


**BRD – Groupe Société Générale S.A.**


**INTERIM FINANCIAL STATEMENTS**


**JUNE 30, 2016**

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION**  
**as of June 30, 2016**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		Unaudited (*)		June 30,	December 31,
		June 30,	December 31,	June 30,	December 31,
		2016	2015	2016	2015
<b>ASSETS</b>					
Cash in hand		1,289,237	1,339,602	1,289,213	1,339,580
Due from Central Bank	4	3,893,651	7,480,319	3,893,651	7,480,319
Due from banks	5	3,528,149	2,314,800	3,501,962	2,287,837
Derivatives and other financial instruments held for trading	6	660,357	1,218,112	660,367	1,218,133
Loans and advances to customers	7	27,758,936	26,741,471	27,367,027	26,376,425
Finance lease receivables	8	639,818	549,354	-	-
Financial assets available for sale	9	10,331,366	9,208,959	10,313,961	9,190,919
Investments in associates and subsidiaries		117,052	121,787	158,997	157,527
Property, plant and equipment	10	821,380	851,260	814,132	843,628
Investment property		14,641	15,337	14,641	15,337
Goodwill	11	50,130	50,130	50,130	50,130
Intangible assets	12	81,366	82,617	76,299	76,214
Deferred tax asset	17	16,619	19,194	13,134	15,584
Other assets	13	282,151	185,668	211,657	141,233
<b>Total assets</b>		<b>49,484,853</b>	<b>50,178,610</b>	<b>48,365,171</b>	<b>49,192,866</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Due to banks	14	926,232	781,180	926,232	781,180
Due to customers	15	40,190,110	41,098,674	40,270,313	41,191,873
Borrowed funds	16	1,057,434	1,099,793	205,859	348,037
Derivatives and other financial instruments held for trading	6	168,410	153,210	168,410	153,218
Current tax liability		44,776	1,463	42,817	-
Deferred tax liability	17	427	539	-	-
Other liabilities	18	734,898	786,308	659,292	737,369
<b>Total liabilities</b>		<b>43,122,287</b>	<b>43,921,167</b>	<b>42,272,923</b>	<b>43,211,677</b>
Share capital	19	2,515,622	2,515,622	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		330,810	380,308	330,810	380,308
Reserves from defined pension plan		12,442	12,442	12,442	12,442
Retained earnings	20	3,456,272	3,299,819	3,233,374	3,072,817
Non-controlling interest		47,420	49,252	-	-
<b>Total equity</b>		<b>6,362,566</b>	<b>6,257,443</b>	<b>6,092,248</b>	<b>5,981,189</b>
<b>Total liabilities and equity</b>		<b>49,484,853</b>	<b>50,178,610</b>	<b>48,365,171</b>	<b>49,192,866</b>

  
Philippe Lhotte  
Chief Executive Officer

  
Petre Bunescu  
Deputy Chief Executive Officer

  
Stephane Fortin  
Chief Financial Officer

The accompanying notes are an integral part of this interim financial statements

(\*) Unaudited / unreviewed by the financial auditor

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE INCOME STATEMENT**  
**for the period ended June 30, 2016**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		Unaudited (*)		Unaudited (*)	
		Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest and similar income	21	905,619	986,060	847,544	927,912
Interest and similar expense	22	(120,549)	(250,775)	(113,216)	(242,128)
<b>Net interest income</b>		<b>785,070</b>	<b>735,284</b>	<b>734,328</b>	<b>685,784</b>
<b>Fees and commissions, net</b>	23	<b>381,397</b>	<b>368,838</b>	<b>364,698</b>	<b>354,841</b>
Foreign exchange gain		95,665	12,901	95,590	12,136
Gain on derivative and other financial instruments held for trading	24	34,648	118,445	34,393	118,304
Gain on financial assets available for sale	26	121,394	21,035	121,326	20,555
Income from associates		10,734	8,036	16,939	14,327
Other income	25	4,965	5,084	14,048	8,665
<b>Operating income</b>		<b>1,433,873</b>	<b>1,269,623</b>	<b>1,381,322</b>	<b>1,214,612</b>
Personnel expenses	28	(338,467)	(321,776)	(316,466)	(300,367)
Depreciation, amortisation and impairment on tangible and intangible assets	29	(63,522)	(66,966)	(61,559)	(65,184)
Contribution to Guarantee Scheme and Resolution Fund	27	(65,139)	(88,050)	(65,139)	(88,050)
Other operating expenses	30	(238,322)	(243,944)	(223,886)	(230,304)
<b>Total operating expenses</b>		<b>(705,450)</b>	<b>(720,737)</b>	<b>(667,050)</b>	<b>(683,905)</b>
<b>Net operating profit</b>		<b>728,423</b>	<b>548,886</b>	<b>714,272</b>	<b>530,707</b>
Cost of risk	31	(282,404)	(268,858)	(270,484)	(255,590)
<b>Profit before income tax</b>		<b>446,019</b>	<b>280,028</b>	<b>443,788</b>	<b>275,117</b>
Current income tax expense	17	(53,101)	(4,475)	(49,769)	-
Deferred tax expense	17	(11,891)	(42,554)	(11,878)	(43,510)
<b>Total income tax</b>		<b>(64,992)</b>	<b>(47,029)</b>	<b>(61,647)</b>	<b>(43,510)</b>
<b>Profit for the period</b>		<b>381,027</b>	<b>232,999</b>	<b>382,141</b>	<b>231,607</b>
Profit attributable to equity holders of the parent		378,009	231,335		
Profit attributable to non-controlling interests		3,018	1,664		
<b>Basic and diluted earnings per share (in RON)</b>	37	<b>0.5424</b>	<b>0.3319</b>	<b>0.5483</b>	<b>0.3323</b>

The accompanying notes are an integral part of this interim financial statements

(\*) Unaudited / unreviewed by the financial auditor

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME**  
**for the period ended June 30, 2016**  
*(Amounts in thousands RON)*

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
<b>Result for the period</b>	<b>381,027</b>	<b>232,999</b>	<b>382,141</b>	<b>231,607</b>
<b>Net comprehensive income that was or will be reclassified to profit and loss in subsequent periods</b>	<b>(49,498)</b>	<b>(139,485)</b>	<b>(49,498)</b>	<b>(139,432)</b>
Reclassifications to profit and loss during the period	(121,394)	(21,035)	(121,326)	(20,555)
Revaluation differences	62,468	(145,017)	62,400	(145,436)
Income tax relating to available-for-sale financial assets	9,428	26,568	9,428	26,558
<b>Other comprehensive income for the period, net of tax</b>	<b>(49,498)</b>	<b>(139,485)</b>	<b>(49,498)</b>	<b>(139,432)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>331,529</b>	<b>93,514</b>	<b>332,643</b>	<b>92,175</b>
Attributable to:				
Equity holders of the parent	328,511	91,850		
Non-controlling interest	3,018	1,664		

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**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**for the period ended June 30, 2016**  
*(Amounts in thousands RON)*

**Group Unaudited (\*)**

	Nota	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		
<b>December 31, 2014</b>		<b>2,515,622</b>	<b>342,066</b>	<b>2,830,911</b>	<b>9,966</b>	<b>51,650</b>	<b>5,750,215</b>
Total comprehensive income		-	(139,485)	231,335	-	1,664	93,514
Net Profit for the period				231,335		1,664	232,999
Other comprehensive income			(139,485)				(139,485)
Shared-based payment		-	-	2,432	-	-	2,432
Equity dividends		-	-	-	-	(3,813)	(3,813)
<b>June 30, 2015</b>		<b>2,515,622</b>	<b>202,581</b>	<b>3,064,676</b>	<b>9,966</b>	<b>49,501</b>	<b>5,842,346</b>

	Nota	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		
<b>December 31, 2015</b>		<b>2,515,622</b>	<b>380,308</b>	<b>3,299,819</b>	<b>12,442</b>	<b>49,252</b>	<b>6,257,443</b>
Total comprehensive income		-	(49,498)	378,009	-	3,018	331,529
Net Profit for the period		-	-	378,009	-	3,018	381,027
Other comprehensive income		-	(49,498)	-	-	-	(49,498)
Shared-based payment		-	-	1,452	-	-	1,452
Equity dividends		-	-	(223,008)	-	(4,850)	(227,858)
<b>June 30, 2016</b>	20	<b>2,515,622</b>	<b>330,810</b>	<b>3,456,272</b>	<b>12,442</b>	<b>47,420</b>	<b>6,362,566</b>

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**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**for the period ended June 30, 2016**  
*(Amounts in thousands RON)*

**Bank**

	Nota	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan	Total equity
<b>December 31, 2014</b>		<b>2,515,622</b>	<b>342,066</b>	<b>2,624,763</b>	<b>9,966</b>	<b>5,492,417</b>
Total comprehensive income		-	(139,432)	231,607	-	92,175
Net Profit for the period		-	-	231,607	-	231,607
Other comprehensive income		-	(139,432)	-	-	(139,432)
Shared-based payment		-	-	2,033	-	2,033
<b>June 30, 2015</b>		<b>2,515,622</b>	<b>202,634</b>	<b>2,858,403</b>	<b>9,966</b>	<b>5,586,625</b>

	Nota	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan	Total equity
<b>December 31, 2015</b>		<b>2,515,622</b>	<b>380,308</b>	<b>3,072,817</b>	<b>12,442</b>	<b>5,981,189</b>
Total comprehensive income		-	(49,498)	382,141	-	332,643
Net Profit for the period		-	-	382,141	-	382,141
Other comprehensive income		-	(49,498)	-	-	(49,498)
Shared-based payment		-	-	1,424	-	1,424
Equity dividends		-	-	(223,008)	-	(223,008)
<b>June 30, 2016</b>	20	<b>2,515,622</b>	<b>330,810</b>	<b>3,233,374</b>	<b>12,442</b>	<b>6,092,248</b>

