments	211,066	211,066	-	-	-	-	-
Current tax liability	140,124	-	-	140,124	-	-	-
Deffered tax liability	-	-	-	-	-	-	-
Other liabilities	978,420	-	978,420	-	-	-	-
Shareholders' equity	**44,290,400**	**10,193,753**	**2,868,056**	**7,103,049**	**16,073,495**	**8,052,047**	**-**
Total shareholders equity	**6,367,183**	**-**	**-**	**636,718**	**2,546,873**	**3,183,592**	**-**
Gap		**8,396,623**	**(1,566,250)**	**(2,817,279)**	**(4,018,000)**	**4,906**	**-**
Cumulative gap		**8,396,623**	**6,830,373**	**4,013,094**	**(4,906)**	**(0)**	**-**

(Amounts in thousands RON)

41. Risk management (continued)

41.3 Liquidity risk (continued) Bank

December 31, 2015	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	1,339,580	147,354	24,356	109,602	604,740	453,528	-
Due from Central Bank	7,480,319	3,950,146	230,615	1,100,093	1,825,422	374,043	-
Due from banks	2,287,837	2,174,737	-	21,630	73,176	18,294	-
Derivatives and other financial instruments held for trading	1,218,133	1,218,133	-	-	-	-	-
Loans and advances to customers	26,376,425	1,404,776	968,741	3,990,341	11,896,077	8,116,490	-
Financial assets available for sale	9,190,919	8,785,521	2,801	10,402	129,563	262,632	-
Investments in associates and subsidiares	157,527	1,312	2,625	11,815	63,011	78,764	-
Goodwill	50,130	417	836	3,760	20,052	25,065	-
Deferred tax asset	15,584	(6,296)	(3,152)	526	44,955	(20,450)	-
Non current assets and other assets	1,076,412	7,793	156,820	70,138	374,072	467,590	-
Total assets	**49,192,866**	**17,683,893**	**1,383,642**	**5,318,307**	**15,031,068**	**9,775,956**	**-**
Liabilities							
Due to banks	701,180	565,446	-	22,623	90,490	22,623	-
Due to customers	41,271,873	10,039,327	2,148,842	6,511,795	15,564,522	7,007,389	-
Debt issued and borrowed funds	348,037	138,346	19,926	29,856	123,907	36,002	-
Subordinated debt	-	-	-	-	-	-	-
Derivative financial instruments	153,218	153,218	-	-	-	-	-
Deffered tax liability	-	-	-	-	-	-	-
Other liabilities	737,368	-	737,368	-	-	-	-
Shareholders' equity	**43,211,676**	**10,896,337**	**2,906,136**	**6,564,274**	**15,778,919**	**7,066,014**	**-**
Total shareholders equity	**5,981,189**	**-**	**-**	**598,119**	**2,392,476**	**2,990,591**	**-**
Gap		**6,787,556**	**(1,522,494)**	**(1,844,086)**	**(3,140,327)**	**(280,649)**	**-**
Cumulative gap		**6,787,556**	**5,265,062**	**3,420,976**	**280,649**	**(0)**	**-**

(Amounts in thousands RON)

41. Risk management (continued)

41.3 Liquidity risk (continued)

Future undiscounted cash flows

The tables below summarize the maturity profile of the financial liabilities based on contractual undiscounted repayment obligations.

Group

December 31, 2016	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Due to banks	540,141	418,130	214	24,511	97,286	-	-
Due to customers	42,434,368	9,617,220	1,894,784	6,966,661	15,947,454	8,008,249	-
Debt issued and borrowed funds	1,117,343	46,528	105,592	346,775	587,099	31,349	-
Subordinated debt	-	-	-	-	-	-	-
Derivative financial instruments	(2,555,769)	(1,645)	(5,579)	(750,921)	(1,778,977)	(18,647)	-
Current tax liability	142,082	-	-	142,082	-	-	-
Deffered tax liability	710	-	-	-	-	-	710
Other liabilities except for fair values of derivatives	1,027,927	-	1,027,927	-	-	-	-
Letters of guarantee granted	5,785,743	5,785,743	-	-	-	-	-
Total liabilities	**48,492,545**	**15,865,976**	**3,022,938**	**6,729,108**	**14,852,862**	**8,020,951**	**710**

