

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

**INTERIM FINANCIAL STATEMENTS**

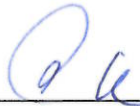
**JUNE 30, 2017**


**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION**  
**as of June 30, 2017**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		Unaudited (*)		June 30, 2017	December 31, 2016
		June 30, 2017	December 31, 2016		
<b>ASSETS</b>					
Cash in hand		1,712,520	1,800,529	1,712,494	1,800,506
Due from Central Bank	4	4,107,620	5,339,460	4,107,620	5,339,460
Due from banks	5	2,762,696	1,998,271	2,744,015	1,971,333
Derivatives and other financial instruments held for trading	6	721,927	1,203,282	721,927	1,203,299
Loans and advances to customers	7	29,084,626	27,838,705	28,586,522	27,384,110
Finance lease receivables	8	682,730	663,517	-	-
Financial assets available for sale	9	12,199,335	11,609,855	12,177,367	11,585,000
Investments in associates and subsidiaries		133,526	134,071	158,997	158,997
Property, plant and equipment	10	828,703	833,580	820,999	825,393
Investment property	10	13,239	13,946	13,239	13,946
Goodwill	11	50,130	50,130	50,130	50,130
Intangible assets	12	95,675	90,250	92,233	86,070
Deferred tax asset	17	64,377	65,060	61,393	61,321
Other assets	13	338,660	240,836	290,400	178,018
<b>Total assets</b>		<b>52,795,764</b>	<b>51,881,492</b>	<b>51,537,336</b>	<b>50,657,583</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Due to banks	14	567,387	531,601	567,387	531,601
Due to customers	15	43,059,883	42,192,749	43,118,431	42,290,738
Borrowed funds	16	1,047,381	1,101,558	78,157	138,451
Derivatives and other financial instruments held for trading	6	156,151	211,032	156,154	211,066
Current tax liability	17	104,692	142,082	102,250	140,124
Deferred tax liability	17	902	710	-	-
Other liabilities	18	939,396	1,027,927	898,739	978,420
<b>Total liabilities</b>		<b>45,875,792</b>	<b>45,207,659</b>	<b>44,921,118</b>	<b>44,290,400</b>
Share capital	19	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		282,114	272,047	279,760	272,047
Retained earnings and capital reserves		4,071,176	3,835,793	3,820,836	3,579,514
Non-controlling interest		51,060	50,371	-	-
<b>Total equity</b>		<b>6,919,972</b>	<b>6,673,833</b>	<b>6,616,218</b>	<b>6,367,183</b>
<b>Total liabilities and equity</b>		<b>52,795,764</b>	<b>51,881,492</b>	<b>51,537,336</b>	<b>50,657,583</b>

  
Giovanni Luca Soma  
Chairman of the Board of Directors

  
François Bloch  
Chief Executive Officer

  
Petre Bunescu  
Deputy Chief Executive Officer

  
Stéphane Fortin  
Chief Financial Officer

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

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(\*) Unaudited / unreviewed by the financial auditor

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE PROFIT OR LOSS**  
**for the period ended June 30, 2017**  
*(Amounts in thousands RON)*