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**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS**  
**for the period ended June 30, 2016**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
		Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
<b>Cash flows from operating activities</b>					
Profit before tax		446,019	280,027	443,788	275,117
<i>Adjustments for non-cash items</i>					
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets	29	63,522	66,966	61,559	65,184
Share based payment	28	1,452	2,432	1,424	2,033
Loss from investment revaluation		6,205	6,291	-	-
Net expenses from impairment of loans and from provisions	31	344,274	318,976	329,573	303,398
Income tax paid		(19,613)	(27,752)	(17,031)	(25,554)
		<b>841,859</b>	<b>646,940</b>	<b>819,313</b>	<b>620,178</b>
<b>Operating profit before changes in operating assets and liabilities</b>					
<b>Changes in operating assets and liabilities</b>					
Current account with NBR		3,586,668	1,799,433	3,586,668	1,799,433
Accounts and deposits with banks		157,998	94,319	157,254	93,561
Available for sale securities		(1,171,905)	(1,499,881)	(1,172,540)	(1,397,764)
Loans		(1,361,722)	(446,150)	(1,320,156)	(493,374)
Lease receivables		(90,465)	5,593	-	-
Other assets		451,956	(532,914)	477,914	(517,244)
Due to banks		145,052	(57,889)	145,052	(57,889)
Due to customers		(908,564)	1,736,363	(921,560)	1,721,296
Other liabilities		(30,335)	183,304	(56,644)	168,255
<b>Total changes in operating assets and liabilities</b>		<b>778,683</b>	<b>1,282,178</b>	<b>895,988</b>	<b>1,316,274</b>
<b>Cash flow from operating activities</b>		<b>1,620,543</b>	<b>1,929,118</b>	<b>1,715,301</b>	<b>1,936,452</b>
<b>Investing activities</b>					
Acquisition of equity investments		(1,470)	(67)	(1,470)	(67)
Acquisition of tangible and intangible assets	10,12	(31,699)	(37,039)	(31,459)	(34,788)
Proceeds from sale of tangible and intangible assets	10,12	7	937	7	138
<b>Cash flow from investing activities</b>		<b>(33,162)</b>	<b>(36,169)</b>	<b>(32,922)</b>	<b>(34,717)</b>
<b>Financing activities</b>					
Proceeds from borrowings	16	474,072	295,005	18,651	81,118
Repayment of borrowings	16	(516,431)	(279,912)	(160,829)	(78,175)
Dividends paid		(224,039)	(3,813)	(219,189)	(6)
<b>Net cash from financing activities</b>		<b>(266,398)</b>	<b>11,280</b>	<b>(361,367)</b>	<b>2,937</b>
<b>Net movements in cash and cash equivalents</b>		<b>1,320,982</b>	<b>1,904,229</b>	<b>1,321,012</b>	<b>1,904,672</b>
<b>Cash and cash equivalents at beginning of the period</b>	32	<b>3,265,893</b>	<b>2,295,978</b>	<b>3,265,032</b>	<b>2,294,859</b>
<b>Cash and cash equivalents at the end of the period</b>	32	<b>4,586,875</b>	<b>4,200,207</b>	<b>4,586,044</b>	<b>4,199,531</b>
<b>Operational cash flows from interest and dividends</b>					
		Group		Bank	
		Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
		Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest paid		152,265	263,590	144,564	251,760
Interest received		1,078,431	1,167,908	1,019,348	1,106,764
Dividends received		24,253	14,784	28,913	20,647

The amount of undrawn borrowing facilities that may be available for future operating activities is in amount of 696,648 (December 31, 2015: 714,173) and includes as at June 30, 2016 an amount of 678,150 (December 31, 2015: 678,675) 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 18,498 (December 31, 2015: 35,498) in relation with international financial institutions.

The accompanying notes are an integral part of this interim financial statements

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**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**  
**as of and for the period ended June 30, 2016**  
*(Amounts in thousands RON)*

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**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 as at June 30, 2016 818 units throughout the country (December 31, 2015: 829).

The average number of active employees of the Group during the first semester of 2016 was 7,761 (2015: 7,810), and the number of active employees of the Group as of the period-end was 7,706 (December 31, 2015: 7,766).

The average number of active employees of the Bank during the first semester of 2016 was 7,205 (2015: 7,260), and the number of active employees of the Bank as of the period-end was 7,148 (December 31, 2015: 7,208).

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:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Societe Generale France	60.17%	60.17%
Fondul proprietatea	3.64%	3.64%
SIF Transilvania	3.37%	3.48%
SIF Oltenia	2.54%	2.70%
Legal entities	26.95%	26.66%
Individuals	3.33%	3.35%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

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**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**  
**as of and for the period ended June 30, 2016**  
*(Amounts in thousands RON)*

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## **2. Basis of preparation**

### **a) Basis of preparation**

The separate interim financial statements as at 30 June 2016 are of the Bank BRD – Groupe Société Générale. These are reviewed by Ernst & Young Assurance Services SRL in accordance with International Standards of Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The consolidated interim financial statements as at 30 June 2016 and 30 June 2015 are not audited nor reviewed (references included in the financial statements and selected explanatory notes).

The interim financial statements for the six months ended 30 June 2016 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim financial statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2015. 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, as amended, 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 interim financial statements includes the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in shareholders' equity, the consolidated cash flow statement, and selected explanatory notes.

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

The consolidated and separate interim financial statements is 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 interim financial statements has 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's management has made an assessment of the Bank'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's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

### **b) Basis for consolidation**

The consolidated interim financial statements comprises the financial statements of the credit institution and its subsidiaries as at June 30, 2016. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to

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**NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**  
**as of and for the period ended June 30, 2016**  
*(Amounts in thousands RON)*

**2. Basis of preparation (continued)**

**b) Basis for consolidation (continued)**

affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2015: 99.98%), BRD Finance IFN S.A (49% ownership, 2015: 49%, control through the power to govern the financial and operating policies of the entity under various agreements), BRD Corporate Finance SRL (100% ownership, 2015: 100 %) and BRD Asset Management SAI SA (99.98% ownership, 2015: 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.

<b>Group</b>			
<b>Associates</b>	<b>Field of activity</b>	<b>Address</b>	<b>%</b>
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova	20.00%
BRD Asigurari de Viata SA	Insurance	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest	49.00%
BRD Sogelease Asset Rental SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
<b>Bank</b>			
<b>Associates</b>	<b>Field of activity</b>	<b>Address</b>	<b>%</b>
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova	20.00%
BRD Asigurari de Viata SA	Insurance	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest	49.00%
<b>Subsidiaries</b>	<b>Field of activity</b>	<b>Address</b>	<b>%</b>
BRD Sogelease IFN SA	Financial lease	1-7, Ion Mihalache Street, Bucharest	99.98%
BRD Finance IFN SA	Financial institution	1-7, Ion Mihalache Street, Bucharest	49.00%
BRD Asset Management SAI SA	Fund administration	18 Elefterie Street, district 5, Bucharest	99.98%
BRD Corporate Finance SRL	Business consultancy	1-7, Ion Mihalache Street, Bucharest	100.00%

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 interim financial statements at cost less impairment adjustment.

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**2. Basis of preparation (continued)**

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

The accounting policies adopted in the preparation of interim financial statements are consistent with those followed in the preparation of Group's annual financial statement for the year ended December 31, 2015.

The following new and revised IFRSs have also been adopted in this interim financial statements. The impact of the application of these new and revised IFRSs has been reflected in the financial statements, except disclosures already presented.

- **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.

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**2. Basis of preparation (continued)**

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

- **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.
- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization.** The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.
- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations.** The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions.
- **IAS 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.
- **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

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**2. Basis of preparation (continued)**

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

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.
  - **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.

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**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.

- **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 European Union.
- **IFRS 15 Revenue from Contracts with Customers.** The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.
- **IFRS 15: Revenue from Contracts with Customers (Clarifications).** The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the European Union.
- **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.

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**2. Basis of preparation (continued)**

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

- **IFRS 16: Leases.** The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.
- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments).** The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the European Union.
- **IAS 7: Disclosure Initiative (Amendments).** The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the European Union.
- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**  
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the European Union.

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**2. Basis of preparation (continued)**

**e) Significant accounting judgments and estimates**

In the process of applying the Bank's accounting policies, management is required to use its judgements and make estimates in determining the amounts recognized in the interim financial statements. The most significant use of judgements 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, judgement is required to establish fair values. The judgements 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 38.

*Impairment losses on loans and receivables*

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

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 individual 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.

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**2. Basis of preparation (continued)**

**e) Significant accounting judgments and estimates (continued)**

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

Considering the above, the Bank identified the loans eligible under this law worth 5,188,414, out of which 581,986 are already impaired and the specific allowances related to them amount to 298,020 as at June 30, 2016.

There is a significant level of uncertainty regarding the impact of the law on the Bank's financial position and performance, considering the short period of time elapsed from entering into force to the end of the reporting period, and also the numerous factors that may affect clients' behavior: clients' situation (with/without financial difficulties) and capacity to refinance, type of collateral (primary or secondary residence, plot of land), Loan-to-Value, real estate market situation and expected future evolution of the market, etc.

Based on the information available as at June 30, 2016 a collective impairment allowance amounting to 90,420 has been booked for not individually impaired loans falling under the provisions of this law.

*Impairment of goodwill*

The 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 Bank to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of June 30, 2016 was 50,130 (December 31, 2015: 50,130).

*Deferred tax asset*

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible taxable difference 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 at each year end. 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 18.

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**2. Basis of preparation (continued)**

**e) Significant accounting judgments and estimates (continued)**

*Investments*

As at June 30, 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) amounting to 262,409 from financial assets available for sale to “loans and advances to customers” and measures them at amortised cost. The reclassification was made based on the Group’s and Bank’s intention and capacity to keep these instruments till maturity in order to benefit only from principal and interest. This reclassification is prospective.

**f) Segment information**

A segment is a component of the 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).

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### **3. 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.

