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, 2015

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
as of December 31, 2015
(Amounts in thousands RON)

	Note	Group December 31, 2015	Group December 31, 2014	Bank December 31, 2015	Bank December 31, 2014
ASSETS					
Cash in hand	5	1,339,602	1,357,570	1,339,580	1,357,549
Due from Central Bank	6	7,480,319	5,832,421	7,480,319	5,832,421
Due from banks	7	2,314,800	1,263,276	2,287,837	1,236,048
Derivatives and other financial instruments held for trading	8	1,218,112	693,905	1,218,133	693,905
Loans and advances to customers	9	26,745,467	26,777,114	26,376,425	26,461,209
Finance lease receivables	10	549,354	548,931	-	-
Financial assets available for sale	11	9,208,959	8,205,352	9,190,919	8,201,911
Investments in associates and subsidiares	12	121,787	119,731	157,527	157,460
Property, plant and equipment	13	851,260	885,311	843,628	877,947
Investment property	13	15,337	20,374	15,337	20,374
Goodwill	14	50,130	50,130	50,130	50,130
Intangible assets	15	82,617	85,226	76,214	78,991
Deferred tax asset	21	19,194	88,546	15,584	93,263
Other assets	16	187,773	153,221	141,233	118,770
Total assets		**50,184,711**	**46,081,107**	**49,192,866**	**45,179,978**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	17	781,180	734,520	781,180	734,520
Due to customers	18	41,098,674	35,954,041	41,191,873	36,040,857
Borrowed funds	19	1,099,793	2,514,952	348,037	1,816,524
Subordinated debt	20	-	449,990	-	449,990
Derivative financial instruments	8	153,210	87,673	153,218	87,676
Current tax liability	21	1,463	2,357	-	-
Deferred tax liability	21	539	2,982	-	-
Other liabilities	22	792,409	584,378	737,369	557,995
Total liabilities		**43,927,268**	**40,330,892**	**43,211,677**	**39,687,561**
Share capital	23	2,515,622	2,515,622	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		380,308	342,066	380,308	342,066
Reserves from defined pension plan	22	12,442	9,966	12,442	9,966
Retained earnings	24	3,299,819	2,830,911	3,072,817	2,624,763
Non-controlling interest		49,252	51,650	-	-
Total equity		**6,257,443**	**5,750,215**	**5,981,189**	**5,492,417**
Total liabilities and equity		**50,184,711**	**46,081,107**	**49,192,866**	**45,179,978**

The financial statements have been authorized by the Group's management on March 10, 2016 and are signed on the Group's behalf by:

Philippe Lhotte
Chief Executive Officer

Petre Bunescu
Deputy Chief Executive Officer

Stephane Fortin
Chief Financial Officer

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE INCOME STATEMENT
for the year ended December 31, 2015
(Amounts in thousands RON)

		Group		Bank	
	Note	2015	2014	2015	2014
Interest and similar income	25	1,939,702	2,267,946	1,828,226	2,157,185
Interest and similar expense	26	(423,651)	(682,584)	(405,973)	(661,452)
Net interest income		**1,516,051**	**1,585,361**	**1,422,253**	**1,495,733**
Fees and commissions, net	27	**749,641**	**764,721**	**718,232**	**736,739**
Foreign exchange gain	29	149,695	110,792	148,936	109,407
Gain on derivative and other financial instruments held for trading	28	131,071	207,985	130,569	207,867
Gain on financial assets available for sale		25,751	9,593	25,150	9,190
Income from associates	30	16,316	14,110	14,327	15,095
Contribution to Deposit Guarantee Fund	32	(88,050)	(87,678)	(88,050)	(87,678)
Other income	31	6,702	18,081	14,115	11,736
Operating income		**2,507,177**	**2,622,965**	**2,385,532**	**2,498,089**
Personnel expenses	33	(654,659)	(655,903)	(611,999)	(615,016)
Depreciation, amortisation and impairment on tangible and intangible assets	34	(131,217)	(139,175)	(127,694)	(135,769)
Other operating expenses	35	(511,371)	(532,623)	(481,774)	(504,495)
Total operating expenses		**(1,297,247)**	**(1,327,701)**	**(1,221,467)**	**(1,255,280)**
Net operating profit		**1,209,930**	**1,295,264**	**1,164,065**	**1,242,810**
Cost of risk	36	(658,214)	(1,215,363)	(631,149)	(1,192,874)
Profit before income tax		**551,716**	**79,901**	**532,916**	**49,936**
Current income tax expense	21	(25,327)	(6,438)	(17,571)	-
Deferred tax expense	21	(59,153)	(5,606)	(69,923)	(6,696)
Total income tax		**(84,480)**	**(12,044)**	**(87,494)**	**(6,696)**
Profit for the year		**467,236**	**67,857**	**445,422**	**43,240**
Profit attributable to equity holders of the parent		465,821	63,090	445,422	43,240
Profit attributable to non-controlling interests		1,415	4,767	-	-
Basic and diluted earnings per share (in RON)	42	**0.6684**	**0.0905**		

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2015
(Amounts in thousands RON)

		Group		Bank	
	Note	2015	2014	2015	2014
Result for the year		**467,236**	**67,857**	**445,422**	**43,240**
Net comprehensive income that was or will be reclassified to profit and loss in subsequent periods		**38,242**	**263,765**	**38,242**	**263,765**
Reclassifications to profit and loss during the period		(25,751)	(9,593)	(25,150)	(9,190)
Revaluation differences		71,277	323,599	70,676	323,196
Income tax relating to available-for-sale financial assets	21	(7,284)	(50,241)	(7,284)	(50,241)
Net comprehensive income not to be reclassified to profit and loss in subsequent periods		**2,476**	**12,983**	**2,476**	**12,983**
Gain on defined pension plan	22	2,948	15,455	2,948	15,455
Income tax relating to defined pension plan	21	(472)	(2,473)	(472)	(2,473)
Other comprehensive income for the year, net of tax		**40,718**	**276,748**	**40,718**	**276,748**
Total comprehensive income for the year, net of tax		**507,954**	**344,605**	**486,140**	**319,988**
Attributable to:					
Equity holders of the parent		506,539	339,838	486,140	319,988
Non-controlling interest		1,415	4,767	-	-

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2015
(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, 2013		**2,515,622**	**78,301**	**2,755,322**	**(3,017)**	**50,275**	**5,396,503**
Total comprehensive income		-	263,765	63,090	12,983	4,767	344,605
Net Profit for the period		-	-	63,090	-	4,767	67,857
Other comprehensive income		-	263,765	-	12,983	-	276,748
Shared-based payment		-	-	12,498	-	-	12,498
Equity dividends		-	-	-	-	(3,391)	(3,391)
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	24	**2,515,622**	**380,308**	**3,299,819**	**12,442**	**49,252**	**6,257,443**

Bank

	Note	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan	Total equity
December 31, 2013		**2,515,622**	**78,301**	**2,570,073**	**(3,017)**	**5,160,979**
Total comprehensive income		-	263,765	43,240	12,983	319,988
Net Profit for the period		-	-	43,240	-	43,240
Other comprehensive income		-	263,765	-	12,983	276,748
Shared-based payment		-	-	11,451	-	11,451
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	24	**2,515,622**	**380,308**	**3,072,817**	**12,442**	**5,981,189**

(Amounts in thousands RON)

	Note	Group 2015	Group 2014	Bank 2015	Bank 2014
Cash flows from operating activities					
Profit before tax		**551,716**	**79,901**	**532,916**	**49,936**
Adjustments for non-cash items					
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets	34	131,217	139,175	127,694	135,769
Share based payment	33	3,087	12,498	2,632	11,451
(Gain) / Loss from investment revaluation		(1,988)	984	-	-
Net expenses from impairment of loans and from provisions	36	748,779	1,345,665	719,404	1,322,372
Income tax paid		(71,728)	(24,445)	(62,824)	(19,656)
Operating profit before changes in operating assets and liabilities		**1,361,083**	**1,553,778**	**1,319,823**	**1,499,872**
Changes in operating assets and liabilities					
Current account and deposits with NBR		(1,647,898)	2,845,675	(1,647,898)	2,845,675
Accounts and deposits with banks		(63,641)	41,821	(63,647)	41,523
Available for sale securities		(965,365)	(1,442,319)	(950,766)	(1,438,878)
Loans and advances to customers		(712,650)	(44,357)	(650,754)	(25,887)
Lease receivables		(19,283)	(10,935)	-	-
Other assets, derivatives and other HFT and deffered tax asset		(443,006)	197,583	(423,759)	189,530
Due to banks		46,660	(610,186)	46,660	(610,186)
Due to customers		5,144,633	(110,547)	5,151,016	(105,133)
Other liabilities		227,932	86,251	193,602	98,725
Total changes in operating assets and liabilities		**1,567,382**	**952,986**	**1,654,454**	**995,369**
Cash flow from operating activities		**2,928,465**	**2,506,764**	**2,974,277**	**2,495,241**
Investing activities					
Acquisition of equity investments		(67)	-	(67)	-
Acquisition of tangible and intangible assets	13,15	(90,874)	(72,748)	(86,914)	(75,573)
Proceeds from sale of tangible and intangible assets	13,15	1,353	3,027	1,353	2,553
Cash flow from investing activities		**(89,588)**	**(69,721)**	**(85,628)**	**(73,020)**
Financing activities					
Proceeds from borrowings and subordinated debt	19	515,305	676,354	108,017	155,582
Repayment of borrowings and subordinated debt	19	(2,380,453)	(2,263,203)	(2,026,493)	(1,730,985)
Dividends paid		(3,813)	(3,415)	-	(24)
Net cash from financing activities		**(1,868,962)**	**(1,590,264)**	**(1,918,476)**	**(1,575,427)**
Net movements in cash and cash equivalents		**969,915**	**846,779**	**970,173**	**846,794**
Cash and cash equivalents at beginning of the period	37	**2,295,978**	**1,449,199**	**2,294,859**	**1,448,065**
Cash and cash equivalents at the end of the period	37	**3,265,893**	**2,295,978**	**3,265,032**	**2,294,859**

Operational cash flows from interest and dividends	Group 2015	Group 2014	Bank 2015	Bank 2014
Interest paid	456,069	716,095	437,675	695,160
Interest received	2,183,577	2,698,652	2,065,596	2,587,573
Dividends received	17,954	15,476	23,817	20,734

The amount of undrawn borrowing facilities that may be available for future operating activities is in amount of 714,173 (December 31, 2014: 1,195,628) and includes as at December 31, 2015 an amount of 678,675 (December 31, 2014: 672,315) representing a stand by line concluded with the parent for contingency funding purposes as requested by the Romanian banking regulations on liquidity management, and a total of 35,498 (December 31, 2014: 523,313) 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. (the "Parent"or "SG").

The Bank has 829 units throughout the country (December 31, 2014: 860).

The average number of employees of the Group during 2015 was 8,333 (2014: 8,245), and the number of employees of the Group as of the year-end was 8,312 (December 31, 2014: 8,271).

The average number of employees of the Bank during 2015 was 7,740 (2014: 7,690), and the number of employees of the Bank as of the year-end was 7,708 (December 31, 2014: 7,693).

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, 2015	December 31, 2014
Societe Generale SA	60.17%	60.17%
Fondul Proprietatea	3.64%	3.64%
SIF Transilvania	3.48%	3.87%
SIF Oltenia	2.70%	3.00%
Legal entities	26.66%	25.42%
Individuals	3.35%	3.90%
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, 2015 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, 2015. 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, 2014: 99.98%), BRD Finance IFN S.A (49% ownership, 2014: 49%, control through the power to govern the financial and operating policies of the entity under various agreements. 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), BRD Corporate Finance SRL (100% ownership, 2014: 100 %) and BRD Asset Management SAI SA (99.98% ownership, 2014: 99.98%). 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.

2. Basis of preparation (continued)

b) Basis for consolidation (continued)

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.

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.

- **The IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle,** which is a collection of amendments to IFRSs:

  - **IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  - **IFRS 13 Fair Value Measurement:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

  - **IAS 40 Investment Properties:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

2. Basis of preparation (continued)

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.

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

- **The 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)

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

- **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 9 Financial Instruments: Classification and Measurement.** The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The amendment has not yet been endorsed by the EU.

- **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.

- **IFRS 14 Regulatory Deferral Accounts.** The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

- **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.

2. Basis of preparation (continued)

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

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

- **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.

- **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.

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

- **The 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.

2. Basis of preparation (continued)

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

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

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

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

- **IFRS 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.

2. Basis of preparation (continued)

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 45.

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

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 or whether concessions in the form of restructuring were consented by the Group and Bank under the circumstances of financial hardship experienced by the debtor.

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 remaining loans and advances classified as impaired are grouped based on similar credit risk characteristics (debtor segmentation, product type, impairment trigger, delinquency) and a collective 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 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.

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

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

present value of those cash flows. The carrying amount of goodwill as of December 31, 2015 was 50,130 (December 31, 2014: 50,130).

Deferred tax assets
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.
According to current Romanian fiscal regulation tax losses can be covered from future tax profits obtained in the following consecutive seven years.
The Group and Bank estimates that the tax losses related to 2012 and 2013 financial years will be covered from the tax profits expected in the next seven years.

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 22.

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 and *Non-retail* including Small and medium enterprises ("SMEs") and Large corporate and *Other* category including: treasury activities, ALM and other categories unallocated to the business lines mentioned above (fixed assets, taxes, equity investments, etc).