	Note	Group		Bank	
		Unaudited (*)		Unaudited (*)	
		Six months ended June 30, 2017	Six months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Interest and similar income	20	902,889	905,619	842,004	847,544
Interest and similar expense	21	(74,770)	(120,549)	(70,064)	(113,216)
<b>Net interest income</b>		<b>828,119</b>	<b>785,070</b>	<b>771,940</b>	<b>734,328</b>
<b>Fees and commissions, net</b>	22	<b>367,387</b>	<b>381,397</b>	<b>349,293</b>	<b>364,698</b>
Foreign exchange gain		172,425	95,665	172,072	95,590
Gain on derivative and other financial instruments held for trading	23	(47,999)	34,648	(48,212)	34,393
Gain on financial assets available for sale		2,055	121,394	2,055	121,326
Income from associates		16,521	10,734	19,420	16,939
Other income	24	3,114	4,965	26,747	14,048
<b>Operating income</b>		<b>1,341,622</b>	<b>1,433,873</b>	<b>1,293,315</b>	<b>1,381,322</b>
Personnel expenses	26	(339,394)	(338,467)	(317,380)	(316,466)
Depreciation, amortisation and impairment on tangible and intangible assets	27	(62,435)	(63,522)	(60,868)	(61,559)
Contribution to Guarantee Scheme and Resolution Fund	25	(70,750)	(65,139)	(70,750)	(65,139)
Other operating expenses	28	(247,818)	(238,322)	(232,156)	(223,886)
<b>Total operating expenses</b>		<b>(720,397)</b>	<b>(705,450)</b>	<b>(681,154)</b>	<b>(667,050)</b>
<b>Net operating profit</b>		<b>621,225</b>	<b>728,423</b>	<b>612,161</b>	<b>714,272</b>
Cost of risk	29	269,791	(282,404)	274,126	(270,484)
<b>Profit before income tax</b>		<b>891,016</b>	<b>446,019</b>	<b>886,287</b>	<b>443,788</b>
Current income tax expense	17	(141,630)	(53,101)	(137,771)	(49,769)
Deferred tax (expense) / income	17	595	(11,891)	1,542	(11,878)
<b>Total income tax</b>		<b>(141,035)</b>	<b>(64,992)</b>	<b>(136,229)</b>	<b>(61,647)</b>
<b>Profit for the period</b>		<b>749,981</b>	<b>381,027</b>	<b>750,058</b>	<b>382,141</b>
Profit attributable to equity holders of the parent		744,119	378,009		
Profit attributable to non-controlling interests		5,862	3,018		
<b>Basic earnings per share (in RON)</b>	35	<b>1.0678</b>	<b>0.5424</b>	<b>1.0763</b>	<b>0.5483</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, 2017**  
*(Amounts in thousands RON)*

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2017	Six months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
<b>Profit for the period</b>	<b>749,981</b>	<b>381,027</b>	<b>750,058</b>	<b>382,141</b>
<b>Net comprehensive income that was or will be reclassified to profit and loss in subsequent periods</b>	<b>10,067</b>	<b>(49,498)</b>	<b>7,713</b>	<b>(49,498)</b>
Net gain/(loss) on available for sale financial assets	7,713	(49,498)	7,713	(49,498)
Reclassifications to profit and loss during the period	(2,055)	(121,394)	(2,055)	(121,326)
Revaluation differences	11,238	62,468	11,238	62,400
Income tax	(1,470)	9,428	(1,470)	9,428
Exchange differences on translation of foreign operations	2,354	-	-	-
<b>Other comprehensive income for the period, net of tax</b>	<b>10,067</b>	<b>(49,498)</b>	<b>7,713</b>	<b>(49,498)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>760,048</b>	<b>331,529</b>	<b>757,771</b>	<b>332,643</b>
Attributable to:				
Equity holders of the parent	754,186	328,511		
Non-controlling interest	5,862	3,018		

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(\*) Unaudited / unreviewed by the financial auditor

**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**for the period ended June 30, 2017**  
*(Amounts in thousands RON)*

**Group Unaudited (\*)**

	Attributable to equity holders of the parent						Non-controlling interest	Total equity
	Issued capital	Other reserves			Retained earnings and capital reserves			
		Reserves from revaluation of available for sale assets	Reserves from defined pension plan	Foreign currency translation reserve				
<b>December 31, 2015</b>	<b>2,515,622</b>	<b>380,308</b>	<b>12,442</b>	-	<b>3,299,819</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>	<b>2,515,622</b>	<b>330,810</b>	<b>12,442</b>	-	<b>3,456,272</b>	<b>47,420</b>	<b>6,362,566</b>	