December 31, 2015	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Due to banks	712,233	565,499	253	24,538	98,314	23,629	-
Due to customers	41,587,673	29,507,421	4,453,182	5,961,422	1,551,180	114,468	-
Debt issued and borrowed funds	1,127,983	203,476	79,864	281,596	526,872	36,175	-
Subordinated debt	-	-	-	-	-	-	-
Derivative financial instruments	173,345	(11,028)	(2,073)	19,405	148,391	18,650	-
Current tax liability	1,463	-	-	1,463	-	-	-
Deffered tax liability	539	-	-	-	-	-	539
Other liabilities except for fair values of derivatives	737,369	-	737,369	-	-	-	-
Letters of guarantee granted	6,200,625	6,200,625	-	-	-	-	-
Total liabilities	**50,541,230**	**36,465,993**	**5,268,595**	**6,288,424**	**2,324,757**	**192,922**	**539**

(Amounts in thousands RON)

41. Risk management (continued)

41.3 Liquidity risk (continued)

Future undiscounted cash flows (continued)

Bank

December 31, 2016	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Due to banks	540,141	418,130	214	24,511	97,286	-	-
Due to customers	34,538,022	9,630,161	1,904,387	7,005,087	15,992,555	5,831	-
Debt issued and borrowed funds	108,582	1,328	19,758	37,064	50,432	-	-
Subordinated debt	-	-	-	-	-	-	-
Derivative financial instruments	(2,555,750)	(1,645)	(5,561)	(750,921)	(1,778,977)	(18,647)	-
Current tax liability	140,124	-	140,124	-	-	-	-
Deffered tax liability	-	-	-	-	-	-	-
Other liabilities except for fair values of derivatives	978,421	-	978,421	-	-	-	-
Letters of guarantee granted	5,822,732	5,822,732	-	-	-	-	-
Total liabilities	**39,572,271**	**15,870,706**	**3,037,342**	**6,315,741**	**14,361,296**	**(12,816)**	**-**

December 31, 2015	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Due to banks	712,233	565,499	253	24,538	98,314	23,629	-
Due to customers	41,685,325	29,550,269	4,453,387	5,961,730	1,611,014	108,925	-
Debt issued and borrowed funds	350,812	138,362	21,437	30,482	124,454	36,077	-
Subordinated debt	-	-	-	-	-	-	-
Derivative financial instruments	165,003	(11,020)	(2,084)	16,857	142,600	18,650	-
Current tax liability	153,218	-	-	153,218	-	-	-
Deffered tax liability	-	-	-	-	-	-	-
Other liabilities except for fair values of derivatives	737,368	-	737,368	-	-	-	-
Letters of guarantee granted	6,240,636	6,240,636	-	-	-	-	-
Total liabilities	**50,044,595**	**36,483,746**	**5,210,361**	**6,186,825**	**1,976,382**	**187,281**	**-**

41. Risk management (continued)

41.4 Operational risk

Operational risk is defined as the risk of incurring losses or not realizing the estimated benefits as a result of inadequate processes or deficiencies caused by internal factors (internal regulations, staff, internal systems) or external factors (economic context, banking system evolutions, disasters, fires, assaults, etc). It includes events of low probability, but with high loss severity. Operational risk so defined includes legal risk and excludes strategic risk and reputation risk.
The Group's operational risk management system was developed and strengthened over the years and allows:

- identification, analysis and evaluation, control and monitoring of operational risks;
- implementation of measures meant to improve and strengthen the control system, in order to prevent/reduce operational risk losses;
- regulatory compliance regarding calculation of capital requirements for operational risk.

The day to day management of operational risk is the responsibility of employees from each business unit. The personnel have to be always aware of their responsibilities in connection with identification and reporting of operational risks and other duties which may arise in relation with the management of operational risks.
Operational risk management tools put in place at BRD are:

- Historical operational risk losses database;
- Key risk indicators (KRI);
- Risk and control self-assessment process (RCSA);
- Scenario analysis;
- Managerial supervision of processes (MS);
- Fraud identification and prevention system;
- Committee for New Products and Significant Changes of Activity, which ensures the assessment of operational risks associated with new products, outsourcing of activities and significant transformations of activity;
- Crisis management and business continuity plan (BCP).