(Amounts in thousands RON)

3. Summary of significant accounting policies

a) Foreign currency translation

Transactions in foreign currencies are initially recorded at 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, 2015 and 2014 were as follows:

	December 31, 2015	December 31, 2014
RON/ EUR	4.5245	4.4821
RON/ USD	4.1477	3.6868

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.

c) Current accounts and deposits with banks

These are stated 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 original 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 measured and recognized item by item for loans and receivables that are individually significant, and on a portfolio basis for similar loans and receivables that are not individually identified as impaired. The carrying amount of the asset is reduced to its estimated recoverable amount by a charge to income statement through the use of an allowance for loan impairment account and is presented in the income statement as "credit loss expense". 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.

3. Summary of significant accounting policies (continued)

d) Loans and advances to customers and finance lease receivables (continued)

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.

Any 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 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. Contingent rental payable are recognized as an expense in the period in which they are incurred.

3. Summary of significant accounting policies (continued)

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.

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.
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.

3. Summary of significant accounting policies (continued)

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

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

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.

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 when 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

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

3. Summary of significant accounting policies (continued)

j) Investment properties (continued)

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).

k) 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.

l) 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, 2015 and 2014 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, intangibles are reviewed for indication of impairment or changes in estimated future benefits. Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount.

m) 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.

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 hedging 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 hedging relationships. The Group and Bank formally documents the relationship between the

3. Summary of significant accounting policies (continued)

m) Derivative financial instruments (continued)

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 percentage of analysis of actual results recommended by IFRS is 80-125 percent, but the Group and Bank uses a more prudent approach and the range is 88-114 percent.

The Group and Bank applies 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.

n) 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.

o) 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.

p) 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.

q) Customers' deposits and current accounts

Customers' current accounts and other deposits are carried at amortized cost using the effective interest rates.

3. Summary of significant accounting policies (continued)

r) 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.

s) 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.

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.

3. Summary of significant accounting policies (continued)

s) Recognition of income and expenses (continued)

(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.

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.

t) 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.

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 in unrealised gains and losses and they are subsequently never reclassified in income.
In the Group and Bank consolidated and separate financial statements, these items that will not be subsequently reclassified into income are displayed separately in the Statement of comprehensive income, but they are transferred immediately to retained earnings in the Statement of changes in shareholders' equity so that they are presented directly under Reserves from defined pension plan in the Financial position.
Where a new or amended plan comes into force, the past service cost is immediately recognized in profit or loss.

3. Summary of significant accounting policies (continued)

t) Employee benefits (continued)

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 or credit 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.
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.

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.

u) 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

3. Summary of significant accounting policies (continued)

u) Taxation (continued)

deductible temporary differences and carry-forward of unutilized tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize all or part of the deductible temporary differences or tax losses.
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.

v) 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.

w) 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.

x) 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, 2015 and 2014 there were no dilutive equity instruments issued by the Group and Bank.

y) 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.

z) 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.

3. Summary of significant accounting policies (continued)

aa) 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.

ab) 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 / receivables. 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 Subsidiaries category includes: BRD Finance IFN SA, BRD Sogelease IFN SA and BRD Asset Management SAI.

The Other category includes: treasury activities, ALM and other categories unallocated to the business lines mentioned above (fixed assets, taxes, equity investments, etc).

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

	2015				2014			
	Total	Retail	Non retail	Subsidiaries	Total	Retail	Non retail	Subsidiaries
Loans and advances to customers, net & Finance lease receivables	27,294,821	17,751,211	8,579,467	964,143	27,326,045	16,891,384	9,503,860	930,801
Due to customers	41,098,674	23,649,283	17,449,391	(0)	35,954,041	21,357,480	14,596,561	-

Bank

	2015			2014		
	Total	Retail	Non retail	Total	Retail	Non retail
Loans and advances to customers, net	26,376,425	17,751,211	8,625,214	26,461,209	16,891,384	9,569,825
Due to customers	41,191,873	23,649,283	17,542,590	36,040,857	21,357,480	14,683,377

(Amounts in thousands RON)

4. Segment information (continued)

	Group									
	2015					2014				
	Total	**Retail**	**Non retail**	**Subsidiaries**	**Other**	**Total**	**Retail**	**Non retail**	**Subsidiaries**	**Other**
Net interest income	1,516,051	894,662	449,880	93,803	77,706	1,585,361	915,402	507,105	89,541	73,313
Fees and commissions, net	749,641	512,178	208,274	31,440	(2,251)	764,721	500,234	235,111	28,586	790
Total non-interest income	241,485	34,544	75,972	319	130,650	272,883	24,334	72,683	12,125	163,742
Operating Income	**2,507,177**	**1,441,384**	**734,126**	**125,562**	**206,105**	**2,622,965**	**1,439,970**	**814,899**	**130,252**	**237,845**
Total operating expenses	**(1,297,247)**	**(849,373)**	**(357,315)**	**(75,576)**	**(14,983)**	**(1,327,701)**	**(877,916)**	**(358,743)**	**(73,274)**	**(17,768)**
Cost of risk	(658,214)	(121,399)	(483,376)	(26,613)	(26,826)	(1,215,363)	(499,260)	(655,076)	(25,506)	(35,521)
Profit before income tax	**551,716**	**470,612**	**(106,565)**	**23,373**	**164,296**	**79,901**	**62,794**	**(198,920)**	**31,471**	**184,556**
Profit for the period	**467,236**	**398,539**	**(90,245)**	**21,431**	**137,511**	**67,857**	**53,317**	**(168,898)**	**25,122**	**158,317**
Cost Income Ratio	**51.7%**	**58.9%**	**48.7%**	**60.2%**	**7.3%**	**50.6%**	**61.0%**	**44.0%**	**56.3%**	**7.5%**

(Amounts in thousands RON)

4. Segment information (continued)

	Bank							
	2015				2014			
	Total	**Retail**	**Non retail**	**Other**	**Total**	**Retail**	**Non retail**	**Other**
Net interest income	1,422,253	894,662	449,880	77,711	1,495,733	915,402	507,105	73,226
Fees and commissions, net	718,232	512,178	208,274	(2,220)	736,739	500,234	235,111	1,395
Total non-interest income	245,047	34,544	75,972	134,531	265,617	24,334	72,683	168,600
Operating Income	**2,385,532**	**1,441,384**	**734,126**	**210,022**	**2,498,089**	**1,439,970**	**814,899**	**243,220**
Total operating expenses	**(1,221,467)**	**(849,373)**	**(357,315)**	**(14,779)**	**(1,255,280)**	**(877,916)**	**(358,743)**	**(18,621)**
Cost of risk	(631,149)	(121,399)	(483,376)	(26,374)	(1,192,874)	(499,260)	(655,076)	(38,538)
Profit before income tax	**532,916**	**470,612**	**(106,565)**	**168,868**	**49,936**	**62,794**	**(198,920)**	**186,061**
Profit for the period	**445,422**	**398,539**	**(90,245)**	**137,128**	**43,240**	**53,317**	**(168,898)**	**158,821**
Cost Income Ratio	**51.2%**	**58.9%**	**48.7%**	**7.0%**	**50.2%**	**61.0%**	**44.0%**	**7.7%**

(Amounts in thousands RON)

5. Cash in hand

	Group		Bank	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Cash in vaults	918,297	953,068	918,275	953,048
Cash in ATM	421,305	404,501	421,305	404,501
Total	**1,339,602**	**1,357,570**	**1,339,580**	**1,357,549**

6. Due from Central Bank

	Group		Bank	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Current accounts	4,280,319	4,332,421	4,280,319	4,332,421
Deposits	3,200,000	1,500,000	3,200,000	1,500,000
Total	**7,480,319**	**5,832,421**	**7,480,319**	**5,832,421**

The Group and Bank decreased the minimum compulsory reserve amount with the Central Bank according to the National Bank of Romania decision to reduce the rates for minimum obligatory reserves for RON from 10% to 8% and for foreign currency remained constant to 14%.

7. Due from banks

	Group		Bank	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Deposits at Romanian banks	281,233	81,003	281,233	81,003
Deposits at foreign banks	1,543,544	881,102	1,517,420	854,972
Current accounts at Romanian banks	840	1,098	2	0
Current accounts at foreign banks	489,183	300,073	489,182	300,073
Total	**2,314,800**	**1,263,276**	**2,287,837**	**1,236,048**

As of December 31, 2015 amounts due from banks include exposures to SG Group amounting 233,658 at Group level (December 31, 2014 exposures of 235,351) and 207,534 at Bank level (December 31, 2014 exposures of 209,221).

(Amounts in thousands RON)

8. Derivatives and other financial instruments held for trading

Group

	December 31, 2015		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	179,158	57,043	5,292,182
Currency swaps	15,302	27,517	4,340,395
Forward foreign exchange contracts	14,074	6,332	1,431,335
Options	62,172	62,318	3,857,253
Total derivatives	**270,706**	**153,210**	**14,921,165**
Trading treasury notes	947,406	-	882,033
Total	**1,218,112**	**153,210**	**15,803,198**

	December 31, 2014		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	84,571	45,337	3,837,250
Currency swaps	28,215	19,920	3,975,392
Forward foreign exchange contracts	18,808	4,888	1,373,849
Options	17,612	17,528	1,512,231
Total derivatives	**149,206**	**87,673**	**10,698,723**
Trading treasury notes	544,699	-	506,007
Total	**693,905**	**87,673**	**11,204,731**

Bank

	December 31, 2015		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	179,158	57,043	5,292,182
Currency swaps	15,323	27,524	4,360,855
Forward foreign exchange contracts	14,074	6,332	1,431,335
Options	62,172	62,319	3,857,251
Total derivatives	**270,727**	**153,218**	**14,941,623**
Trading treasury notes	947,406	-	882,033
Total	**1,218,133**	**153,218**	**15,823,656**

	December 31, 2014		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	84,571	45,337	3,837,250
Currency swaps	28,215	19,923	3,994,325
Forward foreign exchange contracts	18,808	4,888	1,373,849
Options	17,612	17,528	1,512,231
Total derivatives	**149,206**	**87,676**	**10,717,656**
Trading treasury notes	544,699	-	506,007
Total	**693,905**	**87,676**	**11,223,663**

The Group and Bank received cash collateral from the parent for derivatives transactions in amount of 88,392 (December 31, 2014: 37,021).

The Group and Bank applied also hedge accounting (fair value hedge):

a) On July 28, 2011, the Bank purchased a 4 year fixed rate bond; as a result the Bank is exposed to changes in the fair value of the purchased bond due to changes in market interest rates. The hedged item in amount of 99.9 million EUR with an interest rate of 4.7% is represented by fixed rate bonds issued by the Romanian State and the hedging instrument is an interest rate swap with a notional in amount of 100 million EUR with a fixed interest rate of 2.171%.

   The hedging relation was closed on August 3, 2015.

(Amounts in thousands RON)

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

b) 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 125 million EUR with a fixed interest rate of 1.058%. The remaining period for the hedging instrument is of 5.2 years.

All hedging relationships were effective throughout the reporting period.

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

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

	December 31, 2014		
	Assets	**Liabilities**	**Notional**
Interest rate swaps	17,882	9,510	1,101,969

In 2015 the Group recognised a total gain of RON 2,960 resulting from the hedging instrument (2014: RON 29,000) and a loss of RON 1,538 resulting from the hedged item (2014: RON 28,533).

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, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Loans, gross	30,744,036	31,302,885	30,312,244	30,926,607
Loans impairment	(3,998,569)	(4,525,771)	(3,935,819)	(4,465,398)
Total	**26,745,467**	**26,777,114**	**26,376,425**	**26,461,209**

The loans structure is the following:

	Group		Bank	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Working capital loans	5,422,564	6,469,171	5,422,564	6,469,171
Loans for equipment	4,987,421	5,894,559	4,976,371	5,894,559
Trade activities financing	494,488	620,963	494,488	620,963
Acquisition of real estate, including mortgage for individuals	9,481,552	8,332,386	9,481,552	8,332,386
Consumer loans	8,406,899	8,614,586	7,986,156	8,238,308
Other	1,951,113	1,371,220	1,951,113	1,371,220
Total	**30,744,037**	**31,302,885**	**30,312,244**	**30,926,607**

As of December 31, 2015, balances relating to factoring, both for Group and Bank, amount to 465,394 (December 31, 2014: 557,677) and those relating to discounting 29,005 (December 31, 2014: 63,155).

As of December 31, 2015 the amortized cost of loans granted to the 20 largest corporate clients of the Group and Bank (groups of connected borrowers) amounts to 1,584,361 (December 31, 2014: 1,698,024), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 4,430,510 (December 31, 2014: 4,208,108).

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, 2013	**2,081,709**	**3,525,904**	**186,614**	**2,020,538**	**3,525,904**	**186,614**
Increases due to amounts set aside for estimated loan losses during the period	1,456,714	2,677,353	112,611	1,444,939	2,677,353	112,611
Decreases due to amounts reversed for estimated loan losses during the period	(956,670)	(2,020,680)	(116,038)	(956,668)	(2,020,680)	(116,038)
Decreases due to amounts taken against allowances	(1,262,283)	(1,147,486)	-	(1,249,712)	(1,147,486)	-
Foreign exchange losses / (gain)	(9,506)	(3,098)	628	(9,506)	(3,097)	628
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	595,564	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 / (gain)	16,572	12,661	543	16,572	12,661	543
Balance as of December 31, 2015	**944,080**	**2,773,208**	**281,281**	**889,117**	**2,773,209**	**273,494**

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

Impaired loans

	Group		Bank	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Impaired loans 90 days past due and more	3,653,911	4,737,435	3,585,793	4,668,090
Provisions for impaired loans 90 days past due and more	(2,944,371)	(3,680,773)	(2,889,408)	(3,620,400)
Impaired loans less than 90 days past due	1,583,449	1,622,917	1,583,449	1,622,917
Provisions for impaired loans less than 90 days past due	(772,918)	(661,185)	(772,918)	(661,185)
Net impaired loans	**1,520,071**	**2,018,394**	**1,506,914**	**2,009,423**

The value of loans individually determined to be impaired for the Group is 5,237,360 (December 31, 2014: 6,360,352), while for the Bank is 5,169,242 (December 31, 2014: 6,291,007).