	Attributable to equity holders of the parent						Non-controlling interest	Total equity
	Issued capital	Other reserves			Retained earnings and capital reserves			
		Reserves from revaluation of available for sale assets	Reserves from defined pension plan	Foreign currency translation reserve				
<b>December 31, 2016</b>	<b>2,515,622</b>	<b>276,697</b>	<b>(4,650)</b>	-	<b>3,835,793</b>	<b>50,371</b>	<b>6,673,833</b>	
Total comprehensive income	-	7,713	-	2,354	744,119	5,862	760,048	
Net Profit for the period	-	-	-	-	744,119	5,862	749,981	
Other comprehensive income	-	7,713	-	2,354	-	-	10,067	
Shared-based payment	-	-	-	-	-	-	-	
Equity dividends	-	-	-	-	(508,736)	(5,173)	(513,909)	
<b>June 30, 2017</b>	<b>2,515,622</b>	<b>284,410</b>	<b>(4,650)</b>	<b>2,354</b>	<b>4,071,176</b>	<b>51,060</b>	<b>6,919,972</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, 2017**  
*(Amounts in thousands RON)*

**Bank**

	Other reserves			Retained earnings and capital reserves	Total equity
	Issued capital	Reserves from revaluation of available for sale assets	Reserves from defined pension plan		
<b>December 31, 2015</b>	<b>2,515,622</b>	<b>380,308</b>	<b>12,442</b>	<b>3,072,817</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>	<b>2,515,622</b>	<b>330,810</b>	<b>12,442</b>	<b>3,233,374</b>	<b>6,092,248</b>

	Other reserves			Retained earnings and capital reserves	Total equity
	Issued capital	Reserves from revaluation of available for sale assets	Reserves from defined pension plan		
<b>December 31, 2016</b>	<b>2,515,622</b>	<b>276,697</b>	<b>(4,650)</b>	<b>3,579,514</b>	<b>6,367,183</b>
Total comprehensive income	-	7,713	-	750,058	757,771
Net Profit for the period	-	-	-	750,058	750,058
Other comprehensive income	-	7,713	-	-	7,713
Equity dividends	-	-	-	(508,736)	(508,736)
<b>June 30, 2017</b>	<b>2,515,622</b>	<b>284,410</b>	<b>(4,650)</b>	<b>3,820,836</b>	<b>6,616,218</b>

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**BRD – Groupe Société Générale S.A.**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS**  
**for the period ended June 30, 2017**  
*(Amounts in thousands RON)*

Note	Group		Bank	
	Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
	Six months ended June 30, 2017	Six months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
<b>Cash flows from operating activities</b>				
Profit before tax	891,016	446,019	886,287	443,788
<i>Adjustments for non-cash items</i>				
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets	27	62,435	63,522	60,868
Share based payment	-	1,452	-	1,424
Loss from investment revaluation	546	6,205	-	-
Net expenses from impairment of loans and from provisions	18,29	122,950	344,274	111,822
Income tax paid	(38,896)	(19,613)	(35,520)	(17,031)
		<b>1,038,051</b>	<b>841,859</b>	<b>1,023,457</b>
<b>Operating profit before changes in operating assets and liabilities</b>				<b>819,313</b>
<b>Changes in operating assets and liabilities</b>				
Current account with NBR	1,231,840	3,586,668	1,231,840	3,586,668
Accounts and deposits with banks	78,269	157,998	70,811	157,254
Available for sale securities	(579,413)	(1,171,905)	(584,654)	(1,172,540)
Loans	(1,348,910)	(1,361,722)	(1,292,580)	(1,320,156)
Lease receivables	(19,213)	(90,465)	-	-
Other assets	384,809	451,956	370,460	477,914
Due to banks	35,786	145,052	35,786	145,052
Due to customers	867,134	(908,564)	827,693	(921,560)
Other liabilities	(303,306)	(30,335)	(296,372)	(56,644)
<b>Total changes in operating assets and liabilities</b>	<b>346,996</b>	<b>778,683</b>	<b>362,984</b>	<b>895,988</b>
<b>Cash flow from operating activities</b>	<b>1,385,047</b>	<b>1,620,543</b>	<b>1,386,441</b>	<b>1,715,301</b>
<b>Investing activities</b>				
Acquisition of equity investments	-	(1,470)	-	(1,470)
Acquisition of tangible and intangible assets	10,12	(62,291)	(31,699)	(61,944)
Proceeds from sale of tangible and intangible assets	14	7	14	7
<b>Cash flow from investing activities</b>	<b>(62,277)</b>	<b>(33,162)</b>	<b>(61,930)</b>	<b>(32,922)</b>
<b>Financing activities</b>				
Proceeds from borrowings	269,091	474,072	980	18,651
Repayment of borrowings	(323,268)	(516,431)	(61,274)	(160,829)
Dividends paid	(513,911)	(224,039)	(508,736)	(219,189)
<b>Net cash from financing activities</b>	<b>(568,088)</b>	<b>(266,398)</b>	<b>(569,030)</b>	<b>(361,367)</b>
<b>Net movements in cash and cash equivalents</b>	<b>754,682</b>	<b>1,320,982</b>	<b>755,481</b>	<b>1,321,012</b>
<b>Cash and cash equivalents at beginning of the period</b>	30	<b>3,511,237</b>	<b>3,265,893</b>	<b>3,510,408</b>
<b>Cash and cash equivalents at the end of the period</b>	30	<b>4,265,919</b>	<b>4,586,875</b>	<b>4,265,889</b>
<b>Operational cash flows from interest and dividends</b>				
		Group	Bank	
		Six months ended	Six months ended	Six months ended
		June 30, 2017	June 30, 2016	June 30, 2017
Interest paid	84,527	152,265	79,807	144,564
Interest received	1,187,558	1,078,431	1,123,370	1,019,348
Dividends received	20,392	24,253	44,995	28,913