In 2016, the Group operational risk strategy focused on the following axes:

- Automation of operational risk flows (declaration, monitoring, reconciliation, etc), through the implementation of a dedicated tool, in order to improve collection, analysis, declaration and monitoring of operational risks;
- Running of business impact analysis, continuously updating BCP crisis scenarios as well as closely following up the annual tests and training / awareness of staff;
- Improvement of communication on operational risk for all bank's entities;
- Training and awareness programs targeting the personnel involved in operational risk management;
- Enhancement of antifraud control culture.

Information security risk is managed at the level of Information System Direction. The management of IT risk is performed through: annually revision of the internal regulatory framework on IT perimeter, maintaining the PCI-DSS certification, continuous adaptation of the risk scenarios, risk evaluation for

(Amounts in thousands RON)

41. Risk management (continued)

41.4 Operational risk (continued)

new projects, centralized management of user's rights for sensitive applications and infrastructure, recurrent awareness campaigns on topical security issues, backup and business continuity policy.
As member of the Societe Generale Group, BRD is using since 2008 the Advanced Measurement Approach (AMA) for the calculation of operational risk capital requirement.

42. Capital management

Starting 1st January 2014 BRD Group calculates the capital requirements in accordance with Basel 3 principles, implemented in the European Union law by the capital Directive (CRD IV - 36/2013) , Regulation (CRR – 575/2013), technical regulatory standards and technical implementation standards issued by the European Banking Authority.

Locally, the European requirements are adopted through National Bank of Romania (NBR) prudential regulations for credit institutions and investment firms: OUG 99/2006 on credit institutions and capital adequacy and NBR Regulation no. 5/2013 regarding prudential requirements.

Please find below a summary of the capital requirements indicators in million RON:

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Eligible CET1	*5,868*	*5,624*	*5,585*	*5,366*
Eligible CET1 after adjustments	*6,010*	*5,762*	*5,727*	*5,504*
Total Tier 1 capital	5,575	5,283	5,210	4,857
TOTAL OWN FUNDS	**5,575**	**5,283**	**5,210**	**4,857**
Total capital requirement	**2,192**	**2,213**	**2,110**	**2,149**
Credit risk (including counterparty risk)	24,592	24,744	23,601	23,975
Market risk	238	303	236	322
Operational risk	2,406	2,446	2,370	2,397
CVA risk	166	168	166	168
Total risk exposure amount	**27,402**	**27,661**	**26,373**	**26,862**
Regulatory CAR	20.35%	19.10%	19.76%	18.08%
Tier 1 ratio	20.35%	19.10%	19.76%	18.08%

Group's and Bank's own funds comprises Tier 1 capital. As at December 31, 2016 and December 31, 2015 the Bank has no Tier 2 capital instruments.

Tier 1 capital includes eligible capital, eligible reserves, other comprehensive income less regulatory deductions. The Group and Bank include the profit of the year in the own funds presented above as at December 31, 2016 and December 31, 2015.

The Group and Bank was compliant with the adequacy ratios throughout the year.

43. Fair value

Determination of fair value and fair value hierarchy
To determine and disclose the fair value hierarchy of the financial instruments, the Group follows the three-level classification of the inputs to valuation techniques used to measure fair value:

- **Level 1: quoted (unadjusted) prices** in active markets for identical assets or liabilities;

  Level 1 instruments contain the government bonds, priced directly by external counterparties on various dealing platforms (Bloomberg, Reuters etc);

- **Level 2: other inputs** than those quoted princes included within Level 1, **that are observable** for that particular asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);

  Level 2 instruments include in particular securities that can not directly be quoted on the market (e.g. corporate bonds) and firm derivates, with standard features and common maturities, whose value can be retrieved or derived from market data;

- **Level 3**: inputs that are not based on observable market data (**unobservable inputs**).

  Level 3 instruments include options traded over-the-counter and other derivatives with specifically-tailored return profiles and/or maturities extended over the normal spectrum;

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

(Amounts in thousands RON)