BRD Group reduced the non-performing loans ratio mainly as a result of write-off transactions.

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 maturity analysis of lease receivables is as follows:

	Group	
	December 31, 2015	December 31, 2014
Gross investment in finance lease:		
Maturity under 1 year	263,013	284,564
Maturity between 1 and 5 years	413,252	388,632
Maturity higher than 5 years	29,862	24,346
	706,127	**697,542**
Unearned finance income	(57,772)	(62,002)
Net investment in finance lease	**648,355**	**635,539**
Net investment in finance lease:		
Maturity under 1 year	237,230	257,594
Maturity between 1 and 5 years	383,097	356,516
Maturity higher than 5 years	28,029	21,430
	648,355	**635,539**

	Group	
	December 31, 2015	December 31, 2014
Net investment in the lease	648,355	635,539
Accumulated allowance for uncollectible minimum lease payments receivable	(99,001)	(86,608)
Total	**549,354**	**548,931**

The guarantees relating to finance lease receivables individually determined to be impaired as at December 31, 2015 amounts to 68,806 (December 31, 2014: 78,981). The amounts are capped to the gross exposure level. The value of finance lease receivables individually determined to be impaired is 115,143 (December 31, 2014: 129,482).

(Amounts in thousands RON)

11. Financial assets available for sale

	Group		Bank	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Treasury notes	8,772,381	8,039,400	8,772,381	8,039,400
Equity investments	89,821	9,588	89,821	9,588
Other securities	346,757	156,365	328,717	152,924
Total	**9,208,959**	**8,205,352**	**9,190,919**	**8,201,911**

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, 2015 treasury notes amounting 74,033 have been pledged to NBR (as of December 31, 2014 no treasury notes 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 Europe.

Other securities

The Group holds funds units in:

	Group		
2015	**Unit value**	**No of units**	**Market value**
FDI Simfonia 1	39	297,743	11,586
BRD Obligatiuni	161	77,544	12,506
Diverso Europa Regional	152	175,730	26,764
Actiuni Europa Regional	144	116,238	16,724
Index Europa Regional	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**

2014	**Unit value**	**No of units**	**Market value**
FDI Simfonia 1	37	478,129	17,667
BRD Obligatiuni	152	90,353	13,739
Diverso Europa Regional	148	175,730	25,968
Actiuni Europa Regional	139	116,238	16,191
Index Europa Regional	122	21,794	2,666
BRD Eurofond	123	17,480	2,148
Total		**899,725**	**78,379**

(Amounts in thousands RON)

11. Financial assets available for sale (continued)

The Bank holds fund units in:

	Bank		
2015	**Unit value**	**No of units**	**Market value**
BRD Obligatiuni	161	64,753	10,443
Diverso Europa Regional	152	175,730	26,764
Actiuni Europa Regional	144	116,238	16,724
Index Europa Regional	126	21,794	2,748
Total		**378,515**	**56,678**

2014	**Unit value**	**No of units**	**Market value**
FDI Simfonia 1	37	443,129	16,374
BRD Obligatiuni	152	90,353	13,739
Diverso Europa Regional	148	175,730	25,968
Actiuni Europa Regional	139	116,238	16,191
Index Europa Regional	122	21,794	2,666
Total		**847,244**	**74,937**

The Bank has also included in the line Other securities Municipal bonds in total amount of 272,040 as at December 31, 2015 (77,986 as at December 31, 2014).

(Amounts in thousands RON)

12. Investments in subsidiaries and associates

Group

Associates	Field of activity	%	December 31, 2014	Additions/ Reclassifications	Increase / (decrease) in net assets	December 31, 2015
ALD Automotive	Operating lease	20.00%	17,449	-	101	17,550
Mobiasbanca Groupe Societe Generale S.A.	Banking	20.00%	46,391	-	3,204	49,595
BRD Asigurari de Viata SA	Insurance	49.00%	27,942		(329)	27,613
Fondul de Garantare a Creditului Rural	Loans guarantee	33.33%	16,164	-	(447)	15,717
Biroul de Credit S.A.	Activities auxiliary to financial intermediation	16.38%	3,189	67	16	3,272
BRD Fond de Pensii S.A.	Pension fund management	49.00%	6,905	-	(607)	6,298
BRD Sogelease Asset Rental SRL	Operating lease	20.00%	1,691	-	50	1,741
			119,731	**67**	**1,989**	**121,787**

Group

Associates	Field of activity	%	December 31, 2013	Increase / (decrease) in net assets	December 31, 2014
ALD Automotive	Operating lease	20.00%	25,521	(8,072)	17,449
Mobiasbanca Groupe Societe Generale S.A.	Banking	20.00%	46,941	(550)	46,391
BRD Asigurari de Viata SA	Insurance	49.00%	22,480	5,462	27,942
Fondul de Garantare a Creditului Rural	Loans guarantee	33.33%	14,336	1,828	16,164
Biroul de Credit S.A.	Activities auxiliary to financial intermediation	16.03%	2,640	549	3,189
BRD Fond de Pensii S.A.	Pension fund management	49.00%	7,543	(638)	6,905
BRD Sogelease Asset Rental SRL	Operating lease	20.00%	1,254	437	1,691
			120,714	**(984)**	**119,731**

(Amounts in thousands RON)

12. Investments in subsidiaries and associates (continued)

Bank

	Field of activity	%	December 31, 2014	Additions/ Reclassifications	December 31, 2015
ALD Automotive	Operating lease	20.00%	11,873	-	11,873
Mobiasbanca Groupe Societe Generale S.A.	Banking	20.00%	29,017	-	29,017
BRD Asigurari de Viata SA	Insurance	49.00%	17,697	-	17,697
Fondul de Garantare a Creditului Rural	Loans guarantee	33.33%	14,220	-	14,220
Biroul de Credit S.A.	Activities auxiliary to financial intermediation	16.38%	662	67	729
BRD Fond de Pensii S.A.	Pension fund management	49.00%	14,690	-	14,690
Associates			**88,159**	**67**	**88,226**
BRD Sogelease IFN SA	Operating lease	99.98%	11,558	-	11,558
BRD Finance Credite de Consum IFN SA	Banking	49.00%	53,019	-	53,019
BRD Asset Management SAI SA	Fund management	99.98%	4,321	-	4,321
BRD Corporate Finance SRL	Business consultancy	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)

Bank

	Field of activity	%	December 31, 2013	December 31, 2014
ALD Automotive	Operating lease	20.00%	11,873	11,873
Mobiasbanca Groupe Societe Generale S.A.	Banking	20.00%	29,017	29,017
BRD Asigurari de Viata SA	Insurance	49.00%	17,697	17,697
Fondul de Garantare a Creditului Rural	Loans guarantee	33.33%	14,220	14,220
Biroul de Credit S.A.	Activities auxiliary to financial intermediation	16.03%	662	662
BRD Fond de Pensii S.A.	Pension fund management	49.00%	14,690	14,690
BRD Sogelease Asset Rental SRL	Operating lease	20.00%		
Associates			**88,159**	**88,159**
BRD Sogelease IFN SA	Operating lease	99.98%	11,558	11,558
BRD Finance Credite de Consum IFN SA	Banking	49.00%	53,019	53,019
BRD Asset Management SAI SA	Fund management	99.98%	4,321	4,321
BRD Corporate Finance SRL	Business consultancy	100.00%	403	403
Subsdiaries			**69,301**	**69,301**
Total associates and subsidiaries			**157,460**	**157,460**

(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, 2015 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%	322,771	389,307	191,108	n/a	712,078	240,947	280,023	520,970	30,115	9,433
BRD Finance Credite de Consum IFN SA	49.00%	10,822	488,136	97,761	n/a	498,958	257,397	143,800	401,197	57,879	2,775
BRD Asset Management SAI SA	99.98%	26,464	167	24,863	n/a	26,631	1,769	-	1,769	13,310	8,832
Associate											
ALD Automotive	20.00%	297,897	23,100	87,751	17,550	320,997	114,972	118,274	233,246	242,935	21,358
Mobiasbanca Groupe Societe Generale S.A.	20.00%	1,062,429	492,482	247,982	49,597	1,554,912	1,208,290	98,640	1,306,929	127,389	47,511
BRD Asigurari de Viata SA	49.00%	19,736	143,103	56,354	27,614	162,839	106,485	-	106,485	88,575	14,076
Fondul de Garantare a Creditului Rural	33.33%	1,236,531	-	47,149	15,715	1,236,531	647,322	542,060	1,189,382	35,410	4,581
Biroul de Credit S.A.	16.38%	15,722	4,930	19,983	3,272	20,652	669	-	669	12,578	5,280
BRD Fond de Pensii S.A.	49.00%	13,820	1,796	12,853	6,298	15,616	2,763	-	2,763	11,781	33
BRD Sogelease Asset Rental SRL	20.00%	9,746	76,674	8,641	1,728	86,419	7,286	70,492	77,778	33,741	496

The information as at December 31, 2015 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, 2013	**1,327,839**	**39,666**	**246,773**	**550,571**	**8,956**	**2,173,805**
Additions	14,521	5,423	4,838	6,468	30,952	62,202
Transfers	(21,981)	-	34,995	5,510	(18,524)	0
Disposals	(9,712)	(5,789)	(24,313)	(29,624)	(1,156)	(70,595)
as of December 31, 2014	**1,310,667**	**39,300**	**262,294**	**532,925**	**20,227**	**2,165,413**
Additions	3,684	1,283	1,396	7,506	49,616	63,484
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)	-	(59,558)
as of December 31, 2015	**1,326,615**	**29,284**	**264,546**	**530,490**	**16,518**	**2,167,452**
Depreciation and impairment:						
as of December 31, 2013	**(556,801)**	**(21,643)**	**(206,998)**	**(417,351)**	**-**	**(1,202,793)**
Depreciation	(44,852)	(1,208)	(19,196)	(32,684)	-	(97,939)
Impairment	(8,564)	4,283	-	(114)	-	(4,395)
Disposals	2,763	1,444	25,104	16,088	-	45,400
Transfers	11,151	(1,802)	(12,066)	2,717	-	(0)
as of December 31, 2014	**(596,303)**	**(18,926)**	**(213,155)**	**(431,343)**	**-**	**(1,259,728)**
Depreciation	(46,338)	(1,576)	(22,034)	(26,198)	-	(96,146)
Impairment	925	-	-	(253)	-	673
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	**(638,141)**	**(13,947)**	**(212,383)**	**(436,382)**	**-**	**(1,300,854)**
Net book value:						
as of December 31, 2013	**771,038**	**18,023**	**39,776**	**133,220**	**8,956**	**971,012**
as of December 31, 2014	**714,364**	**20,374**	**49,139**	**101,581**	**20,227**	**905,685**
as of December 31, 2015	**688,473**	**15,337**	**52,163**	**94,108**	**16,518**	**866,598**

(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, 2013	**1,318,063**	**39,666**	**236,977**	**541,040**	**8,956**	**2,144,702**
Additions	14,521	5,423	3,859	826	30,952	55,581
Transfers	(21,981)	-	34,995	5,510	(18,524)	0
Disposals	(9,712)	(5,789)	(24,308)	(16,171)	(1,157)	(57,137)
as of December 31, 2014	**1,300,891**	**39,300**	**251,522**	**531,205**	**20,226**	**2,143,146**
Additions	3,319	1,283	1,207	7,515	49,617	62,942
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	(10,926)	(2,660)	(21,919)	(22,414)	-	(57,920)
as of December 31, 2015	**1,316,517**	**29,285**	**254,202**	**529,755**	**16,518**	**2,146,278**
Depreciation and impairment:						
as of December 31, 2013	**(553,185)**	**(21,643)**	**(197,681)**	**(414,096)**	**-**	**(1,186,605)**
Depreciation	(44,648)	(1,208)	(18,837)	(32,622)	-	(97,315)
Impairment	(8,564)	4,283	-	-	-	(4,281)
Disposals	2,764	1,444	25,096	14,070	-	43,375
Transfers	11,151	(1,802)	(12,063)	2,714	-	(0)
as of December 31, 2014	**(592,481)**	**(18,926)**	**(203,484)**	**(429,934)**	**-**	**(1,244,826)**
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)**
Net book value:						
as of December 31, 2013	**764,879**	**18,023**	**39,296**	**126,943**	**8,956**	**958,097**
as of December 31, 2014	**708,409**	**20,374**	**48,038**	**101,272**	**20,226**	**898,321**
as of December 31, 2015	**682,390**	**15,337**	**50,843**	**93,877**	**16,518**	**858,965**

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 15,807 as at December 31, 2015 (December 31, 2014: 22,902). The fair value has been determined based on a valuation by an independent valuer in 2015.
Rental income from investment property of 1,875 (December 31, 2014: 1,914) 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 become 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.

Both as at December 31, 2015 and as at December 31, 2014, the branch had a number of more than 4 000 active customers, with loans representing approximately 11% from total loans managed by the network and with deposits representing about 20% of networks' deposits.

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, 2015 and 2014 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2013	**320,251**	**295,156**
Additions	31,570	29,935
Disposals	(15,141)	(15,141)
as of December 31, 2014	**336,678**	**309,949**
Additions	35,217	32,028
Disposals	(8,317)	(7,800)
Transfers	691	691
as of December 31, 2015	**364,268**	**334,867**
Amortization:		
as of December 31, 2013	**(230,898)**	**(213,192)**
Amortization expense	(35,641)	(32,853)
Disposals	15,087	15,087
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)**
Net book value:		
as of December 31, 2013	**89,353**	**81,964**
as of December 31, 2014	**85,226**	**78,991**
as of December 31, 2015	**82,617**	**76,214**

16. Other assets

	Group		Bank	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Advances to suppliers	32,162	15,303	-	-
Sundry debtors	67,150	67,847	58,913	54,990
Prepaid expenses	23,578	29,671	21,011	27,554
Repossessed assets	10,757	11,486	8,122	8,122
Prepaid income tax	43,051	20,185	42,790	19,656
Other assets	11,075	8,727	10,397	8,447
Total	**187,773**	**153,221**	**141,233**	**118,770**

(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 60,810 (December 31, 2014: 60,587) and at Bank level is 47,510 (December 31, 2014: 46,933).