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**3. Segment information (continued)**

	<b>Group</b>							
	<b>June 30, 2016</b>				<b>December 31, 2015</b>			
	Total	Retail	Non retail	Subsidiaries	Total	Retail	Non retail	Subsidiaries
Loans and advances to customers, net & Finance lease receivables	28,398,755	18,250,162	9,062,311	1,086,282	27,290,825	17,751,211	8,579,467	960,147
Due to customers	40,190,110	24,668,340	15,521,770	0	41,098,674	23,649,283	17,449,391	0

	<b>Bank</b>					
	<b>June 30, 2016</b>			<b>December 31, 2015</b>		
	Total	Retail	Non retail	Total	Retail	Non retail
Loans and advances to customers, net	27,367,027	18,250,162	9,116,865	26,376,425	17,751,211	8,625,214
Due to customers	40,270,313	24,668,340	15,601,973	41,191,873	23,649,283	17,542,590

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**3. Segment information (continued)**

	Group Six months ended June 30, 2016					Six months ended June 30, 2015				
	Total	Retail	Non retail	Subsidiaries	Other	Total	Retail	Non retail	Subsidiaries	Other
Net interest income	785,070	468,435	216,526	50,735	49,374	735,284	432,668	219,500	48,412	34,703
Fees and commissions, net	381,397	270,960	93,950	16,739	(252)	368,838	253,725	102,141	15,245	(2,273)
Total non-interest income	267,406	48,651	41,724	2,429	174,601	165,501	48,971	46,654	3,971	65,905
<b>Operating Income</b>	<b>1,433,873</b>	<b>788,047</b>	<b>352,200</b>	<b>69,904</b>	<b>223,723</b>	<b>1,269,623</b>	<b>735,365</b>	<b>368,295</b>	<b>67,629</b>	<b>98,335</b>
<b>Total operating expenses</b>	<b>(705,450)</b>	<b>(471,756)</b>	<b>(185,525)</b>	<b>(38,373)</b>	<b>(9,796)</b>	<b>(720,737)</b>	<b>(484,912)</b>	<b>(192,464)</b>	<b>(36,833)</b>	<b>(6,528)</b>
Cost of risk	(282,404)	(160,965)	(106,665)	(11,902)	(2,871)	(268,858)	(2,307)	(270,557)	(13,910)	17,916
<b>Profit before income tax</b>	<b>446,019</b>	<b>155,326</b>	<b>60,010</b>	<b>19,628</b>	<b>211,054</b>	<b>280,029</b>	<b>248,146</b>	<b>(94,726)</b>	<b>16,885</b>	<b>109,724</b>
<b>Profit for the period</b>	<b>381,027</b>	<b>132,048</b>	<b>50,416</b>	<b>17,206</b>	<b>181,357</b>	<b>232,999</b>	<b>209,479</b>	<b>(81,245)</b>	<b>13,171</b>	<b>91,594</b>
Cost Income Ratio	49.2%	59.9%	52.7%	54.9%	4.4%	56.8%	65.9%	52.3%	54.5%	6.6%

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**3. Segment information (continued)**

	Bank							
	Six months ended June 30, 2016				Six months ended June 30, 2015			
	Total	Retail	Non retail	Other	Total	Retail	Non retail	Other
Net interest income	734,328	468,435	216,526	49,367	685,784	432,668	219,500	33,615
Fees and commissions, net	364,698	270,960	93,950	(212)	354,841	253,725	102,141	(1,025)
Total non-interest income	282,296	48,651	41,724	191,921	173,987	48,971	46,654	78,362
<b>Operating Income</b>	<b>1,381,322</b>	<b>788,047</b>	<b>352,200</b>	<b>241,075</b>	<b>1,214,612</b>	<b>735,365</b>	<b>368,295</b>	<b>110,952</b>
<b>Total operating expenses</b>	<b>(667,050)</b>	<b>(471,756)</b>	<b>(185,525)</b>	<b>(9,770)</b>	<b>(683,905)</b>	<b>(484,912)</b>	<b>(192,464)</b>	<b>(6,529)</b>
Cost of risk	(270,484)	(160,965)	(106,665)	(2,854)	(255,590)	(2,307)	(270,557)	17,274
<b>Profit before income tax</b>	<b>443,788</b>	<b>155,326</b>	<b>60,010</b>	<b>228,452</b>	<b>275,117</b>	<b>248,146</b>	<b>(94,726)</b>	<b>121,698</b>
<b>Profit for the period</b>	<b>382,141</b>	<b>132,048</b>	<b>50,416</b>	<b>199,676</b>	<b>231,607</b>	<b>209,479</b>	<b>(81,245)</b>	<b>103,374</b>
<b>Cost Income Ratio</b>	<b>48.3%</b>	<b>59.9%</b>	<b>52.7%</b>	<b>4.1%</b>	<b>56.3%</b>	<b>65.9%</b>	<b>52.3%</b>	<b>5.9%</b>

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**4. Due from Central Bank**

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 foreign currency from 14% as of December 2015 to 12% as of June 2016.

The decrease in due from Central Bank is also mainly due to the liquidation of the 3,200,000 deposit held at National Bank of Romania as of December 31, 2015.

**5. Due from banks**

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Deposits at Romanian banks	397,554	281,233	397,554	281,233
Deposits at foreign banks	1,459,409	1,543,544	1,434,029	1,517,420
Current accounts at Romanian banks	845	840	38	2
Current accounts at foreign banks	165,877	489,183	165,877	489,182
Reverse repo	1,504,464	-	1,504,464	-
<b>Total</b>	<b>3,528,149</b>	<b>2,314,800</b>	<b>3,501,962</b>	<b>2,287,837</b>

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**6. Derivative and other financial instruments held for trading**

<b>Group</b>	<b>June 30, 2016</b>		
	<b>Unaudited (*)</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
Interest rate swaps	176,861	50,083	4,564,754
Currency swaps	34,685	19,177	2,703,476
Forward foreign exchange contracts	17,981	26,868	1,519,802
Options	67,695	67,873	4,076,709
<b>Total derivatives</b>	<b>297,222</b>	<b>164,001</b>	<b>12,864,740</b>
Trading treasury notes	363,135	4,409	342,880
<b>Total</b>	<b>660,357</b>	<b>168,410</b>	<b>13,207,620</b>
	<b>December 31, 2015</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
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
<b>Total derivatives</b>	<b>270,706</b>	<b>153,210</b>	<b>14,921,165</b>
Trading treasury notes	947,406	-	882,033
<b>Total</b>	<b>1,218,112</b>	<b>153,210</b>	<b>15,803,198</b>
	<b>Bank</b>		
	<b>June 30, 2016</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
Interest rate swaps	176,861	50,083	4,564,754
Currency swaps	34,696	19,177	2,710,848
Forward foreign exchange contracts	17,981	26,868	1,519,802
Options	67,695	67,873	4,076,709
<b>Total derivatives</b>	<b>297,232</b>	<b>164,001</b>	<b>12,872,112</b>
Trading treasury notes	363,135	4,409	342,880
<b>Total</b>	<b>660,367</b>	<b>168,410</b>	<b>13,214,992</b>
	<b>December 31, 2015</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
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
<b>Total derivatives</b>	<b>270,727</b>	<b>153,218</b>	<b>14,941,623</b>
Trading treasury notes	947,406	-	882,033
<b>Total</b>	<b>1,218,133</b>	<b>153,218</b>	<b>15,823,656</b>

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**6. Derivative and other financial instruments held for trading (continued)**

The Group and Bank received cash collateral from the parent for derivatives transactions in amount of 74,484 (December 31, 2015: 88,392).

The Group applied also hedge accounting (fair value hedge) and as at June 30, 2016 has one hedging instrument.

On September 30, 2013, the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 104.18 million EUR with a fixed interest rate of 1.058%. The remaining period for the hedging instrument is of 4.8 years.

The hedging relationship was effective throughout the reporting period.

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

	<b>June 30, 2016</b>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Notional</u>
Interest rate swaps	18,189	-	470,998

	<b>December 31, 2015</b>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Notional</u>
Interest rate swaps	15,583	-	565,653

*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 Bank with other financial institutions in which the Bank 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 Bank 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.

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**6. Derivative and other financial instruments held for trading (continued)**

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.

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.

**7. Loans and advances to customers**

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Loans, gross	31,638,413	30,744,036	31,182,595	30,312,244
Loans impairment	(3,879,477)	(4,002,565)	(3,815,568)	(3,935,819)
<b>Total</b>	<b>27,758,936</b>	<b>26,741,471</b>	<b>27,367,027</b>	<b>26,376,425</b>

As at June 30, 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) amounting to 262,409 from financial assets available for sale to “loans and advances to customers” and measures them at amortised cost. The reclassification was made based on the Group’s and Bank’s intention and capacity to keep these instruments till maturity in order to benefit only from principal and interest. This reclassification is prospective.

The structure of loans is the following:

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Working capital loans	5,122,428	5,422,564	5,122,428	5,422,564
Loans for equipment	4,680,016	4,987,421	4,638,114	4,976,371
Trade activities financing	494,661	494,488	494,661	494,488
Acquisition of real estate, including mortgage for individuals	9,985,604	9,481,552	9,985,604	9,481,552
Consumer loans	8,448,192	8,406,899	8,034,276	7,986,156
Other	2,907,512	1,951,113	2,907,512	1,951,113
<b>Total</b>	<b>31,638,413</b>	<b>30,744,037</b>	<b>31,182,595</b>	<b>30,312,244</b>

As of June 30, 2016 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 1,873,079 (December 31, 2015: 1,584,361), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts to 3,820,358 (December 31, 2015: 4,430,510).