The amount of undrawn borrowing facilities that may be available for future operating activities is 683,085 (December 31, 2016: 681,165) and represents a stand by line concluded with the parent for contingency funding purposes as requested by the Romanian banking regulations on liquidity management.

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

(\*) Unaudited / unreviewed by the financial auditor

**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**  
**as of and for the period ended June 30, 2017**  
*(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. as at June 30, 2017 (the “Parent” or “SG”).

The Bank has as at June 30, 2017 790 units throughout the country (December 31, 2016: 810).

The average number of active employees of the Group during the first semester of 2017 was 7,552 (2016: 7,761), and the number of active employees of the Group as of the period-end was 7,539 (December 31, 2016: 7,605).

The average number of active employees of the Bank during the first semester of 2017 was 6,989 (2016: 7,205), and the number of active employees of the Bank as of the period-end was 6,957 (December 31, 2016: 7,043).

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

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

The shareholding structure of the Bank is as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Societe Generale France	60.17%	60.17%
Fondul Proprietatea	3.64%	3.64%
SIF Transilvania	3.23%	3.28%
Fondul de Pensii Administrat Privat NN/NN Pensii	2.83%	2.46%
Legal entities	26.84%	27.20%
Individuals	3.29%	3.25%
<b>Total</b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>

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

(\*) Unaudited / unreviewed by the financial auditor



**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**  
**as of and for the period ended June 30, 2017**  
*(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 2017 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 2017 and 30 June 2016 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 2017 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, 2016. 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, 2016 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, 2017. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

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

(\* ) Unaudited / unreviewed by the financial auditor

**BRD – Groupe Société Générale S.A.**  
**NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**  
**as of and for the period ended June 30, 2017**  
*(Amounts in thousands RON)*

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

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

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2016: 99.98%), BRD Finance IFN S.A (49% ownership, 2016: 49%), BRD Corporate Finance SRL (100% ownership, 2016: 100%) and BRD Asset Management SAI SA (99.98% ownership, 2016: 99.98%). According to IFRS 12 9(b), the Group controls BRD Finance IFN S.A even though it holds less than half of the voting rights, through the power to govern the financial and operating policies of the entity under various agreements. All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

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

<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>			
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 are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2017:

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments).** 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 EU.
- **IAS 7: Disclosure Initiative (Amendments).** The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the EU.
- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU.
  - **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

**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.

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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 15 Revenue from Contracts with Customers.** The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.
- **IFRS 15: Revenue from Contracts with Customers (Clarifications).** The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in *IFRS 15 Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU.
- **IFRS 16: Leases.** The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU.
- **IFRS 17: Insurance Contracts.** The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both *IFRS 15 Revenue from Contracts with Customers* and *IFRS 9 Financial Instruments* have also been applied. *IFRS 17 Insurance Contracts* establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU.
- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.** The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB

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

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

postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments).** The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU.
- **IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments).** The Amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. These Amendments have not yet been endorsed by the EU.
- **IAS 40: Transfers to Investment Property (Amendments).** The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU.
- **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration.** The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU.