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

As of December 31, 2015 the carrying value of repossessed assets for Group is 10,757(December 31, 2014: 11,486). As of December 31, 2015 the carrying value of repossessed assets for Bank is 8,122 (December 31, 2014: 8,122), representing three residential buildings. (December 31, 2014: three residential buildings).

17. Due to banks

	Group		Bank	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Demand deposits	602,759	442,294	602,759	442,294
Term deposits	178,421	292,225	178,421	292,225
Total due to banks	**781,180**	**734,520**	**781,180**	**734,520**

18. Due to customers

	Group		Bank	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Demand deposits	22,035,228	15,801,503	22,081,073	15,830,929
Term deposits	19,063,446	20,152,538	19,110,800	20,209,928
Total due to customers	**41,098,674**	**35,954,041**	**41,191,873**	**36,040,857**

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

19. Debt issued and borrowed funds

	Group		Bank	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Borrowings from related parties	713,579	2,061,860	29,701	1,469,107
Borrowings from international financial institutions	383,048	445,905	315,171	340,256
Borrowings from other institutions	621	897	621	897
Other borrowings	2,545	6,290	2,545	6,264
Total	**1,099,793**	**2,514,952**	**348,037**	**1,816,524**

The maturity structure and the re-pricing gap of the borrowings are presented in note 43.
Other funds borrowed from related parties are senior unsecured and are used in the normal course of business.
All borrowings are compliant with the loan covenants mentioned in the loan agreements.

20. Subordinated debt

The amount of EUR 100 million, RON 448.21 million at December 31, 2014 represents one subordinated loan received in 2005, at EURIBOR6M+0.5%. The debt was closed in July 2015.

(Amounts in thousands RON)

21. 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, 2015 the Group has a current tax liability in total amount of 1,463 (December 31, 2014: 2,357).

The deferred tax liability/asset is reconciled as follows:

	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)**

(Amounts in thousands RON)

21.Taxation (continued)

	Group December 31, 2014			
	Temporary differences	Consolidated Statement of Financial Position Asset/(Liability)	Consolidated Income Statement (Expense)/Income	Consolidated OCI (Expense)/Income
Deferred tax liability				
Defined benefit obligation	(11,639)	(1,862)	-	(2,473)
Investments and other securities	(438,262)	(70,122)	1,502	(50,241)
Total	**(449,902)**	**(71,984)**	**1,502**	**(52,714)**
Deferred tax asset				
Tangible and intangible assets	74,791	11,967	8,575	-
Fiscal loss	534,580	85,533	(33,514)	-
Provisions and other liabilities	375,300	60,048	17,831	-
Total	**984,671**	**157,547**	**(7,108)**	**-**
Taxable items	**534,769**			
Deferred tax		**85,564**	**(5,606)**	**(52,714)**

	Bank December 31, 2014			
	Temporary differences	Individual Statement of Financial Position Asset/(Liability)	Individual Income Statement (Expense)/Income	Consolidated OCI (Expense)/Income
Deferred tax liability				
Defined benefit obligation	(11,639)	(1,862)	-	(2,473)
Investments and other securities	(407,221)	(65,155)	-	(50,241)
Total	**(418,861)**	**(67,018)**	**-**	**(52,714)**
Deferred tax asset				
Tangible and intangible assets	84,193	13,471	8,484	-
Fiscal loss	534,580	85,533	(33,514)	-
Provisions and other liabilities	382,983	61,277	18,334	-
Total	**1,001,755**	**160,281**	**(6,696)**	**-**
Taxable items	**582,895**			
Deferred tax		**93,263**	**(6,696)**	**(52,714)**

Movement in deferred tax is as follows:

	Group	Bank
Deferred tax liability, net as of December 31, 2013	**143,883**	**152,672**
Deferred tax recognized in other comprehensive income	(52,714)	(52,714)
Deferred tax recognized in profit and loss	(5,606)	(6,696)
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**

(Amounts in thousands RON)

21. Taxation (continued)

Reconciliation of total tax charge	**Group**		**Bank**	
	2015	**2014**	**2015**	**2014**
Gross profit (before income tax)	**551,716**	**79,901**	**532,916**	**49,936**
Income tax (16%)	88,275	12,784	85,267	7,990
Fiscal credit	(4,481)	(44)	(4,393)	-
Non-deductible elements	16,076	3,161	14,984	2,651
Non-taxable elements	(15,390)	(3,858)	(8,364)	(3,945)
Expense from income tax at effective tax rate	**84,480**	**12,044**	**87,494**	**6,696**
Effective tax rate	15.3%	15.1%	16.4%	13.4%

The main non-deductible and non-taxable elements are represented by new charges / reversals of provisions for off – balance sheet items and expenses for employee benefits.
Recognition of deferred tax asset at Bank level of 15,584 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.

22. Other liabilities

	Group		**Bank**	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Sundry creditors	295,870	185,424	222,391	144,676
Other payables to State budget	34,574	35,169	33,299	33,768
Deferred income	18,604	12,174	18,604	12,131
Payables to employees	113,378	114,359	107,752	110,042
Dividends payable	-	482	-	482
Financial guarantee and loan contracts provision	306,248	198,658	338,848	224,287
Provisions	23,735	38,112	16,475	32,609
Total	**792,409**	**584,378**	**737,369**	**557,995**

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 42,265 (2014: 47,091) and post-employment benefits amounting to 52,218 (2014: 52,715).

Provisions are mainly related to legal claims and penalties and the decrease in 2015 compared with prior year is due to the provision for Competition Council registered in 2012 in amount of 19,580 which was reversed during 2015.
As it is expected that the number of consumer protection litigations in connection with the loans in stock as at December 31, 2015 will continue to grow and additional outflows of resources will be needed to settle the related legal obligations, the Bank booked a supplementary provision of 9,000. The Bank considered a scenario of significant growth in the number of litigations in 2016 and 2017 in the context of the excessive negative publicity for banks and particular focus of National Authority for Consumer Protection on the relation between banks and individual customers.

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 12,442 as at December 31, 2015 (December 31, 2014: 9,966), during the year the Bank registered gain on pension plan in total amount of 2,476.

(Amounts in thousands RON)

22. Other liabilities (continued)

Expenses recognised in profit and loss

	December 31, 2015	December 31, 2014
Total service cost	2,196	2,363
Interest cost on benefit obligation	877	2,169
Net benefit expense	**3,073**	**4,531**

Movement in defined benefits obligations

	December 31, 2015	December 31, 2014
Opening defined benefit obligation	**52,715**	**64,532**
Total service cost	2,196	2,363
Benefits paid	-623	-893
Interest cost on benefit obligation	877	2,169
Actuarial (gains) arising from changes in demographic assumptions	0	-22,572
Actuarial (gains)/losses arising from changes in financial assumptions	-2,947	7,117
Closing defined benefit obligation	**52,218**	**52,715**

Main actuarial assumptions

	December 31, 2015	December 31, 2014
Discount rate	2.00%	1.70%
Inflation rate	1.90%	1.90%
Salary increase rate	2.90%	next year 3.4% and 2.9% afterwards
Average remaining working period (years)	10.46	10.52

Development of actuarial (gain) / losses

	2015	2014
Experience adjustment	789	2,318
Change in assumptions	2,158	13,137

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 12.14% meaning 45,879.
- If the discount rate used were 1% lower, then the defined benefit obligation would be higher by about 14.80%. meaning 59,946.
- If the salary increase rate used were 1% higher, then the defined benefit obligation would be higher by about 14.51% meaning 59,795.

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)

22. Other liabilities (continued)

The movement in provisions is as follows:

Group	
Carrying value as of December 31,2013	**38,835**
Additional expenses	6,529
Reversals of provisions	(7,250)
Carrying value as of December 31,2014	**38,113**
Additional expenses	14,609
Reversals of provisions	(28,987)
Carrying value as of December 31, 2015	**23,735**

Bank	
Carrying value as of December 31,2013	**38,512**
Additional expenses	879
Reversals of provisions	(6,782)
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**

Line Provisions includes provisions for litigations and risk and expenses. 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.

Group	
Carrying value as of December 31,2013	**138,003**
Additional expenses	590,946
Reversals of provisions	(536,253)
Foreign exchange losses	5,963
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**

Bank	
Carrying value as of December 31,2013	**148,963**
Additional expenses	605,615
Reversals of provisions	(536,253)
Foreign exchange losses	5,963
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**

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.

23. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2014: 696,901). Included in the share capital there is an amount of 1,818,721 (2014: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of December 31, 2015 represents 696,901,518 (2014: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2014: RON 1).
During 2015 and 2014, the Bank did not buy back any of its own shares.

(Amounts in thousands RON)

24. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2014: 513,515) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

Legal reserve represent accumulated transfers from retained earnings in accordance with corporate law that require 5% of the Bank's gross profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Bank's share capital. The legal reserves are not distributable to shareholders.

Until December 31, 2003 the Bank accumulated the general reserve for credit risk up to 2% from loans' outstanding at the year end.

Starting 2004, according to National Bank of Romania and Ministry of Finance regulation, the Bank accumulated the fund for general banking risk from the accounting profit determined before the deduction of income tax, up to 1% of the balance-bearing assets.

25. Interest and similar income

	Group		Bank	
	2015	**2014**	**2015**	**2014**
Interest on loans and leasing	1,636,060	1,919,978	1,526,079	1,810,842
Interest on deposit with banks	13,391	31,162	11,896	29,537
Interest on available for sale	284,129	309,900	284,129	309,900
Interest from hedging instruments	6,122	6,906	6,122	6,906
Total	**1,939,702**	**2,267,946**	**1,828,226**	**2,157,185**

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 168,585 for Group and 162,073 for Bank (2014: 214,209 for Group and 209,739 for Bank).

26. Interest and similar expense

	Group		Bank	
	2015	**2014**	**2015**	**2014**
Interest on term deposits	309,253	471,028	312,495	474,788
Interest on demand deposits	65,616	113,767	65,654	113,890
Interest on borrowings	43,202	86,169	22,242	61,153
Interest from hedging instruments	5,580	11,621	5,582	11,621
Total	**423,651**	**682,585**	**405,973**	**661,452**

27. Fees and commissions, net

	Group		Bank	
	2015	**2014**	**2015**	**2014**
Services	609,369	615,933	596,631	607,704
Management fees	105,609	102,487	105,609	102,487
Packages	52,591	53,744	52,591	53,744
Transfers	150,192	163,223	150,193	161,354
OTC withdrawal	64,726	51,728	64,726	51,728
Cards	157,673	172,144	157,673	172,144
Treasury notes distribution	24,126	31,249	24,126	31,249
Other	54,451	41,358	41,713	34,997
Loan activity	93,913	94,429	75,242	74,676
Off balance sheet	46,358	54,359	46,358	54,359
Total	**749,641**	**764,721**	**718,232**	**736,739**

(Amounts in thousands RON)

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

	Group		Bank	
	2015	**2014**	**2015**	**2014**
Gain on instruments held for trading	13,220	34,700	12,718	34,583
Gain on interest rate swap / (loss)	1,914	(354)	1,914	(354)
Gain on currency swap	91,294	85,047	91,294	85,047
Gain on forward foreign exchange contracts	17,318	87,381	17,318	87,381
Gain on currency options	6,594	4,063	6,594	4,063
Gain on hedging	1,421	467	1,421	467
Other	(690)	(3,320)	(690)	(3,320)
Total gain on derivative and other financial instruments held for trading	**131,071**	**207,985**	**130,569**	**207,867**

29. Foreign exchange gain

	Group		Bank	
	2015	**2014**	**2015**	**2014**
Foreign exchange income	21,651,428	13,252,428	21,612,851	13,227,643
Foreign exchange expenses	(21,501,734)	(13,141,637)	(21,463,915)	(13,118,236)
Total	**149,694**	**110,792**	**148,936**	**109,407**

30. Income from associates

	Group		Bank	
	2015	**2014**	**2015**	**2014**
Share of increase in net profits from associates	16,316	14,111	-	-
Dividends from associates	-	-	14,327	15,095
Total	**16,316**	**14,111**	**14,327**	**15,095**

31. 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 1,875 (2014: 1,914).

32. Contribution to Deposit Guarantee Fund

According to the Romanian legislation (Government Ordinance No 39/1996 regarding the setting up and the operation of the Bank Deposit Guarantee Fund) the deposits of individuals and certain entities including small and medium sized enterprises are insured up to a certain level (EUR 100 000) by the Deposit Guarantee Fund (“Fund”).

Every participating credit institution shall pay the Fund an annual contribution in respect of guaranteed deposits and an annual fee to the Resolution Fund.

The contribution to the Fund is computed based on prior year guaranteed deposits balance. For the year ended December 31, 2015 the expense related to the Deposit Guarantee Fund is 72,543 (December 31, 2014: 68,634).

The annual fee to the Resolution Fund is computed based on prior year non- guaranteed liabilities balance. For the year ended December 31, 2015 the expense related to the Resolution Fund is 15,507 (December 31, 2014: 19,044).

Both contribution and annual fee to the Resolution Fund meet the criteria for recognition of taxes as defined by IFRIC 21 – Taxes. The liability is recognized at the date when the obligating event occurs and the contribution needs to be recognized as an expense in full at the same date.