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**7. Loans and advances to customers (continued)**

**Sector analysis**

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Individuals	60.0%	59.9%	59.6%	59.4%
Public administration, education & health	3.5%	2.9%	3.6%	3.0%
Agriculture	2.0%	2.0%	2.0%	2.0%
Manufacturing	7.8%	8.0%	8.0%	8.1%
Transportation, IT&C and other services	2.9%	2.9%	2.8%	2.9%
Trade	7.5%	8.8%	7.6%	8.9%
Constructions	3.6%	4.1%	3.6%	4.2%
Utilities	2.1%	2.5%	2.1%	2.5%
Services	1.2%	1.3%	1.2%	1.3%
Others	4.1%	4.5%	4.1%	4.6%
Financial institutions	5.3%	3.1%	5.4%	3.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**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
<b>Balance as of December 31, 2014</b>	<b>1,309,965</b>	<b>3,031,993</b>	<b>183,814</b>	<b>1,249,592</b>	<b>3,031,993</b>	<b>183,814</b>
Increases due to amounts set aside for estimated loan losses during the period	599,560	2,133,706	172,714	580,111	2,133,706	164,927
Decreases due to amounts reversed for estimated loan losses during the period	(505,317)	(1,742,471)	(75,790)	(505,009)	(1,742,471)	(75,790)
Decreases due to amounts taken against allowances	(472,704)	(662,681)	-	(452,149)	(662,681)	-
Foreign exchange losses	16,572	12,661	543	16,572	12,661	543
<b>Balance as of December 31, 2015</b>	<b>948,076</b>	<b>2,773,208</b>	<b>281,281</b>	<b>889,117</b>	<b>2,773,209</b>	<b>273,494</b>
Increases due to amounts set aside for estimated loan losses during the period	264,902	764,000	220,994	258,676	764,000	219,620
Decreases due to amounts reversed for estimated loan losses during the period	(187,794)	(662,353)	(41,002)	(187,794)	(662,353)	(41,002)
Decreases due to amounts taken against allowances	(139,271)	(337,695)	-	(128,834)	(337,695)	-
Foreign exchange (gain)	(3,355)	(1,339)	(176)	(3,355)	(1,339)	(176)
<b>Balance as of June 30, 2016</b>	<b>882,560</b>	<b>2,535,820</b>	<b>461,098</b>	<b>827,810</b>	<b>2,535,822</b>	<b>451,937</b>

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**7. Loans and advances to customers (continued)**

**Impaired loans**

	Group		Bank	
	Unaudited (*) June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Impaired loans 90 days past due and more	3,143,977	3,653,911	3,079,356	3,585,793
Provisions for impaired loans 90 days past due and more	(2,599,304)	(2,944,371)	(2,544,556)	(2,889,408)
Impaired loans less than 90 days past due	1,425,039	1,583,449	1,425,039	1,583,449
Provisions for impaired loans less than 90 days past due	(819,076)	(772,918)	(819,076)	(772,918)
<b>Net impaired loans</b>	<b>1,150,635</b>	<b>1,520,071</b>	<b>1,140,763</b>	<b>1,506,916</b>

The gross value of the loans individually determined to be impaired for the Group is 4,569,016 (December 31, 2015: 5,237,360), while for the Bank is 4,504,395 (December 31, 2015: 5,169,242).

**8. 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	
	Unaudited (*) June 30, 2016	December 31, 2015
<b>Gross investment in finance lease:</b>		
Maturity under 1 year	279,880	263,013
Maturity between 1 and 5 years	490,232	413,252
Maturity higher than 5 years	26,330	29,862
	<b>796,443</b>	<b>706,127</b>
<b>Unearned finance income</b>	(62,848)	(57,772)
<b>Net investment in finance lease</b>	<b>733,595</b>	<b>648,355</b>
<b>Net investment in finance lease:</b>		
Maturity under 1 year	252,025	237,230
Maturity between 1 and 5 years	456,646	383,097
Maturity higher than 5 years	24,924	28,029
	<b>733,595</b>	<b>648,355</b>
	<b>Unaudited (*)</b>	
	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Net investment in the lease	733,595	648,355
Accumulated allowance for uncollectible minimum lease payments receivable	(93,777)	(99,001)
<b>Total</b>	<b>639,818</b>	<b>549,354</b>

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**9. Financial assets available for sale**

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Treasury notes	10,239,243	8,772,381	10,239,243	8,772,381
Equity investments	23,677	89,821	23,677	89,821
Other securities	68,448	346,757	51,041	328,717
<b>Total</b>	<b>10,331,366</b>	<b>9,208,959</b>	<b>10,313,961</b>	<b>9,190,919</b>

**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 June 30, 2016 no treasury notes have been pledged for repo transactions (as of December 31, 2015 treasury notes amounting 74,033 have been pledged for repo transactions).

**Equity investments**

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

**Other securities**

The Group holds fund units in:

June 30, 2016 Unaudited (*)	Group		Market value
	Unit value	No of units	
FDI Simfonia I	39	297,743	11,727
BRD Obligatiuni	163	81,083	13,249
Diverso Europa Regional	148	160,380	23,786
Actiuni Europa Regional	137	109,668	15,032
Index Europa Regional	118	21,794	2,566
BRD USD Fond	417	5,000	2,086
<b>Total</b>		<b>675,668</b>	<b>68,448</b>

December 31, 2015	Group		Market value
	Unit value	No of units	
FDI Simfonia I	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
<b>Total</b>		<b>697,949</b>	<b>74,719</b>

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**9. Financial assets available for sale (continued)**

The Bank holds fund units in:

<b>June 30, 2016</b>	<b>Bank</b>		
	<b>Unit value</b>	<b>No of units</b>	<b>Market value</b>
BRD Obligatiuni	163	59,103	9,657
Diverso Europa Regional	148	160,380	23,786
Actiuni Europa Regional	137	109,668	15,032
Index Europa Regional	118	21,794	2,566
<b>Total</b>		<b>350,945</b>	<b>51,041</b>

<b>December 31, 2015</b>	<b>Bank</b>		
	<b>Unit value</b>	<b>No of units</b>	<b>Market value</b>
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
<b>Total</b>		<b>378,515</b>	<b>56,678</b>

As at June 30, 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) amounting to 262,409 from financial assets available for sale to “loans and advances to customers” and measures them at amortised cost. Please see note 7.

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**10. Property, plant and equipment**

	Group					Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	
<b>Cost:</b>						
<b>as of December 31, 2014</b>	<b>1,310,667</b>	<b>39,300</b>	<b>262,294</b>	<b>532,925</b>	<b>20,227</b>	<b>2,165,413</b>
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)
<b>as of December 31, 2015</b>	<b>1,326,615</b>	<b>29,284</b>	<b>264,546</b>	<b>530,490</b>	<b>16,518</b>	<b>2,167,452</b>
Additions	972	-	34	152	23,378	24,536
Transfers	2,684	-	9,976	11,962	(24,622)	0
Disposals	(1,600)	-	(22,757)	(6,540)	(7,144)	(38,040)
<b>as of June 30, 2016 Unaudited (*)</b>	<b>1,328,671</b>	<b>29,284</b>	<b>251,799</b>	<b>536,064</b>	<b>8,130</b>	<b>2,153,948</b>
<b>Depreciation and impairment:</b>						
<b>as of December 31, 2014</b>	<b>(596,303)</b>	<b>(18,926)</b>	<b>(213,155)</b>	<b>(431,343)</b>	<b>-</b>	<b>(1,259,728)</b>
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)
<b>as of December 31, 2015</b>	<b>(638,141)</b>	<b>(13,947)</b>	<b>(212,383)</b>	<b>(436,382)</b>	<b>-</b>	<b>(1,300,854)</b>
Depreciation	(23,006)	(696)	(11,001)	(11,937)	-	(46,639)
Impairment	(225)	-	-	(142)	-	(367)
Disposals	980	-	22,774	6,177	-	29,931
<b>as of June 30, 2016 Unaudited (*)</b>	<b>(660,392)</b>	<b>(14,643)</b>	<b>(200,610)</b>	<b>(442,283)</b>	<b>-</b>	<b>(1,317,927)</b>
<b>Net book value:</b>						
<b>as of December 31, 2014</b>	<b>714,364</b>	<b>20,374</b>	<b>49,139</b>	<b>101,581</b>	<b>20,227</b>	<b>905,685</b>
<b>as of December 31, 2015</b>	<b>688,473</b>	<b>15,337</b>	<b>52,163</b>	<b>94,108</b>	<b>16,518</b>	<b>866,597</b>
<b>as of June 30, 2016 Unaudited (*)</b>	<b>668,279</b>	<b>14,641</b>	<b>51,190</b>	<b>93,781</b>	<b>8,130</b>	<b>836,021</b>

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**10. Property, plant and equipment (continued)**

	Bank					Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	
<b>Cost:</b>						
<b>as of December 31, 2014</b>	<b>1,300,891</b>	<b>39,300</b>	<b>251,522</b>	<b>531,205</b>	<b>20,226</b>	<b>2,143,146</b>
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)
<b>as of December 31, 2015</b>	<b>1,316,517</b>	<b>29,285</b>	<b>254,202</b>	<b>529,755</b>	<b>16,518</b>	<b>2,146,278</b>
Additions	972	-	16	47	23,378	24,413
Transfers	2,684	-	9,976	11,962	(24,622)	0
Disposals	(1,600)	-	(22,366)	(6,474)	(7,144)	(37,583)
<b>as of June 30, 2016</b>	<b>1,318,574</b>	<b>29,285</b>	<b>241,829</b>	<b>535,290</b>	<b>8,130</b>	<b>2,133,108</b>
<b>Depreciation and impairment:</b>						
<b>as of December 31, 2014</b>	<b>(592,481)</b>	<b>(18,926)</b>	<b>(203,484)</b>	<b>(429,934)</b>	<b>-</b>	<b>(1,244,826)</b>
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)
<b>as of December 31, 2015</b>	<b>(634,126)</b>	<b>(13,948)</b>	<b>(203,359)</b>	<b>(435,880)</b>	<b>-</b>	<b>(1,287,313)</b>
Depreciation	(22,886)	(696)	(10,673)	(11,903)	-	(46,158)
Impairment	(225)	-	-	(142)	-	(367)
Disposals	980	-	22,364	6,159	-	29,504
<b>as of June 30, 2016</b>	<b>(656,257)</b>	<b>(14,644)</b>	<b>(191,669)</b>	<b>(441,765)</b>	<b>-</b>	<b>(1,304,334)</b>
<b>Net book value:</b>						
<b>as of December 31, 2014</b>	<b>708,409</b>	<b>20,374</b>	<b>48,038</b>	<b>101,272</b>	<b>20,226</b>	<b>898,321</b>
<b>as of December 31, 2015</b>	<b>682,390</b>	<b>15,337</b>	<b>50,843</b>	<b>93,877</b>	<b>16,518</b>	<b>858,965</b>
<b>as of June 30, 2016</b>	<b>662,317</b>	<b>14,641</b>	<b>50,160</b>	<b>93,525</b>	<b>8,130</b>	<b>828,773</b>

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 15,111 as at June 30, 2016 (December 31, 2015: 15,807). The fair value has been determined based on a valuation by an independent valuer in 2015.