43. Fair value (continued)

	Group				Bank			
	31 decembrie 2016				31 decembrie 2016			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	197,954	-	197,954	-	197,954	-	197,954
Currency swaps	-	30,124	-	30,124	-	30,141	-	30,141
Forward foreign exchange contracts	-	18,664	-	18,664	-	18,664	-	18,664
Options	-		65,522	65,522	-		65,522	65,522
	-	**246,742**	**65,522**	**312,264**	**-**	**246,759**	**65,522**	**312,281**
Financial assets available for sale								
Treasury notes	11,517,101	-	-	11,517,101	11,517,101	-	-	11,517,101
Equity investments (listed)	3,296	-	-	3,296	3,296	-	-	3,296
Equity investments (not listed)	-	-	22,983	22,983	-	-	22,983	22,983
Other securities quoted	66,475	-	-	66,475	41,620	-	-	41,620
	11,586,872	**-**	**22,983**	**11,609,855**	**11,562,017**	**-**	**22,983**	**11,585,000**
Trading treasury notes	891,018	-	-	891,018	891,018	-	-	891,018
Total	**12,477,890**	**246,742**	**88,505**	**12,813,137**	**12,453,035**	**246,759**	**88,505**	**12,788,299**
Assets for which fair value is disclosed								
Cash in hand	1,800,529	-	-	1,800,529	1,800,506	-	-	1,800,506
Due from Central Bank	-	-	5,339,460	5,339,460	-		5,339,460	5,339,460
Due from banks	-	-	1,998,271	1,998,271	-		1,971,333	1,971,333
Loans and advances to customers	-	-	27,995,196	27,995,196	-	-	27,565,687	27,565,687
Financial lease receivables	-	-	668,235	668,235	-	-	-	-
Total	**1,800,529**	**-**	**36,001,162**	**37,801,691**	**1,800,506**	**-**	**34,876,480**	**36,676,986**

(Amounts in thousands RON)

43. Fair value (continued)

	Group				Bank			
	December 31,2016				December 31,2016			
Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	43,094	-	43,094	-	43,094	-	43,094
Currency swaps	-	18,456	-	18,456	-	18,490	-	18,490
Forward foreign exchange contracts	-	28,077	-	28,077	-	28,077	-	28,077
Options	-		65,835	65,835	-	-	65,835	65,835
Total	**-**	**89,627**	**65,835**	**155,462**	**-**	**89,661**	**65,835**	**155,496**
Trading treasury notes	55,570	-	-	55,570	55,570	-	-	55,570
Total	**55,570**	**89,627**	**-**	**211,032**	**55,570**	**89,661**	**65,835**	**211,066**
Liabilities for which fair value is disclosed								
Due to banks	-	531,601	-	531,601	-	531,601	-	531,601
Due to customers	-	42,197,955	-	42,197,955	-	42,295,957	-	42,295,957
Borrowed funds	-	1,101,558	-	1,101,558	-	138,451	-	138,451
Total	**-**	**43,831,114**	**-**	**43,831,114**	**-**	**42,966,009**	**-**	**42,966,009**

(Amounts in thousands RON)

43. Fair value (continued)

	Group				Bank			
	31 decembrie 2015				31 decembrie 2015			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	169,662	-	169,662	-	169,662	-	169,662
Currency swaps	-	15,302	-	15,302	-	15,323	-	15,323
Forward foreign exchange contracts	-	14,074	-	14,074	-	14,074	-	14,074
Options	-	71,669	-	71,669	-	71,669	-	71,669
	-	**270,707**	**-**	**270,707**	**-**	**270,727**	**-**	**270,727**
Financial assets available for sale								
Treasury notes	8,772,381	-	-	8,772,381	8,772,381	-	-	8,772,381
Equity investments (listed)	3,069	-	-	3,069	3,069	-	-	3,069
Equity investments (not listed)	-	-	86,752	86,752	-	-	86,752	86,752
Other securities quoted	74,718	-	-	74,718	56,677	-	-	56,677
Obligatiuni municipale	-	-	272,040	272,040	-	-	272,040	272,040
	8,850,168	**-**	**358,792**	**9,208,960**	**8,832,127**	**-**	**358,792**	**9,190,919**
Trading treasury notes	947,406	-	-	947,406	947,406	-	-	947,406
Total	**9,797,574**	**270,707**	**358,792**	**10,427,073**	**9,779,533**	**270,727**	**358,792**	**10,409,053**
Assets for which fair value is disclosed								
Cash in hand	1,339,602	-	-	1,339,602	1,339,580	-	-	1,339,580
Due from Central Bank	-	-	7,480,319	7,480,319	-	-	7,480,319	7,480,319
Due from banks	-	-	2,314,800	2,314,800	-	-	2,287,837	2,287,837
Loans and advances to customers	-	-	28,411,522	28,411,522	-	-	28,048,887	28,048,887
Financial lease receivables	-	-	553,377	553,377	-	-	-	-
Total	**1,339,602**	**-**	**38,760,018**	**40,099,620**	**1,339,580**	**-**	**37,817,043**	**39,156,623**