(Amounts in thousands RON)

33. Personnel expenses

	Group		Bank	
	2015	**2014**	**2015**	**2014**
Salaries	474,388	451,010	442,729	421,190
Social security	118,473	124,969	111,277	117,413
Bonuses	40,994	43,199	38,849	43,199
Post-employment benefits (see note 22)	2,450	3,638	2,450	3,638
Other	18,354	33,087	16,694	29,576
Total	**654,659**	**655,903**	**611,999**	**615,016**

Employee expenses for share - based payment transactions are included in line Other and related expenses in amount of 3,087 for Group and 2,632 for Bank for 2015 (2014: 12,498 for Group and 11,451 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 terms and conditions of the grant are as follows (all shares are to be settled by physical delivery of shares):

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 two performance conditions for the first tranche were fully satisfied and the shares were given to the employees in March 31, 2015.

The number and fair value 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	108,016	34.6	103,344
- exercise date 31/03/2016	33.2	150,088	33.2	143,376

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

(Amounts in thousands RON)

33. Personnel expenses (continued)

•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.

Employee expenses for share - based payment transactions

	Group		Bank	
	2015	**2014**	**2015**	**2014**
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	-	2,632	-
Total share based payment recognised	**36,164**	**33,077**	**34,662**	**32,030**

34. Depreciation, amortisation and impairment on tangible assets

	Group		Bank	
	2015	**2014**	**2015**	**2014**
Depreciation and impairment (see Note 13)	93,899	103,534	93,045	102,917
Amortisation (see Note 15)	37,318	35,641	34,649	32,852
Total	**131,217**	**139,175**	**127,694**	**135,769**

The difference between the amount presented in note 13 and the amount presented in note 34 represents depreciation of investment property in total amount of 1,576 at Group and Bank level.

35. Other operating expense

	Group		Bank	
	2015	**2014**	**2015**	**2014**
Administrative expenses	411,351	420,627	384,564	394,949
Publicity and sponsorships	30,900	34,143	30,111	33,679
Other expenses	69,120	77,853	67,098	75,867
Total	**511,371**	**532,623**	**481,773**	**504,494**

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 38.

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

(Amounts in thousands RON)

36. Credit loss expense

	Group		Bank	
	2015	2014	2015	2014
Net impairment allowance for loans	578,184	1,153,293	555,475	1,141,518
Net impairment allowance for sundry debtors	38,532	35,780	42,473	40,884
Net impairment allowance for risk and charges	(14,377)	(722)	(16,134)	(5,903)
Net impairment allowance for finance lease	18,861	19,966	-	-
Income from recoveries of derecognized receivables	(90,566)	(130,301)	(88,256)	(129,499)
Write-offs & sales of bad debts	24,179	82,655	27,219	76,513
Financial guarantee and loan contracts	103,401	54,693	110,372	69,361
Total	**658,214**	**1,215,363**	**631,149**	**1,192,874**

37. 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, except amounts in transit in amount of 249,082 (December 31, 2014: 163,863) and loans to banks, with less than 90 days maturity from the date of acquisition in amount of 113,303 (December 31, 2014: 134,875). The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

Group

	December 31, 2015	December 31, 2014
Cash in hand (see note 5)	1,339,602	1,357,570
Current accounts and deposits with banks	1,926,291	938,408
Total	**3,265,893**	**2,295,978**

Bank

	December 31, 2015	December 31, 2014
Cash in hand (see note 5)	1,339,580	1,357,549
Current accounts and deposits with banks	1,925,452	937,310
Total	**3,265,032**	**2,294,859**

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

Group

	December 31, 2015	December 31, 2014
Net impairment allowance for loans	578,184	1,153,293
Net impairment allowance for sundry debtors	38,532	35,780
Net impairment allowance for finance lease	18,861	19,966
Write-offs & sales of bad debts	24,179	82,655
Financial guarantee and loan contracts	103,401	54,693
Net movement in other provisions	(14,378)	(722)
Total	**748,779**	**1,345,665**

Bank

	December 31, 2015	December 31, 2014
Net impairment allowance for loans	555,475	1,141,518
Net impairment allowance for sundry debtors	42,473	40,884
Write-offs & sales of bad debts	27,219	76,513
Financial guarantee and loan contracts	110,372	69,361
Net movement in other provisions	(16,134)	(5,904)
Total	**719,404**	**1,322,372**

(Amounts in thousands RON)

38. Commitments

The line Services includes mainly rent, operating lease and insurance.

	Group		Bank	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Tangible non-current assets	1,420	6,767	1,420	6,767
Intangible non-current assets	2,669	3,438	2,669	3,438
Services	309,937	317,937	309,937	317,937
Total	**314,026**	**328,142**	**314,026**	**328,142**

For details regarding guarantees and credit commitments please see note 43.1.

As at December 31, 2015 and December 31, 2014, the future minimum lease payments regarding operating leases and rent included in line Service for Group and Bank above are:

	December 31, 2015	**December 31, 2014**
Less than one year	74,773	99,069
Between one and five years	142,557	161,793
More than five years	89,766	54,830
	307,096	**315,693**

(Amounts in thousands RON)

39. 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							
	2015				2014			
	Parent	Other related parties	Associates	Key management of the institution	Parent	Other related parties	Associates	Key management of the institution
Assets	**385,038**	**71,597**	**2,487**	**1,974**	**327,424**	**40,414**	**6,049**	**4,118**
Nostro accounts	46,608	7,811	-	-	56,814	9,608	-	-
Deposits	26,124	39,812	-	-	32,739	7,924	-	-
Loans	113,308	21,052	2,485	1,974	128,381	22,882	6,049	4,118
Derivative financial instruments	198,998	67	-	-	109,491	-	-	-
Other assets	-	2,855	2	-	-	-	-	-
Liabilities	**1,244,230**	**100,532**	**69,783**	**14,389**	**1,559,995**	**1,485,971**	**70,016**	**11,407**
Loro accounts	150	84,288	298	-	5,043	22,060	648	-
Deposits	376,477	16,244	69,485	14,389	394,191	27,384	69,368	11,407
Borrowings	713,576	-	-	-	625,333	1,436,527	-	-
Subordinated borrowings	-	-	-	-	449,990	-	-	-
Derivative financial instruments	109,203	-	-	-	68,403	-	-	-
Other liabilities	44,824	-	-	-	17,036	-	-	-
Commitments	**10,521,882**	**117,634**	**7,430**	**264**	**8,395,974**	**118,725**	**7,375**	**324**
								-
Total commitments granted	156,729	15,655	2,001	264	268,020	29,187	1,997	324
Total commitments received	892,023	80,411	5,429	-	1,013,417	89,538	5,379	-
Notional amount of foreign exchange transactions	7,456,700	21,568	-	-	3,829,773	-	-	-
Notional amount of interest rate derivatives	2,016,430	-	-	-	3,284,763	-	-	-
Income statement	**162,799**	**20,876**	**22,775**	**258**	**286,486**	**52,179**	**23,531**	**369**
Interest and commision revenues	18,279	1,485	11,130	66	19,476	1,902	8,482	167
Interest and commission expense	32,324	16,072	426	192	51,217	40,561	805	202
Net gain/(loss) on interest rate derivatives	(7,430)	-	-	-	10,411	-	-	-
Net gain on foreign exchange derivatives	89,304	(2)	-	-	155,814	5,412	-	-
Dividend income	-	-	14,327	-	-	-	15,095	
Other income	-	-	29	-	647	-	299	-
Other expenses	30,322	3,321	(3,137)	0	48,922	4,304	(1,149)	-

(Amounts in thousands RON)

39. Related parties (continued)

Bank

	2015					2014				
	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution
Assets	**358,914**	**71,579**	**46,595**	**2**	**1,138**	**301,180**	**54,412**	**67,095**	**3,846**	**3,436**
Nostro accounts	46,608	7,811	-	-	-	56,814	9,608	-	-	-
Deposits	-	39,812	-	-	-	6,609	7,924	-	-	-
Loans	113,308	21,034	46,574	-	1,138	128,266	36,880	67,095	3,846	3,436
Derivative financial instruments	198,998	67	21	-	-	109,491	-	-	-	-
Other assets	-	2,855	-	2	-	-	-	-	-	-
Liabilities	**528,352**	**100,001**	**122,908**	**69,677**	**7,608**	**932,442**	**1,485,705**	**119,403**	**69,977**	**7,258**
Loro accounts	150	84,288	-	298	-	5,043	22,060	-	648	-
Deposits	374,175	15,713	93,200	69,379	7,608	391,970	27,119	86,819	69,329	7,258
Borrowings	-	-	-	-	-	-	1,436,527	-	-	-
Subordinated borrowings	-	-	-	-	-	449,990	-	-	-	-
Lease payable	-	-	29,701	-	-	-	-	32,580	-	-
Derivative financial instruments	109,203	-	7	-	-	68,403	-	3	-	-
Other liabilities	44,824	-	-	-	-	17,036	-	-	-	-
Commitments	**10,521,882**	**117,634**	**29,050**	**7,430**	**183**	**8,395,974**	**118,725**	**18,933**	**7,375**	**265**
Total commitments granted	156,729	15,655	8,590	2,001	183	268,020	29,187	-	1,997	265
Total commitments received	892,023	80,411	-	5,429	-	1,013,417	89,538	-	5,379	-
Notional amount of foreign exchange transactions	7,456,700	21,568	20,460	-	-	3,829,773	-	18,933	-	-
Notional amount of interest rate derivatives	2,016,430	-	-	-	-	3,284,763	-	-	-	-
Income statement	**138,409**	**20,046**	**23,357**	**10,293**	**115**	**262,303**	**51,901**	**20,293**	**13,552**	**269**
Interest and commision revenues	16,784	921	12,578	556	36	17,852	1,509	11,201	570	147
Interest and commission expense	11,775	16,072	4,037	426	79	31,684	40,561	3,884	805	122
Net gain/(loss) on interest rate derivatives	(7,430)	-	-	-	-	10,411	-	-	-	-
Net gain on foreign exchange derivatives	89,304	(2)	863	-	-	155,814	5,412	114	-	-
Dividend income	-	-	5,863	14,327	-	-	381	5,258	15,095	-
Other expenses	27,976	3,055	16	(5,016)	-	46,542	4,038	(164)	(2,917)	-

(Amounts in thousands RON)

39. 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 88,409 as at December 31, 2015 (December 31, 2014: 37,372).
The Group has no provision booked for receivable from related parties.

As of December 31, 2015, the Board of Directors and Managing Committee members own 304,530 shares (2014: 304,530).

Key management personnel benefits for 2015 and 2014:

	Group		Bank	
	Dec-15	Dec-14	Dec-15	Dec-14
Short-term benefits	14,399	14,309	10,887	10,183
Long-term benefits	1,678	1,480	1,678	1,480
Share-based payment transactions	5	19	3	12

(Amounts in thousands RON)

40. 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.
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)
Simfonia 1	11,906	-	-	364,032	-	-	-	11,906	1,720,699
BRD Obligatiuni	12,506	-	-	2,967	-	-	-	12,506	21,694
BRD Index Europa Regional	2,748	-	-	419	-	-	-	2,748	3,498
Actiuni Europa Regional	16,724	-	-	1,931	-	-	-	16,724	18,862
Diverso Europa Regional	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 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
Simfonia 1	-	320	11,586	-	-	11,906	-	-	364,032	-	364,032	-	-
BRD Obligatiuni	-	-	12,506	-	-	12,506	-	-	2,967	-	2,967	-	-
BRD Index Europa Regional	-	-	2,748	-	-	2,748	-	-	419	-	419	-	-
Actiuni Europa Regional	-	-	16,724	-	-	16,724	-	-	1,931	-	1,931	-	-
Diverso Europa Regional	-	-	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)

40. Interest in unconsolidated structured entities (continued)

Interest in unconsolidated structured entities and size of structured entities in 2014:

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)
Simfonia 1	17,907	-	-	199,404	-	-	-	17,907	1,182,141
BRD Obligatiuni	13,739	-	-	4,051	-	-	-	13,739	18,566
BRD Index Europa Regional	2,666	-	-	537	-	-	-	2,666	3,173
Actiuni Europa Regional	16,191	-	-	2,063	-	-	-	16,191	17,927
Diverso Europa Regional	25,968	-	-	3,780	-	-	-	25,968	29,916
BRD Eurofond	2,148	-	-	236,237	-	-	-	2,148	995,170

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
Simfonia 1	-	240	17,667	-	-	17,907	-	-	199,404	-	199,404	-	-
BRD Obligatiuni	-	-	13,739	-	-	13,739	-	-	4,051	-	4,051	-	-
BRD Index Europa Regional	-	-	2,666	-	-	2,666	-	-	537	-	537	-	-
Actiuni Europa Regional	-	-	16,191	-	-	16,191	-	-	2,063	-	2,063	-	-
Diverso Europa Regional	-	-	25,968	-	-	25,968	-	-	3,780	-	3,780	-	-
BRD Eurofond	-	-	2,148	-	-	2,148	-	-	236,237	-	236,237	-	-

(Amounts in thousands RON)

41. Contingencies

As of December 31, 2015 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 61,698 (2014: 70,490). 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 16,475 (December 31, 2014: 32,609) and the Group 23,735 (December 31, 2014: 38,112) in relation with the litigations.

42. Earnings per share

	Group	
	December 31, 2015	**December 31, 2014**
Ordinary shares on the market	696,901,518	696,901,518
Profit attributable to parent company shareholders	465,821	63,090
Basic and diluted earnings per share (in RON)	0.6684	0.0905

43. 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 as well as Société Générale risk management standards. 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.

Risks are managed within a continuous process of identification, assessment, control and reporting, considering risk limits, approval competences, segregation of duties and other mitigation techniques. Throughout 2015, BRD continued its efforts to accurately assess risks in a difficult and rapidly changing business environment, along the dimensions defined in 2014.