Rental income from investment property of 938 (2015: 951) has been recognised in other income.

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## 11. 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 became the present Sucursala Mari Clienti Corporativi (“SMCC”) – the branch dedicated to large significant clients, most of them taken over from the former Societe Generale Bucharest.

As at June 30, 2016, the branch had a number of more than 4 000 active customers, with loans representing approximately 16% from total loans managed by the network and with deposits representing about 18.4% 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.

## 12. Intangible assets

The balance of the intangible assets as of June 30, 2016 and December 31, 2015 represents mainly software.

	Group	Bank
<b>Cost:</b>		
<b>as of December 31, 2014</b>	<b>336,678</b>	<b>309,949</b>
Additions	35,217	32,028
Disposals	(8,317)	(7,800)
Transfers	691	691
<b>as of December 31, 2015</b>	<b>364,268</b>	<b>334,867</b>
Additions	16,586	16,442
Disposals	(626)	(626)
<b>as of June 30, 2016</b>	<b>380,228</b>	<b>350,683</b>
<b>Amortization:</b>		
<b>as of December 31, 2014</b>	<b>(251,452)</b>	<b>(230,958)</b>
Amortization expense	(37,318)	(34,649)
Disposals	7,119	6,954
<b>as of December 31, 2015</b>	<b>(281,651)</b>	<b>(258,653)</b>
Amortization expense	(17,211)	(15,729)
<b>as of June 30, 2016</b>	<b>(298,862)</b>	<b>(274,383)</b>
<b>Net book value:</b>		
<b>as of December 31, 2014</b>	<b>85,226</b>	<b>78,991</b>
<b>as of December 31, 2015</b>	<b>82,617</b>	<b>76,214</b>
<b>as of June 30, 2016</b>	<b>81,366</b>	<b>76,299</b>

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**13. Other assets**

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Advances to suppliers	56,359	32,162	-	-
Sundry debtors	167,583	65,046	160,428	58,913
Prepaid expenses	36,307	23,578	32,228	21,011
Repossessed assets	11,014	10,757	8,806	8,122
Prepaid income tax	(0)	43,051	(0)	42,790
Other assets	10,888	11,075	10,195	10,397
<b>Total</b>	<b>282,151</b>	<b>185,668</b>	<b>211,657</b>	<b>141,233</b>

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 63,520 (December 31, 2015: 60,810) and at Bank level is 47,704 (December 31, 2015: 47,510).

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

As of June 30, 2016 the carrying value of repossessed assets for Group is 11,014 (December 31, 2015: 10,757). As of June 30, 2016 the carrying value of repossessed assets for Bank is 8,806 (December 31, 2015: 8,122), representing three residential buildings.

**14. Due to banks**

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Demand deposits	548,774	602,759	548,774	602,759
Term deposits	377,458	178,421	377,458	178,421
<b>Due to banks</b>	<b>926,232</b>	<b>781,180</b>	<b>926,232</b>	<b>781,180</b>

**15. Due to customers**

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Demand deposits	21,727,078	22,035,228	21,764,069	22,081,073
Term deposits	18,463,032	19,063,446	18,506,244	19,110,800
<b>Due to customers</b>	<b>40,190,110</b>	<b>41,098,674</b>	<b>40,270,313</b>	<b>41,191,873</b>

**16. Borrowed funds**

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Borrowings from related parties	738,874	713,579	26,164	29,701
Borrowings from international financial institutions	316,904	383,048	178,039	315,171
Borrowings from other institutions	496	621	496	621
Other borrowings	1,160	2,545	1,160	2,545
<b>Total</b>	<b>1,057,434</b>	<b>1,099,793</b>	<b>205,859</b>	<b>348,037</b>

Funds borrowed from related parties are senior unsecured and are used in the normal course of business.

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**17. 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 June 30, 2016 the Group has a current tax liability in total amount of 44,776 (December 31, 2015: 1,463).

The deferred tax liability/asset is reconciled as follows:

	<b>Group</b> <b>June 30, 2016 Unaudited (*)</b>			
	<b>Temporary differences</b>	<b>Consolidated Statement of Financial Position Asset / (Liability)</b>	<b>Consolidated Income Statement (Expense) / Income</b>	<b>Consolidated OCI (Expense) / Income</b>
<i>Deferred tax liability</i>				
Defined benefit obligation	(14,587)	(2,334)	-	-
Investments and other securities	(396,491)	(63,439)	111	9,428
<b>Total</b>	<b>(411,078)</b>	<b>(65,772)</b>	<b>111</b>	<b>9,428</b>
<i>Deferred tax asset</i>				
Tangible and intangible assets	88,608	14,176	1,155	-
Provisions and other liabilities	423,674	67,788	(13,157)	-
<b>Total</b>	<b>512,282</b>	<b>81,964</b>	<b>(12,002)</b>	<b>-</b>
<b>Taxable items</b>	<b>101,204</b>			
<b>Deferred tax</b>		<b>16,192</b>	<b>(11,891)</b>	<b>9,428</b>

The taxable item in amount of 16,192 represents a deferred tax asset of 16,619 and a deferred tax liability of 427.

	<b>Bank</b> <b>June 30, 2016</b>			
	<b>Temporary differences</b>	<b>Individual Statement of Financial Position Asset / (Liability)</b>	<b>Individual Income Statement (Expense) / Income</b>	<b>Consolidated OCI (Expense) / Income</b>
<i>Deferred tax liability</i>				
Defined benefit obligation	(14,587)	(2,334)	-	-
Investments and other securities	(393,822)	(63,011)	-	9,428
<b>Total</b>	<b>(408,407)</b>	<b>(65,345)</b>	<b>-</b>	<b>9,428</b>
<i>Deferred tax asset</i>				
Tangible and intangible assets	91,237	14,598	1,043	-
Provisions and other liabilities	399,262	63,882	(12,921)	-
<b>Total</b>	<b>490,500</b>	<b>78,480</b>	<b>(11,878)</b>	<b>-</b>
<b>Taxable items</b>	<b>82,092</b>			
<b>Deferred tax</b>		<b>13,134</b>	<b>(11,878)</b>	<b>9,428</b>

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**17. Taxation (continued)**

Group December 31, 2015			
Temporary differences	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Deferred tax liability</i>			
Defined benefit obligation	(14,587)	(2,334)	-
Investments and other securities	(456,115)	(72,978)	4,427
<b>Total</b>	<b>(470,702)</b>	<b>(75,312)</b>	<b>4,427</b>
<i>Deferred tax asset</i>			
Tangible and intangible assets	81,381	13,021	1,054
Fiscal loss	-	-	(85,533)
Provisions and other liabilities	505,914	80,945	20,899
<b>Total</b>	<b>587,295</b>	<b>93,966</b>	<b>(63,580)</b>
<b>Taxable items</b>	<b>116,593</b>		
<b>Deferred tax</b>		<b>18,655</b>	<b>(59,153)</b>
			<b>(7,756)</b>
Bank December 31, 2015			
Temporary differences	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Deferred tax liability</i>			
Defined benefit obligation	(14,587)	(2,334)	-
Investments and other securities	(452,748)	(72,440)	-
<b>Total</b>	<b>(467,335)</b>	<b>(74,774)</b>	<b>-</b>
<i>Deferred tax asset</i>			
Tangible and intangible assets	84,720	13,555	84
Fiscal loss	-	-	(85,533)
Provisions and other liabilities	480,016	76,802	15,526
<b>Total</b>	<b>564,736</b>	<b>90,358</b>	<b>(69,923)</b>
<b>Taxable items</b>	<b>97,401</b>		
<b>Deferred tax</b>		<b>15,584</b>	<b>(69,923)</b>
			<b>(7,756)</b>

**Movement in deferred tax is as follows:**

	Group	Bank
<b>Deferred tax asset, net as of December 31, 2014</b>	<b>85,564</b>	<b>93,263</b>
Deferred tax recognized in other comprehensive income	(7,756)	(7,756)
Deferred tax recognized in profit and loss	(59,153)	(69,923)
<b>Deferred tax asset, net as of December 31, 2015</b>	<b>18,655</b>	<b>15,584</b>
Deferred tax recognized in other comprehensive income	9,428	9,428
Deferred tax recognized in profit and loss	(11,891)	(11,878)
<b>Deferred tax asset, net as of June 30, 2016</b>	<b>16,192</b>	<b>13,134</b>

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**17. Taxation (continued)**

**Reconciliation of total tax charge**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Profit before income tax	446,019	280,028	443,788	275,117
Income tax (16%)	71,363	44,804	71,006	44,019
Fiscal credit	(12,511)	(32)	(12,442)	-
Non-deductible elements	12,145	10,273	8,290	6,368
Non-taxable elements	(6,006)	(8,016)	(5,206)	(6,877)
Expense from income tax at effective tax rate	<u>64,992</u>	<u>47,029</u>	<u>61,647</u>	<u>43,510</u>
Effective tax rate	14.6%	16.8%	13.9%	15.8%

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 13,134 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.