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

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

- The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for *IFRS 1 First-time Adoption of International Financial Reporting Standards* and for *IAS 28 Investments in Associates and Joint Ventures*. Earlier application is permitted for *IAS 28 Investments in Associates and Joint Ventures*. These annual improvements have not yet been endorsed by the EU.
  - **IFRS 1 First-time Adoption of International Financial Reporting Standards.** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
  - **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments.** The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU.

**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 36.

*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

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

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

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, whether concessions in the form of restructuring were consented by the Group and Bank under the circumstances of financial hardship experienced by the debtor, whether legal procedures were initiated or the debtor was transferred to specialized recovery structures (regardless of the number of days past due).

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

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

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

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

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

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

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

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

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

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

*Provisions for other risks and charges*

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

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

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

In case of litigations:

- i. For a single individual litigation the Bank assess whether there is more likely than not to have an unfavourable court decision considering the factors mentioned above; then it estimates the amount at risk; in case there are several scenarios possible with different outcomes, the amount at risk is the weighted average of the amounts at risk for each scenario using the probability distribution for all scenarios (100% is allocated to the possible scenarios) and provisions 100% of the estimated amount;
- ii. For multiple litigations, the assessment of “more likely than not” could be substantiated for the entire population using statistics and provision computation to be made at pool level.

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

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

### **f) Segment information**

A segment is a component of the Group and Bank:

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

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

## **3. Segment information**

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

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

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

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

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

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

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

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

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

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**3. Segment information (continued)**

	Group							
	June 30, 2017				December 31, 2016			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
<b>Total assets</b>	<b>52,795,764</b>	<b>19,945,504</b>	<b>9,821,852</b>	<b>23,028,409</b>	<b>51,881,492</b>	<b>19,243,053</b>	<b>9,259,169</b>	<b>23,379,270</b>
Loans and advances to customers, net & Finance lease receivables	29,767,355	19,945,504	9,821,851	-	28,502,222	19,243,053	9,259,169	-
Other assets	23,028,409	-	-	23,028,409	23,379,270	-	-	23,379,270
<b>Total liabilities</b>	<b>52,795,764</b>	<b>26,482,790</b>	<b>16,577,092</b>	<b>9,735,881</b>	<b>51,881,492</b>	<b>26,020,524</b>	<b>16,172,225</b>	<b>9,688,743</b>
Due to customers	43,059,883	26,482,790	16,577,093	-	42,192,749	26,020,524	16,172,225	-
Other liabilities	9,735,881	-	-	9,735,881	9,688,743	-	-	9,688,743
	<b>Bank</b>							
	June 30, 2017				December 31, 2016			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
<b>Total assets</b>	<b>51,537,336</b>	<b>19,365,226</b>	<b>9,221,296</b>	<b>22,950,814</b>	<b>50,657,583</b>	<b>18,699,395</b>	<b>8,684,715</b>	<b>23,273,473</b>
Loans and advances to customers, net & Finance lease receivables	28,586,522	19,365,226	9,221,296	-	27,384,110	18,699,395	8,684,715	-
Other assets	22,950,814	-	-	22,950,814	23,273,473	-	-	23,273,473
<b>Total liabilities</b>	<b>51,537,336</b>	<b>26,482,790</b>	<b>16,635,641</b>	<b>8,418,905</b>	<b>50,657,583</b>	<b>26,020,524</b>	<b>16,270,214</b>	<b>8,366,845</b>
Due to customers	43,118,431	26,482,790	16,635,641	-	42,290,738	26,020,524	16,270,214	-
Other liabilities	8,418,905	-	-	8,418,905	8,366,845	-	-	8,366,845

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**3. Segment information (continued)**