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:

- 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;
- 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.

43.1 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 41).

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)

43. Risk management (continued)

43.1 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). 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 occurs. This process results in the classification of exposures between standard, sensitive and non performing client status.

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, 2015	**December 31, 2014**
ASSETS		
Due from Central Bank	7,480,319	5,832,421
Due from banks	2,314,800	1,263,276
Derivatives and other financial instruments held for trading	1,218,112	693,905
Loans, gross	30,744,036	31,302,885
Impairment allowance for loans	(3,998,569)	(4,525,771)
Loans and advances to customers	26,745,467	26,777,114
Finance lease receivables	549,354	548,931
Financial assets available for sale	9,208,959	8,205,352
Other assets	55,991	57,004
Total assets	**47,573,003**	**43,378,003**
Letters of guarantee granted	6,200,625	6,413,912
Financing commitments granted	4,418,122	4,273,982
Total commitments granted	**10,618,747**	**10,687,894**
Total credit risk exposure	**58,191,750**	**54,065,897**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 Credit risk (continued)

	Bank	
	December 31, 2015	**December 31, 2014**
ASSETS		
Due from Central Bank	7,480,319	5,832,421
Due from banks	2,287,837	1,236,048
Derivatives and other financial instruments held for trading	1,218,133	693,905
Loans, gross	30,312,244	30,926,607
Impairment allowance for loans	(3,935,819)	(4,465,398)
Loans and advances to customers	26,376,425	26,461,209
Financial assets available for sale	9,190,919	8,201,911
Other assets	47,755	44,146
Total assets	**46,601,387**	**42,469,640**
Letters of guarantee granted	6,240,636	6,474,605
Financing commitments granted	4,082,382	3,991,348
Total commitments granted	**10,323,018**	**10,465,953**
Total credit risk exposure	**56,924,405**	**52,935,593**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 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 exhibits a fairly high risk, especially over the long term. Timely repayment of capital and interest is uncertain and depends on favorable economic and financial conditions. Close monitoring 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, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Very good	2,067,414	1,160,705	2,040,451	1,133,476
Good	16,055	48,224	16,055	48,224
Rather good	220,980	36,003	220,980	36,003
Not rated*	10,351	18,345	10,351	18,345
Total	**2,314,800**	**1,263,276**	**2,287,837**	**1,236,048**

*short term exposures, mainly amounts under settlement

Sector analysis of loans granted

	Group		Bank	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Individuals	59.9%	55.9%	59.4%	55.4%
Public administration, education & health	2.9%	3.4%	3.0%	3.4%
Agriculture	2.0%	1.9%	2.0%	2.0%
Manufacturing	8.0%	9.2%	8.1%	9.3%
Transportation, IT&C and other services	2.9%	3.2%	2.9%	3.2%
Trade	8.8%	10.4%	8.9%	10.6%
Constructions	4.1%	5.2%	4.2%	5.3%
Utilities	2.5%	2.4%	2.5%	2.4%
Services	1.3%	1.6%	1.3%	1.6%
Others	4.5%	4.6%	4.6%	4.7%
Financial institutions	3.1%	2.1%	3.2%	2.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(Amounts in thousands RON)

43.Risk management (continued)

43.1 Credit risk (continued)

Sector analysis of loans individually impaired

	Group		Bank	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Individuals	1,323,460	1,444,107	1,255,343	1,374,763
Public administration, education & health	46,344	58,724	46,344	58,724
Agriculture	147,303	141,459	147,303	141,459
Manufacturing	761,670	1,007,603	761,670	1,007,603
Transportation, IT&C and other services	230,194	305,252	230,194	305,252
Trade	1,349,753	1,655,921	1,349,752	1,655,921
Constructions	709,188	945,155	709,188	945,155
Utilities	97,763	104,100	97,763	104,100
Services	211,831	225,405	211,831	225,405
Others	345,894	460,295	345,894	460,295
Financial institutions	13,960	12,331	13,960	12,331
Total	**5,237,360**	**6,360,352**	**5,169,242**	**6,291,007**

Loans to individuals include mortgage loans, consumer loans and overdrafts.
During the normal course of business the Group and Bank sells loans for which the entity does not retain a ‘continuing involvement’.

Ageing analysis of past due but not impaired loans
Group

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**

December 31, 2014

	1 - 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Non-retail lending	678,370	28,899	50,749	5,096	763,114
Small business lending	80,215	24,969	15,336	3,372	123,892
Consumer lending	1,051,371	101,688	41,465	13,842	1,208,366
Residential mortgages	1,204,290	260,787	130,661	19,009	1,614,747
Total	**3,014,246**	**416,342**	**238,210**	**41,320**	**3,710,118**

Bank

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**

December 31, 2014

	1 - 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Non-retail lending	678,370	28,899	50,749	5,096	763,114
Small business lending	80,215	24,969	15,336	3,372	123,892
Consumer lending	1,001,141	101,688	41,465	13,842	1,158,135
Residential mortgages	1,204,290	260,787	130,661	19,009	1,614,747
Total	**2,964,016**	**416,342**	**238,210**	**41,320**	**3,659,888**

(Amounts in thousands RON)

43.Risk management (continued)

43.1 Credit risk (continued)

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

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**

December 31, 2014

	1 - 30 days	31 to 60 days	61 to 90 days	more than 90 days	Total
Non-retail leases	38,650	312	807	-	39,767
Retail leases	15,065	1,859	-	0	16,924
Total	**53,714**	**2,171**	**807**	**0**	**56,691**

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, 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**

December 31, 2014

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Non-retail lending	763,114	504,107	7,431,681	3,620,924
Retail lending	2,947,004	1,586,394	13,800,734	8,811,327
Total	**3,710,118**	**2,090,501**	**21,232,415**	**12,432,251**

Bank

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**

December 31, 2014

	Overdue but not impaired loans	Covered by collaterals & guarantees	Loans neither impaired nor past due	Covered by collaterals & guarantees
Non-retail lending	763,114	504,107	7,497,636	3,620,924
Retail lending	2,896,774	1,586,394	13,478,076	8,811,327
Total	**3,659,888**	**2,090,501**	**20,975,712**	**12,432,251**

(Amounts in thousands RON)

43.Risk management (continued)

43.1 Credit risk (continued)

Analysis of collateral coverage for leasing Group

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**

December 31, 2014

	Overdue but not impaired	Covered by collaterals & guarantees	Neither impaired nor past due	Covered by collaterals & guarantees
Non-retail leases	39,768	30,794	310,765	308,491
Retail leases	16,923	16,750	138,602	139,505
Total	**56,691**	**47,544**	**449,368**	**447,996**

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, 2015 amounts to 3,254,963 (December 31, 2014: 3,355,038). The value of collaterals and guarantees is capped to the gross exposure level.

Analysis of neither impaired nor past due loans corporate lending by credit rating

	Group		Bank	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Very good	436,362	546,768	482,076	612,722
Good	3,613,097	2,848,188	3,609,869	2,848,188
Rather good	2,277,200	3,388,468	2,272,906	3,388,468
Sensitive	989,471	648,258	987,895	648,258
Not rated	81,523	-	81,518	-
Total	**7,397,653**	**7,431,681**	**7,434,264**	**7,497,636**

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

	December 31, 2015	December 31, 2014
Very good	3	5
Good	103,651	113,540
Rather good	203,729	177,557
Sensitive	27,651	19,662
Total	**335,034**	**310,765**

(Amounts in thousands RON)

43. Risk management (continued)

43.1 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, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Letters of guarantee granted	6,200,625	6,413,912	6,240,636	6,474,605
Financing commitments granted	4,418,122	4,273,982	4,082,382	3,991,348
Total commitments granted	**10,618,747**	**10,687,894**	**10,323,018**	**10,465,953**
Letters of guarantee received	15,245,547	14,852,090	15,245,547	14,852,090
Financing commitments received	714,173	1,195,628	714,173	1,195,628
Total commitments received	**15,959,720**	**16,047,717**	**15,959,720**	**16,047,717**

43. Risk management (continued)

43.2 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 positions and by the banking book transactions.

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. The supervisory function is conducted separately, for the trading book related market risks and the banking book related ones (structural risks). 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.

Trading Book related market risks

The trading portfolio, mainly driven by client transactions, is monitored separately from the banking book portfolio and generates a small portion of the Bank's entire exposure to market risk.

The risk awareness related to the trading book activity is embraced by all the 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 and complete 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;
- analysis of 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). The process of monitoring the exposures and verifying their limit compliance is materialized in a report, presenting all the market risk indicators, daily delivered to the personnel acting in the Financial Markets Perimeter, to the management of Risk Department and to the SG Group.

(Amounts in thousands RON)

43. Risk management (continued)

43.2 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 2014, while the sudden closing of the Greek Banks in June 2015 entailed one day breach of the estimated VaR.

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)

	Beginning of the year	End of the year	Minimum	Average	Maximum
2014	0.35	0.40	0.23	0.59	0.98
2015	0.44	0.21	0.09	0.36	0.87

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

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

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.

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

	Beginning of the year	End of the year	Minimum	Average	Maximum
2014	0.83	0.76	0.44	1.31	2.05
2015	0.78	1.05	0.42	1.43	2.38

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 compesating 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 Group and 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)

	Beginning of the year	End of the year	Minimum	Average	Maximum
2014	2.02	4.92	1.35	4.67	7.84
2015	5.05	2.79	2.79	5.34	7.82

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)

43. Risk management (continued)

43.2 Market risk (continued)

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

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	-

2014	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	(38,111)	819	+5	(73,196)	1,386
Other	+5	434	-	+5	1,186	-

(Amounts in thousands RON)

43.Risk management (continued)

43.2 Market risk (continued)

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

	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, net	26,745,468	13,707,542	12,803,821	234,105	26,376,424	13,338,500	12,803,820	234,105
Finance lease receivables, net	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	1,136,986	1,129,051	7,161	774	1,076,412	1,068,476	7,162	774
Total assets	**50,184,711**	**30,286,032**	**18,406,822**	**1,491,857**	**49,192,866**	**29,722,096**	**17,989,339**	**1,481,431**
LIABILITIES								
Due to banks	781,180	460,444	231,687	89,049	781,180	460,444	231,687	89,049
Due to customers	41,098,674	24,906,398	13,701,023	2,491,253	41,191,873	24,967,853	13,732,767	2,491,253
Borrowed funds	1,099,793	402,144	697,649	-	348,037	64,747	283,290	-
Subordinated debt	-	-	-	-	-	-	-	-
Derivative financial instruments	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	792,409	484,756	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	**50,184,711**	**32,644,519**	**14,951,606**	**2,588,586**	**49,192,866**	**32,035,288**	**14,568,991**	**2,588,587**
Position		**(2,358,487)**	**3,455,216**	**(1,096,730)**		**(2,313,191)**	**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		**(129,438)**	**91,136**	**38,303**		**(84,142)**	**56,266**	**27,877**

(Amounts in thousands RON)

43. Risk management (conti nued)

43.2 Market risk (continued)

	Group December 31,2014				Bank December 31,2014			
ASSETS	**Total**	**RON**	**EUR**	**Other**	**Total**	**RON**	**EUR**	**Other**
Cash in hand	1,357,570	1,010,780	248,953	97,837	1,357,549	1,010,759	248,953	97,837
Due from Central Bank	5,832,421	3,394,695	2,437,726	-	5,832,421	3,394,695	2,437,726	-
Due from banks	1,263,276	282,174	306,862	674,241	1,236,048	254,946	306,862	674,241
Derivatives and other financial instruments held for trading	693,905	503,803	188,172	1,930	693,905	503,803	188,172	1,930
Loans and advances to customers, net	26,777,114	11,708,319	14,791,788	277,007	26,461,209	11,392,414	14,791,788	277,007
Finance lease receivables, net	548,931	140,978	402,194	5,759	-	-	-	-
Financial assets available for sale	8,205,352	7,416,493	770,377	18,483	8,201,911	7,415,200	768,228	18,483
Investments in associates and subsidiares	119,731	90,239	-	29,492	157,460	127,968	-	29,492
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Deferred tax asset	88,546	88,546	-	-	93,263	93,263	-	-
Non current assets and other assets	1,144,131	1,124,840	8,516	10,775	1,096,082	1,076,791	8,516	10,775
Total assets	**46,081,107**	**25,810,997**	**19,154,587**	**1,115,524**	**45,179,978**	**25,319,968**	**18,750,245**	**1,109,765**
LIABILITIES								
Due to banks	734,520	456,859	244,459	33,202	734,520	456,859	244,459	33,202
Due to customers	35,954,041	21,843,532	12,133,105	1,977,405	36,040,857	21,929,623	12,133,830	1,977,405
Borrowed funds	2,514,952	332,201	2,182,751	-	1,816,524	42,412	1,774,113	-
Subordinated debt	449,990	-	449,990	-	449,990	-	449,990	-
Derivative financial instruments	87,673	62,393	25,280	-	87,676	62,396	25,280	-
Current tax liability	2,357	2,357	-	-	-	-	-	-
Deferred tax liability	2,982	2,982	-	-	-	-	-	-
Other liabilities	584,378	431,602	139,084	13,693	557,995	379,590	164,712	13,693
Shareholders' equity	5,750,215	5,750,215	-	-	5,492,417	5,492,417	-	-
Total liabilities and shareholders' equity	**46,081,107**	**28,882,141**	**15,174,668**	**2,024,299**	**45,179,978**	**28,363,297**	**14,792,382**	**2,024,299**
Position		**(3,071,144)**	**3,979,918**	**(908,775)**		**(3,043,329)**	**3,957,864**	**(914,534)**
Position off BS		3,035,830	(3,971,774)	935,944		3,481,928	(5,361,174)	1,879,245
Position total		**(35,314)**	**8,145**	**27,168**		**438,599**	**(1,403,310)**	**964,711**