The fiscal credit is represented by sponsorship expense computed as 20% of current income tax and deducted directly from the current income tax to be paid.

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**18. Other liabilities**

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Sundry creditors	291,180	295,870	205,128	222,391
Other payables to State budget	33,626	34,574	32,494	33,299
Deferred income	20,238	18,604	20,238	18,604
Payables to employees	99,220	113,378	94,609	107,752
Dividends payable	10,317	-	3,819	-
Financial guarantee and loan contracts provisions	262,664	306,248	286,511	338,848
Provisions	17,653	17,636	16,494	16,475
<b>Total</b>	<b>734,898</b>	<b>786,308</b>	<b>659,292</b>	<b>737,369</b>

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 30,546 (2015: 42,265) and post-employment benefits amounting to 53,446 (2015: 52,218).

Provisions are mainly related to legal claims and penalties.

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 ANPC on the relation between banks and individual customers.

The movement in provisions is as follows:

<u>Group</u>	
<b>Carrying value as of December 31,2014</b>	<b>38,113</b>
Additional expenses	14,609
Reversals of provisions	(35,085)
<b>Carrying value as of December 31,2015</b>	<b>17,636</b>
Additional expenses	3,397
Reversals of provisions	(3,380)
<b>Carrying value as of June 30, 2016 Unaudited (*)</b>	<b>17,653</b>
<u>Bank</u>	
<b>Carrying value as of December 31,2014</b>	<b>32,609</b>
Additional expenses	12,498
Reversals of provisions	(28,632)
<b>Carrying value as of December 31,2015</b>	<b>16,475</b>
Additional expenses	3,397
Reversals of provisions	(3,378)
<b>Carrying value as of June 30, 2016</b>	<b>16,494</b>

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 matter and concluded that no additional litigation provision is necessary.

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**18. Other liabilities (continued)**

<b>Group</b>	
<b>Carrying value as of December 31,2014</b>	<b>198,658</b>
Additional expenses	592,807
Reversals of provisions	(489,405)
Foreign exchange losses	4,188
<b>Carrying value as of December 31,2015</b>	<b>306,248</b>
Additional expenses	175,368
Reversals of provisions	(218,833)
Foreign exchange (gain)	(119)
<b>Carrying value as of June 30, 2016 Unaudited (*)</b>	<b>262,664</b>
<b>Bank</b>	
<b>Carrying value as of December 31,2014</b>	<b>224,287</b>
Additional expenses	599,778
Reversals of provisions	(489,405)
Foreign exchange losses	4,188
<b>Carrying value as of December 31,2015</b>	<b>338,848</b>
Additional expenses	166,615
Reversals of provisions	(218,833)
Foreign exchange (gain)	(119)
<b>Carrying value as of June 30, 2016</b>	<b>286,511</b>

**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 unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually. During six months ended 30 June 2016, the movements in service cost and benefits paid from defined benefit obligation resulted in not significant change of obligation carrying value compared to 31 December 2015.

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## 19. Share capital

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

Share capital as of June 30, 2016 represents 696,901,518 (2015: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2015: RON 1). During 2016 and 2015, the Bank did not buy back any of its own shares.

## 20. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2015: 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.

In 2016 the Bank distributed dividends in total amount of 223,008 by applying a distribution rate of 50% to previous year profit.

## 21. Interest and similar income

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest on loans	758,805	831,804	701,475	774,399
Interest on deposit with banks	7,582	8,307	6,838	7,564
Interest on available for sale	136,002	142,912	136,002	142,912
Interest from hedging instruments	3,230	3,037	3,230	3,037
<b>Total</b>	<b>905,619</b>	<b>986,060</b>	<b>847,544</b>	<b>927,912</b>

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 66,984 for Group and 64,442 for Bank (2015: 86,456 for Group and 83,890 for Bank).

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**22. Interest and similar expense**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest on term deposits	90,678	182,942	92,264	184,582
Interest on demand deposits	19,236	38,749	19,240	38,772
Interest on borrowings	10,635	24,355	1,712	14,046
Interest from hedging instruments	-	4,728	-	4,728
<b>Total</b>	<b>120,549</b>	<b>250,775</b>	<b>113,216</b>	<b>242,128</b>

**23. Fees and commissions, net**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Services	317,651	299,359	310,635	292,982
Management fees	53,230	52,934	53,230	52,934
Packages	25,403	26,443	25,403	26,443
Transfers	70,090	72,846	70,090	72,846
OTC withdrawal	30,960	32,340	30,960	32,340
Cards	95,037	75,409	95,037	75,409
Brokerage and custody	12,100	11,571	12,100	11,571
Other	30,831	27,816	23,815	21,439
Loan activity	47,503	44,157	37,821	36,537
Off balance sheet	16,242	25,322	16,242	25,322
<b>Total</b>	<b>381,397</b>	<b>368,838</b>	<b>364,698</b>	<b>354,841</b>

**24. Gain on derivative and other financial instruments held for trading**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Gain on instruments held for trading	8,301	2,031	8,047	1,890
Gain / (loss) on interest rate swap	(1,631)	1,565	(1,631)	1,565
Gain on currency swap	6,163	72,227	6,163	72,227
Gain on forward foreign exchange contracts	16,876	39,748	16,876	39,748
Gain on currency options	2,494	3,527	2,494	3,527
Gain on hedging	(413)	1,165	(413)	1,165
Other	2,857	(1,820)	2,857	(1,820)
<b>Total gain on derivative and other financial instruments held for trading</b>	<b>34,648</b>	<b>118,445</b>	<b>34,393</b>	<b>118,304</b>

**25. 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, for the Bank, is 938 (2015:951).

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**26. Gain on financial assets available for sale**

Gain on financial assets available for sale includes for Bank in 2016 a gain from sale of VISA Europe share in total amount of 103,113.

The line includes also gain from sale of treasury bonds in total amount of 16,917 (2015: 13,585) and gain from sale of fund units in total amount of 1,296 (2015:6,970).

**27. Contribution to Guarantee Scheme and Resolution Fund**

According to the Romanian legislation (Law no. 311/2015 on Deposit Guarantee Schemes and the Bank Deposit Guarantee Fund and Law No. 312/2015 regarding the recovery and resolution of credit institutions and investment firms) 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 covered deposits and an annual fee to the Resolution Fund.

The contribution to the Fund is computed based on prior year covered deposits balance. For the six months ended June 30, 2016 the expense related to the Deposit Guarantee Fund is 47,268 (for the six months ended June 30, 2015: 72,543).

The annual fee to the Resolution Fund is computed based on prior year not- covered liabilities balance. For the six months ended June 30, 2016 the expense related to the Resolution Fund is 17,870 (for the six months ended June 30, 2015: 15,507).

Both contribution and annual fee to the Resolution Fund meet the criteria for recognition of taxes as defined by IFRIC 21 – Levies. 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.

For the financial year 2016 the Group recognized entirely the expense with the contribution and Resolution Fund annual fee in January 2016. For comparative purposes, the comparative consolidated and individual income statement for the six months ended June 30, 2015 have been adjusted accordingly. Prior to this adjustment the contribution to the Fund and annual fee to the Resolution Fund were pro-rated monthly to the profit and loss account. The amount recognized previously as at June 30, 2015 was of 43,838.

**28. Personnel expenses**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Salaries	244,645	228,487	228,801	213,569
Social security	61,473	62,486	57,748	58,493
Bonuses	22,027	20,206	21,022	19,520
Post-employment benefits	1,229	1,294	1,229	1,294
Other	9,093	9,303	7,666	7,491
<b>Total</b>	<b>338,467</b>	<b>321,776</b>	<b>316,466</b>	<b>300,367</b>

Employee expenses for share - based payment transactions are included in line Other in amount of 1,424 for the first six months in 2016 (2015: 2,033).

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**28. Personnel expenses (continued)**

**Share based payment transactions**

On November 2<sup>nd</sup>, 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
<b>Total shares</b>	<b>40</b>		

The performance conditions for the tranches were fully satisfied and the shares were given to the employees in March 31, 2015 and March 31, 2016.

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

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

The fair value at grant date was 42,1 EUR/share, the valuation method used being arbitrage model, and for countries outside France was considered 82% for first tranche and 79% for second tranche.

The fair value of the award at the grant date was estimated by considering the market prices of the SG shares at that date. Those market prices were adjusted to account for the dividends estimated to be distributed during the vesting period (i.e.: dividends to which the employees are not entitled according to the terms of the award), as follows:

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

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

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**28. Personnel expenses (continued)**

	Group		Bank	
	2016	2015	2016	2015
Expense in 2010	1,070	1,070	1,070	1,070
Expense in 2011	6,025	6,025	6,025	6,025
Expense in 2012	6,809	6,809	6,809	6,809
Expense in 2013	6,675	6,675	6,675	6,675
Expense in 2014	12,498	12,498	11,451	11,451
Expense in 2015	3,087	3,087	2,632	2,632
Expense in 2016	1,452	-	1,424	-
Total share based payment recognised	<b>37,616</b>	<b>36,164</b>	<b>36,086</b>	<b>34,662</b>

**29. Depreciation, amortisation and impairment on tangible and intangible assets**

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Depreciation and impairment	46,310	48,245	45,829	47,831
Amortisation	17,211	18,720	15,729	17,353
<b>Total</b>	<b>63,522</b>	<b>66,966</b>	<b>61,559</b>	<b>65,184</b>

The difference as at June 30, 2016 between the amount presented in note 10 and the amount presented in note 29 represents depreciation of investment property in total amount of 696.

**30. Other operating expense**

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Administrative expenses	192,716	205,089	180,049	192,284
Publicity and sponsorships	11,134	11,135	10,923	10,934
Other expenses	34,471	27,721	32,915	27,086
<b>Total</b>	<b>238,322</b>	<b>243,944</b>	<b>223,886</b>	<b>230,304</b>

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 34.