(Amounts in thousands RON)

43. Fair value (continued)

	Group				Bank			
	December 31,2015				December 31,2015			
Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	47,080	-	47,080	-	47,080	-	47,080
Currency swaps	-	27,517	-	27,517	-	27,524	-	27,524
Forward foreign exchange contracts	-	6,332	-	6,332	-	6,332	-	6,332
Options	-	72,281	-	72,281	-	72,281	-	72,281
Total	**-**	**153,210**	**-**	**153,210**	**-**	**153,218**	**-**	**153,218**
Liabilities for which fair value is disclosed								
Due to banks	-	704,462	-	704,462	-	704,462	-	704,462
Due to customers	-	41,393,856	-	41,393,856	-	41,487,542	-	41,487,542
Borrowed funds	-	1,108,794	-	1,108,794	-	350,886	-	350,886
Subordinated debt	-	-	-	-	-	-	-	-
Total	**-**	**43,207,113**	**-**	**43,207,113**	**-**	**42,542,890**	**-**	**42,542,890**

43. Fair value (continued)

Financial instruments measured at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Treasury notes are represented by treasury bills and bonds, and are classified as financial assets available for sale or financial instruments held for trading, being measured using a valuation technique based on market quotes published by Bloomberg or by Reuters (market approach).

Derivatives
The fair value of the derivatives is determined using valuation techniques commonly known on the market, such as discounted cash flows for swaps or Black-Sholes formula for options.

Firm derivates – interest rate swaps, currency swaps and forward foreign exchange contracts, are the main derivative products measured using as valuation technique the income approach (discounting cash flows) and incorporating observable inputs from market (foreign exchange spot rate, forward rates, interest rate rates, futures), both directly observable ones (explicit parameters) and indirectly observable ones.

The directly observable parameters are variables that come directly from the market and are presummed to be easily available, accesible to each market participant. The main explicit parameters used in valuation of firm financial instruments are interbank fixing FX rates published by NBR, interbank swap points, interbank bid/ask interest rates, futures quotes on EUR and USD. Implicit parameters are variables obtained through standard intermediary calculation, using market prices for relevant financial instruments. The yield curves designated at the level of each product and currency are fed with explicit parameters according to the pre-set configuration, facilitating the computation of implict parameters used in computing the fair vaue such as Zero-coupons, Discount Factors and Forward Interest Rates.

Conditional derivatives - FX options, interest rate options and equity options, are valued daily, using the mark-to-model approach. The model is calibrated to derive the value of the option based on the current market conditions (spot rates) and the future values presumed to be attained by the underlying (forward exchange rates, FRAs etc), integrating in the calculation the standard option-sensitivities (delta, gamma, vega, theta), along with information regarding the size of the positions and the liquidity of the instrument. The fair value is determined through SG's computation module, the values of the specific parameters being daily retrieved from the market and stored in the database, serving as direct input in the daily final formula or further used for the statistical calculation implied by the valuation process.

BRD manages the group of these financial asset s and liabilities (options) on the basis of the entity's net exposure to a particular market risk (foreign exchange, interest rate, price risk) and, according to the trading book policy in place, BRD assumes no residual market risk induced by option-trading. Any bought option is perfectly matched on the same day with a sold option, identical in terms of option type, underlying, exercise prices, maturity. The perfect back-to-back system is subject to daily controls performed at back-office level, to ensure that no mismatch occured and there is no residual open position on options. Therefore, the impact of a specific change on the estimated value on one non-observable parameter used on the valuation of an option classified/ accounted as financial asset is offset by same specific change on estimated value of the same non-observable parameter on the valuation of the mirror-replicated option classified/ accounted as financial liability.

43. Fair value (continued)

Equities

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.
The fair value of equity instruments not listed classified as available for sale financial assets and consisting of ordinary shares of other entities is determined by using the net assets of the entities as at the end of the last closed reporting period. The entities net assets represent the best estimation of the current replacement cost that would be paid in order to replace the holding as it consists of the initial capital investment adjusted by the financial performance of the entity.