(Amounts in thousands RON)

43. Risk management (continued)

43.2 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			Bank		
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)

December 31, 2014			December 31, 2014		
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	(63,525)	14,472	100	(63,533)	14,692
(100)	63,525	(14,472)	(100)	63,533	(14,692)

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)

43. Risk management (continued)

43.2 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	2,297,894
Derivatives and other financial instruments held for trading	270,706	-	-	-	-	270,706
Loans and advances to customers	8,564,135	10,391,550	2,666,112	4,235,370	153,751	26,010,918
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	9,208,958
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	203,593	71,191	379,686	474,606	1,136,987
Total assets	**16,128,550**	**11,861,534**	**5,652,581**	**10,128,849**	**4,714,335**	**48,485,849**
Liabilities						
Due to banks	130,914	113,113	-	22,623	-	266,650
Due to customers	15,303,927	6,412,579	8,925,293	6,837,685	3,471,683	40,951,167
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	-	792,409	-	-	-	792,409
Total liabilities	**15,910,667**	**7,779,468**	**9,081,782**	**6,990,205**	**3,503,107**	**43,265,231**
Total shareholders' equity	**-**	**-**	**625,744**	**2,502,977**	**3,128,722**	
Net position	**217,883**	**4,082,066**	**(4,054,945)**	**635,667**	**(1,917,494)**	

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

Group

December 31, 2014	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	135,775	24,683	111,072	624,473	461,567	1,357,570
Due from Central Bank	2,007,843	157,647	1,507,358	1,925,388	234,185	5,832,421
Due from banks	1,083,661	6,544	18,294	85,729	49,141	1,243,369
Derivatives and other financial instruments held for trading	149,206	-	-	-	-	149,206
Loans and advances to customers	7,902,425	11,356,744	2,645,718	4,211,804	223,861	26,340,552
Financial lease receivables	43,898	243,510	159,883	101,640	-	548,931
Financial assets available for sale	569,689	280,190	2,489,633	1,939,265	2,926,575	8,205,352
Investments in associates and subsidiares	997	1,996	8,980	47,892	59,865	119,730
Goodwill	417	836	3,760	20,052	25,065	50,130
Deferred tax asset	(2,725)	1,893	(1,983)	86,321	5,040	88,546
Non current assets and other assets	8,258	169,736	74,318	396,364	495,456	1,144,131
Total assets	**11,899,444**	**12,243,779**	**7,017,033**	**9,438,928**	**4,480,755**	**45,079,938**
Liabilities						
Due to banks	121,887	138,650	-	-	22,411	282,948
Due to customers	13,485,617	5,061,078	7,666,743	6,712,104	2,990,822	35,916,364
Debt issued and borrowed funds	1,680,702	458,222	221,746	154,282	-	2,514,952
Subordinated debt	449,990	-	-	-	-	449,990
Derivative financial instruments	87,673	-	-	-	-	87,673
Current tax liability	-	-	2,357	-	-	2,357
Deffered tax liability	24	50	224	1,193	1,491	2,982
Other liabilities	-	584,378	-	-	-	584,378
Total liabilities	**15,825,893**	**6,242,378**	**7,891,070**	**6,867,579**	**3,014,724**	**39,841,643**
Total shareholders' equity	**-**	**-**	**575,022**	**2,300,086**	**2,875,107**	**5,750,215**
Net position	**(3,926,449)**	**6,001,402**	**(1,449,058)**	**271,263**	**(1,409,075)**	

(Amounts in thousands RON)

43.Risk management (continued)

43.2 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	130,915	113,113	-	22,623	-	266,651
Due to customers	15,342,783	6,412,982	8,927,107	6,875,694	3,485,800	41,044,366
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
Deffered tax liability	-	-	-	-	-	-
Other liabilities	-	737,369	-	-	-	737,369
Total liabilities	**15,765,261**	**7,383,640**	**8,937,660**	**6,946,127**	**3,516,955**	**42,549,641**
Total shareholders' equity	**-**	**-**	**598,119**	**2,392,476**	**2,990,595**	**5,981,189**
Net position	**318,096**	**4,185,305**	**(4,006,770)**	**269,133**	**(1,802,588)**	

(Amounts in thousands RON)

43. Risk management (continued)

43.2 Market risk (continued)

Bank

December 31, 2014	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	135,754	24,683	111,072	624,473	461,567	1,357,549
Due from Central Bank	2,007,843	157,647	1,507,358	1,925,388	234,185	5,832,421
Due from banks	1,081,539	6,544	18,294	73,176	36,588	1,216,141
Derivatives and other financial instruments held for trading	149,206	-	-	-	-	149,206
Loans and advances to customers	7,946,284	11,365,617	2,674,370	3,873,894	164,481	26,024,646
Financial assets available for sale	566,248	280,190	2,489,633	1,939,265	2,926,575	8,201,911
Investments in associates and subsidiares	1,312	2,624	11,810	62,984	78,730	157,460
Goodwill	418	836	3,760	20,052	25,065	50,130
Deferred tax asset	(2,346)	2,078	(411)	87,881	6,063	93,263
Non current assets and other assets	8,144	135,058	73,298	390,925	488,656	1,096,082
Total assets	**11,894,402**	**11,975,277**	**6,889,184**	**8,998,038**	**4,421,910**	**44,178,809**
Liabilities						
Due to banks	121,887	138,650	-	-	22,411	282,948
Due to customers	13,511,835	5,061,598	7,669,083	6,753,460	3,007,204	36,003,180
Debt issued and borrowed funds	1,584,491	118,654	84,653	28,725	-	1,816,524
Subordinated debt	449,990	-	-	-	-	449,990
Derivative financial instruments	87,673	-	-	-	-	87,673
Other liabilities	-	557,995	-	-	-	557,995
Total liabilities	**15,755,876**	**5,876,898**	**7,753,736**	**6,782,185**	**3,029,615**	**39,198,310**
Total shareholders' equity	**-**	**-**	**549,242**	**2,196,967**	**2,746,209**	
Net position	**(3,861,474)**	**6,098,379**	**(1,413,794)**	**18,886**	**(1,353,913)**	

43. Risk management (continued)

43.3 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, 2015 and 2014 is as follows:

(Amounts in thousands RON)

43. Risk management (continued)

43.3 Liquidity risk (continued) Group

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	26,745,467	1,420,102	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	1,136,987	7,910	203,593	71,191	379,686	474,607	-
Total assets	**50,184,711**	**17,722,768**	**1,457,461**	**5,419,338**	**15,774,902**	**9,810,242**	**-**
LIABILITIES							
Due to banks	781,180	645,444	-	22,623	90,490	22,623	-
Due to customers	41,098,674	9,920,478	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	792,409	-	792,409	-	-	-	-
Shareholders' equity	**43,927,268**	**10,908,515**	**3,016,466**	**6,808,570**	**16,141,554**	**7,052,163**	**-**
Total shareholders equity	**6,257,443**	**-**	**-**	**625,744**	**2,502,977**	**3,128,722**	**-**
Gap		**6,814,253**	**(1,559,005)**	**(2,014,976)**	**(2,869,629)**	**(370,643)**	**-**
Cumulative gap		**6,814,253**	**5,255,248**	**3,240,272**	**370,643**	**(0)**	**-**

(Amounts in thousands RON)

43.Risk management (continued)

43.3 Liquidity risk (continued) Group

December 31, 2014	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	1,357,570	135,775	24,683	111,072	624,473	461,567	-
Due from Central Bank	5,832,421	2,007,843	157,647	1,507,358	1,925,388	234,185	-
Due from banks	1,263,276	1,103,568	-	18,294	92,273	49,141	-
Derivatives and other financial instruments held for trading	693,905	693,905	-	-	-	-	-
Loans and advances to customers	26,777,114	1,430,011	783,752	4,185,295	12,102,934	8,275,123	-
Financial lease receivables	548,931	40,789	243,510	159,883	101,640	3,109	-
Financial assets available for sale	8,205,352	8,052,471	1,469	4,408	98,448	48,556	-
Investments in associates and subsidiares	119,731	998	1,996	8,980	47,892	59,865	-
Goodwill	50,130	417	836	3,760	20,052	25,065	-
Deferred tax asset	88,546	(2,725)	1,893	(1,983)	86,321	5,040	-
Non current assets and other assets	1,144,131	8,257	169,736	74,318	396,364	495,456	-
Total assets	**46,081,107**	**13,471,309**	**1,385,521**	**6,071,385**	**15,495,786**	**9,657,107**	**-**
Liabilities							
Due to banks	734,520	573,459	4,187	22,411	89,642	44,821	-
Due to customers	35,954,041	8,308,257	2,413,583	5,427,690	16,135,190	3,669,321	-
Debt issued and borrowed funds	2,514,952	41,511	73,150	1,744,350	626,618	29,322	-
Subordinated debt	449,990	-	-	449,990	-	-	-
Derivative financial instruments	87,673	87,673	-	-	-	-	-
Current tax liability	2,357	-	-	2,357	-	-	-
Deffered tax liability	2,982	25	50	224	1,193	1,491	-
Other liabilities	584,377	-	584,377	-	-	-	-
Shareholders' equity	**40,330,892**	**9,010,925**	**3,075,347**	**7,647,022**	**16,852,643**	**3,744,955**	**-**
Total shareholders equity	**5,750,215**	**-**	**-**	**575,022**	**2,300,086**	**2,875,108**	**-**
Gap		**4,460,384**	**(1,689,826)**	**(2,150,659)**	**(3,656,943)**	**3,037,044**	**-**
Cumulative gap		**4,460,384**	**2,770,558**	**619,899**	**(3,037,044)**	**0**	**0**

(Amounts in thousands RON)

43. Risk management (continued)

43.3 Liquidity risk (continued) Bank

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 lease receivables	-						
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	781,180	645,444	-	22,623	90,490	22,623	-
Due to customers	41,191,873	9,959,325	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	-	-	-	-	-
Current tax liability	-	-	-	-	-	-	-
Deffered tax liability	-	-	-	-	-	-	-
Other liabilities	737,368	-	737,368	-	-	-	-
Shareholders' equity	**43,211,676**	**10,896,333**	**2,906,136**	**6,564,274**	**15,778,919**	**7,066,014**	**-**
Total shareholders equity	**5,981,189**	**-**	**-**	**598,119**	**2,392,476**	**2,990,595**	**-**
Gap		**6,787,560**	**(1,522,494)**	**(1,844,086)**	**(3,140,327)**	**(280,653)**	**-**
Cumulative gap		**6,787,560**	**5,265,066**	**3,420,980**	**280,653**	**(0)**	**-**

(Amounts in thousands RON)

43. Risk management (continued)

43.3 Liquidity risk (continued) Bank

December 31, 2014	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
ASSETS							
Cash in hand	1,357,549	135,754	24,683	111,072	624,473	461,567	-
Due from Central Bank	5,832,421	2,007,843	157,647	1,507,358	1,925,388	234,185	-
Due from banks	1,236,048	1,101,446	-	18,294	79,720	36,588	-
Derivatives and other financial instruments held for trading	693,905	693,905	-	-	-	-	-
Loans and advances to customers	26,461,209	1,505,289	791,560	4,209,154	11,739,463	8,215,743	-
Financial assets available for sale	8,201,911	8,049,030	1,469	4,408	98,448	48,556	-
Investments in associates and subsidiares	157,460	1,312	2,624	11,810	62,984	78,730	-
Goodwill	50,130	417	836	3,760	20,052	25,065	-
Deferred tax asset	93,263	(2,346)	2,078	(411)	87,881	6,063	-
Non current assets and other assets	1,096,083	8,145	135,058	73,298	390,925	488,656	-
Total assets	**45,179,978**	**13,500,795**	**1,115,955**	**5,938,743**	**15,029,334**	**9,595,153**	**-**
Liabilities							
Due to banks	734,520	573,459	4,187	22,411	89,642	44,821	-
Due to customers	36,040,857	8,334,384	2,414,107	5,430,044	16,176,588	3,685,734	-
Debt issued and borrowed funds	1,816,524	7,799	17,683	1,531,690	238,457	20,895	-
Subordinated debt	449,990	-	-	449,990	-	-	-
Derivative financial instruments	87,676	87,676	-	-	-	-	-
Deffered tax liability	-	-	-	-	-	-	-
Other liabilities	557,995	-	557,995	-	-	-	-
Shareholders' equity	**39,687,562**	**9,003,318**	**2,993,972**	**7,434,135**	**16,504,687**	**3,751,450**	**-**
Total shareholders equity	**5,492,417**	**-**	**-**	**549,242**	**2,196,967**	**2,746,209**	**-**
Gap		**4,497,477**	**(1,878,017)**	**(2,044,634)**	**(3,672,320)**	**3,097,494**	**-**
Cumulative gap		**4,497,477**	**2,619,460**	**574,826**	**(3,097,494)**	**(0)**	**(0)**

(Amounts in thousands RON)

43. Risk management (continued)

43.3 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, 2015	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Due to banks	792,233	645,499	253	24,538	98,314	23,629	-
Due to customers	41,507,673	29,427,421	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	792,409	-	792,409	-	-	-	-
Letters of guarantee granted	6,200,625	6,200,625	-	-	-	-	-
Total liabilities	**50,596,270**	**36,465,993**	**5,323,635**	**6,288,424**	**2,324,757**	**192,922**	**539**