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

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### 31. Credit loss expense

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net impairment allowance for loans	358,331	223,112	351,147	216,840
Net impairment allowance for sundry debtors	16,894	21,190	17,123	20,017
Net impairment allowance for risk and charges	16	(17,550)	19	(19,506)
Net impairment allowance for finance lease	4,113	2,475	-	-
Income from recoveries of derecognized receivables	(61,870)	(50,117)	(59,089)	(47,807)
Write-offs & sales of bad debts	17,138	18,456	13,502	14,753
Financial guarantee and loan contracts	(52,218)	71,293	(52,218)	71,293
<b>Total</b>	<b>282,404</b>	<b>268,858</b>	<b>270,484</b>	<b>255,590</b>

### 32. 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 88,797 (December 31, 2015: 249,082) and loans to banks, with less than 90 days maturity from the date of acquisition in amount of 116,334 (December 31, 2015: 113,303). 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

	Unaudited (*) June 30, 2016	Unaudited (*) June 30, 2015
Cash in hand	1,289,237	1,081,870
Current accounts and deposits with banks	3,297,638	3,118,337
<b>Total</b>	<b>4,586,875</b>	<b>4,200,207</b>

#### Bank

	June 30, 2016	June 30, 2015
Cash in hand	1,289,213	1,081,860
Current accounts and deposits with banks	3,296,831	3,117,671
<b>Total</b>	<b>4,586,044</b>	<b>4,199,531</b>

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### 33. Guarantees and other 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	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Letters of guarantee granted	5,859,801	6,200,625	5,888,668	6,240,636
Financing commitments granted	4,489,022	4,418,122	4,159,350	4,082,382
<b>Total commitments granted</b>	<b>10,348,824</b>	<b>10,618,747</b>	<b>10,048,018</b>	<b>10,323,019</b>
Letters of guarantee received	15,269,412	15,245,547	15,269,412	15,245,547
Financing commitments received	696,648	714,173	696,648	714,173
<b>Total commitments received</b>	<b>15,966,060</b>	<b>15,959,720</b>	<b>15,966,060</b>	<b>15,959,720</b>

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**34. Other commitments**

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

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Tangible non-current assets	7,335	1,420	7,335	1,420
Intangible non-current assets	4,204	2,669	4,204	2,669
Services	289,789	309,937	289,789	309,937
<b>Total</b>	<b>301,328</b>	<b>314,026</b>	<b>301,328</b>	<b>314,026</b>

As at June 30, 2016 and December 31, 2015, the future minimum lease payments regarding operating leases and rent included in line Service for Group and Bank above are:

	Group		Bank	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Less than one year	60,555	74,773	60,555	74,773
Between one and five years	135,645	142,557	135,645	142,557
More than five years	89,263	89,766	89,263	89,766
	<b>285,464</b>	<b>307,096</b>	<b>285,464</b>	<b>307,096</b>

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**35. Related parties**

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

	Group							
	2016 Unaudited (*)				2015			
	Parent	Other related parties	Associates	Key management of the institution	Parent	Other related parties	Associates	Key management of the institution
<b>Assets</b>	<b>385,739</b>	<b>55,562</b>	<b>4,720</b>	<b>1,470</b>	<b>385,038</b>	<b>71,597</b>	<b>2,487</b>	<b>1,974</b>
Nostro accounts	26,753	6,177	-	-	46,608	7,811	-	-
Deposits	25,380	10,950	-	-	26,124	39,812	-	-
Loans	116,351	31,995	3,012	1,470	113,308	21,052	2,485	1,974
Derivative financial instruments	213,975	-	-	-	198,998	67	-	-
Other assets	3,281	6,439	1,708	-	-	2,855	2	-
	<b>1,061,507</b>	<b>63,770</b>	<b>63,775</b>	<b>17,179</b>	<b>1,244,230</b>	<b>100,532</b>	<b>69,783</b>	<b>14,389</b>
<b>Liabilities</b>								
Loro accounts	77	30,816	172	-	150	84,288	298	-
Deposits	210,628	32,282	63,496	17,179	374,175	15,713	69,379	14,389
Borrowings	688,848	-	-	-	713,576	-	-	-
Derivative financial instruments	124,065	-	-	-	109,203	-	-	-
Other liabilities	37,889	672	107	-	47,125	531	106	-
	<b>8,258,279</b>	<b>147,705</b>	<b>8,877</b>	<b>220</b>	<b>10,521,882</b>	<b>117,634</b>	<b>7,431</b>	<b>264</b>
<b>Commitments</b>								
Total commitments granted	159,722	11,643	2,896	220	156,729	15,655	2,001	264
Total commitments received	905,441	136,062	5,980	-	892,023	80,411	5,429	-
Notional amount of foreign exchange transactions	5,349,880	-	-	-	7,456,700	21,568	-	-
Notional amount of interest rate derivatives	1,843,236	-	-	-	2,016,430	-	-	-
	<b>45,796</b>	<b>3,886</b>	<b>16,798</b>	<b>73</b>	<b>115,501</b>	<b>13,303</b>	<b>18,385</b>	<b>151</b>
<b>Income statement</b>								
Interest and commission revenues	8,860	1,353	6,004	19	9,095	889	4,878	36
Interest and commission expense	10,706	426	47	53	16,437	10,015	322	114
Net gain/(loss) on interest rate derivatives	(20,447)	-	-	-	(55)	-	-	-
Net gain on foreign exchange derivatives	30,319	15	-	-	75,888	384	-	-
Dividend income	-	18	16,939	-	-	457	14,327	-
Other income	47	21	40	-	276	46	4	-
Other expenses	16,311	2,053	(6,233)	1	13,861	1,512	(1,147)	0

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**35. Related parties (continued)**

	Bank									
	2016					2015				
	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution
<b>Assets</b>	<b>357,079</b>	<b>55,551</b>	<b>55,394</b>	<b>3,017</b>	<b>1,067</b>	<b>358,914</b>	<b>71,579</b>	<b>46,595</b>	<b>2</b>	<b>1,138</b>
Nostro accounts	26,753	6,177	-	-	-	46,608	7,811	-	-	-
Deposits	-	10,950	-	-	-	-	39,812	-	-	-
Loans	116,351	31,995	55,376	3,012	1,067	113,308	21,034	46,574	-	1,138
Derivative financial instruments	213,975	-	10	-	-	198,998	67	21	-	-
Other assets	-	6,428	8	5	-	-	2,855	-	2	-
<b>Liabilities</b>	<b>365,893</b>	<b>63,098</b>	<b>106,368</b>	<b>63,668</b>	<b>10,739</b>	<b>528,352</b>	<b>100,001</b>	<b>122,908</b>	<b>69,677</b>	<b>7,608</b>
Loro accounts	77	30,816	-	172	-	150	84,288	-	298	-
Deposits	210,628	32,282	80,205	63,496	10,739	374,175	15,713	93,200	69,379	7,608
Lease payable	-	-	26,164	-	-	-	-	29,701	-	-
Derivative financial instruments	124,065	-	-	-	-	109,203	-	7	-	-
Other liabilities	31,123	-	-	-	-	44,824	-	-	-	-
<b>Commitments</b>	<b>8,258,279</b>	<b>147,705</b>	<b>30,879</b>	<b>8,877</b>	<b>170</b>	<b>10,521,882</b>	<b>117,634</b>	<b>29,050</b>	<b>7,432</b>	<b>183</b>
Total commitments granted	159,722	11,643	23,507	2,896	170	156,729	15,655	8,590	2,001	183
Total commitments received	905,441	136,062	-	5,980	-	892,023	80,411	-	5,429	-
Notional amount of foreign exchange transactions	5,349,880	-	7,372	-	-	7,456,700	21,568	20,460	-	-
Notional amount of interest rate derivatives	1,843,236	-	-	-	-	2,016,430	-	-	-	-
<b>Income statement</b>	<b>35,133</b>	<b>3,392</b>	<b>22,694</b>	<b>10,072</b>	<b>33</b>	<b>105,261</b>	<b>12,855</b>	<b>14,724</b>	<b>12,900</b>	<b>68</b>
Interest and commission revenues	8,116	999	6,139	228	14	8,353	619	6,351	260	19
Interest and commission expense	2,198	426	1,940	47	19	8,587	10,015	2,057	322	49
Net gain/(loss) on interest rate derivatives	(20,447)	-	-	-	-	(55)	-	-	-	-
Net gain on foreign exchange derivatives	30,319	15	(174)	-	-	75,888	384	-	-	-
Dividend income	-	18	11,158	16,939	-	-	457	5,863	14,327	-
Other income	47	21	4,812	6	-	-	3	199	4	-
Other expenses	14,900	1,913	(1,181)	(7,148)	-	12,488	1,378	254	(2,013)	-

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**35. 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 74,485 as at June 30, 2016 (December 31, 2015: 88,409).

The Group has no provision booked for receivable from related parties.

As of June 30, 2016, the Board of Directors and Managing Committee members own 304,530 shares (2015: 304,530).

Key management personnel benefits for 2016 and 2015:

	<b>Group</b>		<b>Bank</b>	
	<b>Six months ended June 30, 2016</b>	<b>Six months ended June 30, 2015</b>	<b>Six months ended June 30, 2016</b>	<b>Six months ended June 30, 2015</b>
Short-term benefits	7,135	6,856	4,845	4,789
Long-term benefits	1,439	1,352	1,439	1,352
Termination benefits	488	-	-	-
Share-based payment transactions	2	4	2	2

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**36. Contingencies**

As of June 30, 2016 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 70,531 (2015: 61,698). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance. The Bank already booked a provision of 3,730 (December 31, 2015: 3,710) in relation with the litigations.