In the case of Visa share, following the acquisition of VISA Europe by VISA Inc, transaction which was closed in 2016, the Bank, as principal member, received a share of the sale proceeds, having both a cash component and a share in VISA Inc component. Following the SG approach, in order to determine the fair value of the share, the Bank adjusted the sale proceeds using some prudential haircuts (liquidity, litigation risks etc).

Fair value of financial assets and liabilities not carried at fair value

Financial assets

Deposits with banks, loans originated by the Group and leases are measured at amortized cost using the effective interest rate method less any impairment allowance.

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

For loans and lease receivables the fair value is determined by using discounted cash-flows based on interest rate offered to similar products and similar time horizons.

Financial liabilities

The amortized cost of deposits from banks and customers is considered to approximate their respective fair values, since these items have predominantly short maturities, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

For due to customers and borrowings amounts the fair value is determined by using discounted cash-flows based on interest rate offered to similar products and customers and with similar time horizons.

(Amounts in thousands RON)

43. Fair value (continued)

The following table presents the fair value and the carrying amount per type of financial instrument.

	Group				Bank			
	31 decembrie 2016		31 decembrie 2015		December 31,2016		31 decembrie 2015	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	1,800,529	1,800,529	1,339,602	1,339,602	1,800,506	1,800,506	1,339,580	1,339,580
Due from Central Bank	5,339,460	5,339,460	7,480,319	7,480,319	5,339,460	5,339,460	7,480,319	7,480,319
Due from banks	1,998,271	1,998,271	2,314,800	2,314,800	1,971,333	1,971,333	2,287,837	2,287,837
Loans and advances to customers	27,838,705	27,995,196	26,741,471	28,411,522	27,384,110	27,565,687	26,376,425	28,048,887
Financial lease receivables	663,517	668,235	549,354	553,377	-	-	-	
	37,640,482	**37,801,691**	**38,425,546**	**40,099,620**	**36,495,409**	**36,676,986**	**37,484,161**	**39,156,623**
Financial liabilities								
Due to banks	531,601	531,601	701,180	704,462	531,601	531,601	701,180	704,462
Due to customers	42,192,749	42,197,955	41,178,674	41,393,856	42,290,738	42,295,957	41,271,873	41,487,542
Borrowed funds	1,101,558	1,101,558	1,099,793	1,108,794	138,451	138,451	348,037	350,886
	43,825,908	**43,831,114**	**42,979,647**	**43,207,069**	**42,960,790**	**42,966,009**	**42,321,090**	**42,542,847**

(Amounts in thousands RON)

43. Fair value (continued)

The methods and significant assumptions applied in determining the fair value of the elements in the table above are listed below.

The fair value of fixed rate instruments is estimated by discounting the maturing cash flows with discount factors derived from the rates offered to similar clients, for similar products on similar maturities. The fair value of floating instruments is estimated by discounting from the next re-pricing date using as discount factors rates offered to similar clients, for similar products on similar time horizons.

Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of impairment is recognized separately by deducting the amount of the allowance for credit losses from both carrying and fair values.

For the purposes of the fair value disclosure, the interest accrued to date is included in the carrying value of the financial instruments.

The transfers between levels of fair value hierarchy are deemed to have occurred the date of the event or change in circumstances that caused the transfer, but not later that the end of the reporting period.

Movement in level 3:

	Equity investments (not listed)	Municipal Bonds	Options (A)	Options (L)
Closing balance as at December 31, 2014	**5,727**	**77,986**	**-**	**-**
Acquisitions	1,081	195,120		
Sales	(17)	-		
Reimbursements	-	(7,499)		
Gain losses from change in fair value	79,961	6,433		
Closing balance as at December 31, 2015	**86,752**	**272,040**	**-**	**-**
Transfers into Level 3			71,669	72,281
Acquisitions	18,878	4,911	15,061	15,061
Sales	(79,902)	-	(3,339)	(3,339)
Reimbursements	-	(12,466)	(23,633)	(23,633)
Gain losses from change in fair value	(2,745)	(2,076)	5,764	5,465
Reclassification	-	(262,409)		
Closing balance as at December 31, 2016	**22,983**	**-**	**65,522**	**65,835**

During 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) from financial assets available for sale (December 31, 2015: 272,040) to “loans and advances to customers” and measures them at amortised cost, amounting 263,728 at December 31, 2016.. Please see note 9.

44. Subsequent events

No subsequent event was identified after the reporting date.