December 31, 2014	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Due to banks	1,368,013	1,112,766	54,089	24,992	102,180	73,986	-
Due to customers	36,572,263	24,604,285	5,723,465	4,975,147	1,183,493	85,873	-
Debt issued and borrowed funds	4,294,269	133,710	374,745	1,855,290	1,929,292	1,233	-
Subordinated debt	460,754	5,639	-	2,057	453,059	-	-
Derivative financial instruments	(36,546)	(23,978)	(9,402)	(19,064)	15,582	316	-
Current tax liability	1,460	-	-	1,460	-	-	-
Deffered tax liability	2,982	25	50	224	1,193	1,491	-
Other liabilities except for fair values of derivatives	495,468	494,964	504	-	-	-	-
Letters of guarantee granted	7,665,046	7,665,046	-	-	-	-	-
Total liabilities	**50,823,711**	**33,992,457**	**6,143,451**	**6,840,105**	**3,684,798**	**162,899**	**-**

(Amounts in thousands RON)

43. Risk management (continued)

43.3 Liquidity risk (continued)

Future undiscounted cash flows (continued)

Bank

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	792,233	645,499	253	24,538	98,314	23,629	-
Due to customers	41,605,325	29,470,269	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	737,369	-	737,369	-	-	-	-
Letters of guarantee granted	6,240,636	6,240,636	-	-	-	-	-
Total liabilities	**50,044,596**	**36,483,746**	**5,210,362**	**6,186,825**	**1,976,382**	**187,281**	**-**

December 31, 2014	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Without defined maturity
LIABILITIES							
Due to banks	1,368,013	1,112,766	54,089	24,992	102,180	73,986	-
Due to customers	36,599,737	24,604,305	5,723,465	4,975,147	1,206,977	89,843	-
Debt issued and borrowed funds	4,202,247	129,523	364,655	1,819,937	1,886,950	1,182	-
Subordinated debt	460,755	5,639	-	2,057	453,059	-	-
Derivative financial instruments	(36,378)	(23,809)	(9,403)	(19,064)	15,582	316	-
Current tax liability	-	-	-	-	-	-	-
Deffered tax liability	-	-	-	-	-	-	-
Other liabilities except for fair values of derivatives	447,298	446,793	505	-	-	-	-
Letters of guarantee granted	7,898,833	7,898,833	-	-	-	-	-
Total liabilities	**50,940,505**	**34,174,050**	**6,133,311**	**6,803,069**	**3,664,748**	**165,327**	**-**

43. Risk management (continued)

43.4 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
- Permanent supervision of processes (PS)
- 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

In 2015, the Group operational risk strategy focused on the following axes:

- Strengthening bank's antifraud system
- Improving communication on operational risks
- Optimization of operational risk flows (declaration, monitoring, reconciliation)
- Optimization of the Permanent Supervision system
- Regular training and awareness of the personnel involved in operational risk management

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.

(Amounts in thousands RON)

44. 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 main capital management indicators in million RON:

	Group		Bank	
	2015	**2014**	**2015**	**2014**
Eligible CET1	*5,377*	*5,390*	*5,143*	*5,140*
Eligible CET1 after adjustments	*5,516*	*5,377*	*5,282*	*5,127*
Total Tier 1 capital	5,036	4,901	4,634	4,530
Total Tier 2 capital	-	210	-	84
TOTAL OWN FUNDS	**5,036**	**5,111**	**4,634**	**4,614**
Total capital requirement	**2,213**	**2,207**	**2,149**	**2,150**
Credit risk (including counterparty risk)	24,744	25,389	23,975	24,699
Market risk	303	160	322	160
Operational risk	2,446	1,934	2,397	1,906
CVA risk	168	108	168	108
Total risk exposure amount	**27,661**	**27,591**	**26,862**	**26,873**
Regulatory CAR	18.21%	18.53%	17.25%	17.17%
Tier 1 ratio	18.21%	17.76%	17.25%	16.86%

Total own funds includes Tier 1 capital and Tier 2 capital.
Tier 1 capital includes eligible capital, eligible reserves, other comprehensive income less regulatory deductions.
Tier 2 capital included in 2014 eligible subordinated loan issued by the Bank in total amount of 100 EUR million that matured in July 2015. In accordance with CRR, Art. 64 the Tier 2 instruments are amortised pro-rata temporis (different amortisation method as compared to regulatory requirements applied during 2013) starting the 1st day of the final 5 years period.
The own funds presented above do not include the profit of year 2015.
The Group and Bank was compliant with the adequacy ratios throughout the year.

45. Fair value

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

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

(Amounts in thousands RON)

45. Fair value (continued)

	Group				Bank			
	December 31, 2015				December 31, 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	-	179,158	-	179,158	-	179,158	-	179,158
Currency swaps	-	15,302	-	15,302	-	15,323	-	15,323
Forward foreign exchange contracts	-	14,074	-	14,074	-	14,074	-	14,074
Options	-	62,172	-	62,172	-	62,172	-	62,172
	-	**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
Municipal Bonds	-	-	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**	**10,409,052**
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	-	-	28,524,087	28,524,087	-	-	27,783,642	27,783,642
Finance lease receivables	-	-	553,377	553,377	-	-	-	-
Total	**1,339,602**	**-**	**38,872,583**	**40,212,185**	**1,339,580**	**-**	**37,551,798**	**38,891,378**

(Amounts in thousands RON)

45. 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	-	57,043	-	57,043	-	57,043	-	57,043
Currency swaps	-	27,517	-	27,517	-	27,524	-	27,524
Forward foreign exchange contracts	-	6,332	-	6,332	-	6,332	-	6,332
Options	-	62,318	-	62,318	-	62,319	-	62,319
Total	**-**	**153,210**	**-**	**153,210**	**-**	**153,218**	**-**	**153,218**
Liabilities for which fair value is disclosed								
Due to banks	-	784,848	-	784,848	-	784,848	-	784,848
Due to customers	-	41,315,524	-	41,315,524	-	41,409,215	-	41,409,215
Borrowed funds	-	1,108,794	-	1,108,794	-	350,886	-	350,886
Subordinated debt	-	-	-	-	-	-	-	-
Total	**-**	**43,209,166**	**-**	**43,209,166**	**-**	**42,544,949**	**-**	**42,544,949**

(Amounts in thousands RON)

45. Fair value (continued)

	Group				Bank			
	December 31, 2014				December 31, 2014			
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	-	84,571	-	84,571	-	84,571	-	84,571
Currency swaps	-	28,215	-	28,215	-	28,215	-	28,215
Forward foreign exchange contracts	-	18,808	-	18,808	-	18,808	-	18,808
Options	-	17,612	-	17,612	-	17,612	-	17,612
	-	**149,206**	**-**	**149,206**	**-**	**149,206**	**-**	**149,206**
Financial assets available for sale								
Treasury notes	8,039,400	-	-	8,039,400	8,039,400	-	-	8,039,400
Equity investments (listed)	3,861	-	-	3,861	3,861	-	-	3,861
Equity investments (not listed)	-		5,727	5,727	-		5,727	5,727
Other securities quoted	78,379	-	-	78,379	74,937	-	-	74,937
Municipal Bonds	-	-	77,986	77,986	-	-	77,986	77,986
	8,121,640	**-**	**83,713**	**8,205,353**	**8,118,198**	**-**	**83,713**	**8,201,912**
Trading treasury notes	544,699	-	-	544,699	544,699	-	-	544,699
Total	**8,666,339**	**149,206**	**83,713**	**8,899,258**	**8,662,897**	**149,206**	**83,713**	**8,895,817**
Assets for which fair value is disclosed								
Cash in hand	1,357,570	-	-	1,357,570	1,357,549	-	-	1,357,549
Due from Central Bank	-	-	5,832,421	5,832,421	-	-	5,832,421	5,832,421
Due from banks	-	-	1,263,276	1,263,276	-	-	1,236,048	1,236,048
Loans and advances to customers	-	-	27,551,863	27,551,863	-	-	26,890,433	26,890,433
Finance lease receivables	-	-	531,170	531,170	-	-	-	-
Total	**1,357,570**	**-**	**35,178,731**	**36,536,301**	**1,357,549**	**-**	**33,958,902**	**35,316,451**

(Amounts in thousands RON)

45. Fair value (continued)

	Group				Bank			
	December 31, 2014				December 31, 2014			
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	-	45,337	-	45,337	-	45,337	-	45,337
Currency swaps	-	19,920	-	19,920	-	19,923	-	19,923
Forward foreign exchange contracts	-	4,888	-	4,888	-	4,888	-	4,888
Options	-	17,528	-	17,528	-	17,528	-	17,528
Total	**-**	**87,673**	**-**	**87,673**	**-**	**87,676**	**-**	**87,676**
Liabilities for which fair value is disclosed								
Due to banks	-	738,382	-	738,382	-	738,382	-	738,382
Due to customers	-	36,260,622	-	36,260,622	-	36,348,178	-	36,348,178
Borrowed funds	-	2,530,140	-	2,530,140	-	1,827,494	-	1,827,494
Subordinated debt	-	451,821	-	451,821	-	451,821	-	451,821
Total	**-**	**39,980,964**	**-**	**39,980,964**	**-**	**39,365,875**	**-**	**39,365,875**

45. Fair value (continued)

Financial instruments recorded 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 accounted as financial assets available for sale and financial instruments held for trading are valued using a valuation technique based on market quotes as published by Reuters and Bloomberg. These are represented by treasury bills and bonds.

Derivatives
Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves.

All the options traded by BRD, regardless of the underlying asset (currency, interest rate and equity) 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), the future values to be attained by underlyings (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 form the market and stored in the database, being directly input in the daily final formula or further used for the statistical calculation implied by the valuation process.

The pricing module is calibrated to provide the fair value under the form of the following types of quotes:

- Bid and ask, indicating prices at which SG would purchase, sell or unwind the respective instrument under normal market conditions, for a predetermined or standard market volume, as of valuation date; for situations in which SG communicates bid and ask quotes, namely for equity options (shares, stock indices), BRD uses bid quotes for internal valuation purposes.
- Mid, representing the average of SG estimations for bid and ask at which the respective instrument would be traded under normal market conditions, for a predetermined or standard market volume, as of valuation date;

For the other derivative intruments the fair value of unconditional financial instruments is determined as follows:

- FX Forward deals (Income approach / Mark-to-Model) – discounting the flows of the deals at the valuation date, using the discount factors computed on the yield curves assigned to each related currency, for the residual maturity of the deal, and aggregating their corresponding RON equivalents;
- FX Swap deals (Income approach / Mark-to-Model) - discounting the flows of the deals for both legs at the valuation date, using the discount factors computed on the yield curves assigned to each related currency, for the residual maturity of the deal, and aggregating their corresponding RON equivalents

45. Fair value (continued)

- Interest Rate Swap / Cross-Currency Interest Rate Swap deals (IRS/CIRS) (Income approach / Mark-to-Model) - discounting the flows of the deals at the valuation date, using the discount factors and the forward interest rates computed on the yield curves assigned to each related currency, for the residual maturity of each interest/principal exchange event, and aggregating their corresponding RON equivalents

Explicit parameters are variables that come directly from market data.
The main explicit parameters used in valuation of transactions on unconditional financial instruments and related portfolios are:
- Interbank fixing FX rates published by NBR;
- Interbank fixing RON bid/ask interest rates published by NBR;
- Interbank bid/ask interest rates and fixings quoted on each traded currency, except for RON;
- Bid/Ask swap points quoted on EUR/RON for tenures up to 1 year;
- Bid/Ask swap rates quoted on each traded currency for tenures higher than 1 year;
- Bid/Ask cross-currency swap rates quoted on RON for tenures higher than 1 year;
- Futures quotes on EUR and USD for maturities up to 3 years (next 12 maturities);

Implicit parameters are variables obtained through specific intermediary calculation using market prices for relevant financial instruments. The yield curves designated at the level of each product/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.

Financial assets available for sale
Available-for-sale financial assets valued using a valuation technique or pricing models primarily consist of unquoted equities and debt securities. 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.

Equity not listed

The fair value of equity instruments is determined by using the net assets of the entities as at the end of the period.

In the case of Visa share, following the announced acquisition of VISA Europe by VISA Inc, transaction which should be closed in 2016, the Bank, as principal member, will receive 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).

45. Fair value (continued)

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 market rates, including the cost of risk of the transaction established at the origination.

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 market rates.

(Amounts in thousands RON)

45. Fair value (continued)

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

	Group				Bank			
	December 31, 2015		December 31, 2014		December 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	1,339,602	1,339,602	1,357,570	1,357,570	1,339,580	1,339,580	1,357,549	1,357,549
Due from Central Bank	7,480,319	7,480,319	5,832,421	5,832,421	7,480,319	7,480,319	5,832,421	5,832,421
Due from banks	2,314,800	2,314,800	1,263,276	1,263,276	2,287,837	2,287,837	1,236,048	1,236,048
Loans and advances to customers	26,745,467	28,524,087	26,777,114	27,551,863	26,376,425	27,783,642	26,461,209	26,890,433
Finance lease receivables	549,354	553,377	548,931	507,476	-		-	-
	38,429,541	**40,212,184**	**35,779,311**	**36,512,605**	**37,484,160**	**38,891,377**	**34,887,226**	**35,316,450**
Financial liabilities								
Due to banks	781,180	784,848	734,520	738,382	781,180	784,848	734,520	738,382
Due to customers	41,098,674	41,315,524	35,954,041	36,260,622	41,191,873	41,409,215	36,040,857	36,348,178
Borrowed funds	1,099,793	1,108,794	2,514,952	2,530,140	348,037	350,886	1,816,524	1,827,494
Subordinated debt	-	-	449,990	451,821	-	-	449,990	451,821
	42,979,647	**43,209,166**	**39,653,502**	**39,980,964**	**42,321,090**	**42,544,949**	**39,041,890**	**39,365,875**

(Amounts in thousands RON)

45. 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 t 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
Closing balance as at December 31, 2013	**5,872**	**83,863**
Acquisitions	-	2,823
Reimbursements	-	(8,699)
Gain losses from change in fair value	(145)	-
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**

46. Subsequent events

No subsequent event was identified after the reporting date.