**37. Earnings per share**

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Ordinary shares on the market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	378,009	231,335	382,141	231,607
Earnings per share (in RON)	0.5424	0.3319	0.5483	0.3323

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### **38. 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:

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**38. Fair value (continued)**

	<b>Group</b>				<b>Bank</b>			
	<b>June 30, 2016 Unaudited (*)</b>				<b>June 30, 2016</b>			
<b>Assets measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>								
Derivative financial instruments								
Interest rate swaps	-	176,861	-	176,861	-	176,861	-	176,861
Currency swaps	-	34,685	-	34,685	-	34,696	-	34,696
Forward foreign exchange contracts	-	17,981	-	17,981	-	17,981	-	17,981
Options	-	67,695	-	67,695	-	67,695	-	67,695
	<b>-</b>	<b>297,222</b>	<b>-</b>	<b>297,222</b>	<b>-</b>	<b>297,232</b>	<b>-</b>	<b>297,232</b>
Financial assets available for sale								
Treasury notes	10,239,243	-	-	10,239,243	10,239,243	-	-	10,239,243
Equity investments (listed)	2,705	-	-	2,705	2,705	-	-	2,705
Equity investments (not listed)	-	-	20,972	20,972	-	-	20,972	20,972
Other securities quoted	68,448	-	-	68,448	51,041	-	-	51,041
	<b>10,310,395</b>	<b>-</b>	<b>20,972</b>	<b>10,331,367</b>	<b>10,292,989</b>	<b>-</b>	<b>20,972</b>	<b>10,313,961</b>
Trading treasury notes	363,135	-	-	363,135	363,135	-	-	363,135
<b>Total</b>	<b>10,673,530</b>	<b>297,222</b>	<b>20,972</b>	<b>10,991,724</b>	<b>10,656,124</b>	<b>297,232</b>	<b>20,972</b>	<b>10,974,328</b>
<b>Assets for which fair value is disclosed</b>								
Cash in hand	1,289,237	-	-	1,289,237	1,289,213	-	-	1,289,213
Due from Central Bank	-	-	3,893,651	3,893,651	-	-	3,893,651	3,893,651
Due from banks	-	-	3,528,149	3,528,149	-	-	3,501,962	3,501,962
Loans and advances to customers	-	-	27,933,373	27,933,373	-	-	27,593,528	27,593,528
Financial lease receivables	-	-	647,462	647,462	-	-	-	-
<b>Total</b>	<b>1,289,237</b>	<b>-</b>	<b>36,955,006</b>	<b>38,244,243</b>	<b>1,289,213</b>	<b>-</b>	<b>35,934,265</b>	<b>37,223,478</b>

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**38. Fair value (continued)**

	<b>Group</b>				<b>Bank</b>			
	<b>June 30, 2016 Unaudited (*)</b>				<b>June 30, 2016</b>			
<b>Liabilities measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities</b>								
Derivative financial instruments								
Interest rate swaps	-	50,083	-	50,083	-	50,083	-	50,083
Currency swaps	-	19,177	-	19,177	-	19,177	-	19,177
Forward foreign exchange contracts	-	26,868	-	26,868	-	26,868	-	26,868
Options	-	67,873	-	67,873	-	67,873	-	67,873
<b>Total</b>	<b>-</b>	<b>164,001</b>	<b>-</b>	<b>164,001</b>	<b>-</b>	<b>164,001</b>	<b>-</b>	<b>164,001</b>
Trading treasury notes	4,409	-	-	4,409	4,409	-	-	4,409
<b>Total</b>	<b>4,409</b>	<b>164,001</b>	<b>-</b>	<b>168,410</b>	<b>4,409</b>	<b>164,001</b>	<b>-</b>	<b>168,410</b>
<b>Liabilities for which fair value is disclosed</b>								
Due to banks	-	930,341	-	930,341	-	930,341	-	930,341
Due to customers	-	40,411,834	-	40,411,834	-	40,492,480	-	40,492,480
Borrowed funds	-	1,062,387	-	1,062,387	-	206,823	-	206,823
<b>Total</b>	<b>-</b>	<b>42,404,562</b>	<b>-</b>	<b>42,404,562</b>	<b>-</b>	<b>41,629,644</b>	<b>-</b>	<b>41,629,644</b>

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**38. Fair value (continued)**

	<b>Group</b>				<b>Bank</b>			
	<b>December 31,2015</b>				<b>December 31,2015</b>			
<b>Assets measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>								
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
	<b>-</b>	<b>270,707</b>	<b>-</b>	<b>270,707</b>	<b>-</b>	<b>270,727</b>	<b>-</b>	<b>270,727</b>
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
	<b>8,850,168</b>	<b>-</b>	<b>358,791</b>	<b>9,208,959</b>	<b>8,832,128</b>	<b>-</b>	<b>358,791</b>	<b>9,190,919</b>
Trading treasury notes	947,406	-	-	947,406	947,406	-	-	947,406
<b>Total</b>	<b>9,797,574</b>	<b>270,707</b>	<b>358,791</b>	<b>10,427,072</b>	<b>9,779,534</b>	<b>270,727</b>	<b>358,791</b>	<b>10,409,052</b>
<b>Assets for which fair value is disclosed</b>								
Cash in hand	1,339,602	-	-	1,339,602	1,339,580	-	-	1,339,580
Due from Central Bank	-	-	7,480,319	7,480,319	-	-	7,480,319	7,480,319
Due from banks	-	-	2,314,800	2,314,800	-	-	2,287,837	2,287,837
Loans and advances to customers	-	-	28,411,522	28,411,522	-	-	28,048,887	28,048,887
Financial lease receivables	-	-	553,377	553,377	-	-	-	-
<b>Total</b>	<b>1,339,602</b>	<b>-</b>	<b>38,760,018</b>	<b>40,099,620</b>	<b>1,339,580</b>	<b>-</b>	<b>37,817,043</b>	<b>39,156,623</b>

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**38. Fair value (continued)**

	<b>Group</b>				<b>Bank</b>			
	<b>December 31, 2015</b>				<b>December 31, 2015</b>			
<b><u>Liabilities measured at fair value</u></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial liabilities</b>								
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
<b>Total</b>	<b>-</b>	<b>153,210</b>	<b>-</b>	<b>153,210</b>	<b>-</b>	<b>153,218</b>	<b>-</b>	<b>153,218</b>
<b><u>Liabilities for which fair value is disclosed</u></b>								
Due to banks	-	784,837	-	784,837	-	784,837	-	784,837
Due to customers	-	41,313,438	-	41,313,438	-	41,407,124	-	41,407,124
Borrowed funds	-	1,108,794	-	1,108,794	-	350,886	-	350,886
Subordinated debt	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>43,207,069</b>	<b>-</b>	<b>43,207,069</b>	<b>-</b>	<b>42,542,847</b>	<b>-</b>	<b>42,542,847</b>

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### **38. 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 from 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 instruments 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

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### 38. Fair value (continued)

curves assigned to each related currency, for the residual maturity of the deal, and aggregating their corresponding RON equivalents

- 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 implicit parameters used in computing the fair value 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, the transaction was closed in June 2016 and the Bank, as principal member, received a share of the sale proceeds, having both a cash component and a share in VISA Inc component. Following the SG approach, in order to determine the fair value of the share, the Bank adjusted the sale proceeds using some prudential haircuts (liquidity, litigation risks etc).

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**38. 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.

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**38. Fair value (continued)**

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

	Group				Bank			
	June 30, 2016 Unaudited (*)		December 31, 2015		June 30, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>								
Cash in hand	1,289,237	1,289,237	1,339,602	1,339,602	1,289,213	1,289,213	1,339,580	1,339,580
Due from Central Bank	3,893,651	3,893,651	7,480,319	7,480,319	3,893,651	3,893,651	7,480,319	7,480,319
Due from banks	3,528,149	3,528,149	2,314,800	2,314,800	3,501,962	3,501,962	2,287,837	2,287,837
Loans and advances to customers	27,758,936	27,933,373	26,741,471	28,411,522	27,367,027	27,593,528	26,376,425	28,048,887
Financial lease receivables	639,818	647,462	549,354	553,377	-	-	-	-
	<b>37,109,791</b>	<b>37,291,872</b>	<b>38,425,546</b>	<b>40,099,620</b>	<b>36,051,853</b>	<b>36,278,354</b>	<b>37,484,161</b>	<b>39,156,623</b>
<b>Financial liabilities</b>								
Due to banks	926,232	930,341	781,180	784,837	926,232	930,341	781,180	784,837
Due to customers	40,190,110	40,411,834	41,098,674	41,313,438	40,270,313	40,492,480	41,191,873	41,407,124
Borrowed funds	1,057,434	1,062,387	1,099,793	1,108,794	205,859	206,823	348,037	350,886
	<b>42,173,776</b>	<b>42,404,562</b>	<b>42,979,647</b>	<b>43,207,069</b>	<b>41,402,404</b>	<b>41,629,644</b>	<b>42,321,090</b>	<b>42,542,847</b>

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**38. 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 to the date of the event or change in circumstances that caused the transfer, but not later than the end of the reporting period.

**Movement in level 3:**

	<b>Equity investments (not listed)</b>	<b>Municipal Bonds</b>
<b>Closing balance as at December 31, 2014</b>	<b>5,727</b>	<b>77,986</b>
Acquisitions	1,081	195,120
Sales	(17)	-
Reimbursements	-	(7,499)
Gain losses from change in fair value	79,961	6,433
<b>Closing balance as at December 31, 2015</b>	<b>86,752</b>	<b>272,040</b>
Acquisitions	17,821	4,911
Sales	(79,902)	-
Reimbursements	-	(12,466)
Gain losses from change in fair value	(3,699)	(2,076)
Reclassification	-	(262,409)
<b>Closing balance as at June 30, 2016</b>	<b>20,972</b>	<b>-</b>

As at June 30, 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) amounting to 262,409 from financial assets available for sale to “loans and advances to customers” and measures them at amortised cost. Please see note 7.

Fair value of equity investments not listed is estimated based on net assets of the investments.

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