	Group							
	Six months ended June 30, 2017				Six months ended June 30, 2016			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	828,119	539,270	199,255	89,594	785,070	499,729	232,521	52,820
Fees and commissions, net	367,387	280,776	87,620	(1,009)	381,397	284,118	97,531	(252)
Total non-interest income	146,116	48,440	46,793	50,883	267,406	49,432	43,373	174,601
<b>Operating income</b>	<b>1,341,622</b>	<b>868,486</b>	<b>333,668</b>	<b>139,468</b>	<b>1,433,873</b>	<b>833,279</b>	<b>373,425</b>	<b>227,169</b>
<b>Total operating expenses</b>	<b>(720,397)</b>	<b>(483,037)</b>	<b>(219,768)</b>	<b>(17,592)</b>	<b>(705,450)</b>	<b>(500,961)</b>	<b>(194,516)</b>	<b>(9,973)</b>
Cost of risk	269,791	(47,687)	321,730	(4,252)	(282,404)	(169,391)	(110,141)	(2,872)
<b>Profit before income tax</b>	<b>891,016</b>	<b>337,762</b>	<b>435,630</b>	<b>117,624</b>	<b>446,019</b>	<b>162,927</b>	<b>68,768</b>	<b>214,324</b>
Total income tax	(141,035)	(55,913)	(67,818)	(17,304)	(64,992)	(24,645)	(10,803)	(29,544)
<b>Profit for the period</b>	<b>749,981</b>	<b>281,849</b>	<b>367,812</b>	<b>100,320</b>	<b>381,027</b>	<b>138,282</b>	<b>57,965</b>	<b>184,780</b>
<b>Cost Income Ratio</b>	<b>53.7%</b>	<b>55.6%</b>	<b>65.9%</b>	<b>12.6%</b>	<b>49.2%</b>	<b>60.1%</b>	<b>52.1%</b>	<b>4.4%</b>

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**3. Segment information (continued)**

	Six months ended June 30, 2017				Bank	Six months ended June 30, 2016			
	Total	Retail	Non retail	Corporate Center		Total	Retail	Non retail	Corporate Center
Net interest income	771,940	502,164	181,227	88,549		734,328	465,890	215,625	52,813
Fees and commissions, net	349,293	266,654	83,594	(955)		364,698	270,960	93,950	(212)
Total non-interest income	172,082	47,550	46,094	78,436		282,296	48,651	41,724	191,921
<b>Operating income</b>	<b>1,293,315</b>	<b>816,368</b>	<b>310,915</b>	<b>166,030</b>		<b>1,381,322</b>	<b>785,501</b>	<b>351,299</b>	<b>244,522</b>
<b>Total operating expenses</b>	<b>(681,154)</b>	<b>(452,539)</b>	<b>(210,982)</b>	<b>(17,633)</b>		<b>(667,050)</b>	<b>(471,823)</b>	<b>(185,286)</b>	<b>(9,941)</b>
Cost of risk	274,126	(41,666)	320,091	(4,299)		(270,484)	(160,965)	(106,665)	(2,854)
<b>Profit before income tax</b>	<b>886,287</b>	<b>322,163</b>	<b>420,024</b>	<b>144,098</b>		<b>443,788</b>	<b>152,713</b>	<b>59,348</b>	<b>231,727</b>
Total income tax	(136,229)	(53,598)	(65,932)	(16,699)		(61,647)	(23,460)	(9,566)	(28,621)
<b>Profit for the period</b>	<b>750,058</b>	<b>268,565</b>	<b>354,092</b>	<b>127,399</b>		<b>382,141</b>	<b>129,253</b>	<b>49,782</b>	<b>203,106</b>
<b>Cost Income Ratio</b>	<b>52.7%</b>	<b>55.4%</b>	<b>67.9%</b>	<b>10.6%</b>		<b>48.3%</b>	<b>60.1%</b>	<b>52.7%</b>	<b>4.1%</b>

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**4. Due from Central Bank**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Current accounts	4,107,620	3,839,460	4,107,620	3,839,460
Deposits	-	1,500,000	-	1,500,000
<b>Total</b>	<b>4,107,620</b>	<b>5,339,460</b>	<b>4,107,620</b>	<b>5,339,460</b>

**5. Due from banks**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Deposits at Romanian banks	25,001	267,047	25,001	267,047
Deposits at foreign banks	2,201,216	658,318	2,182,542	632,186
Current accounts at Romanian banks	86	808	79	3
Current accounts at foreign banks	423,333	597,248	423,333	597,248
Reverse repo	113,060	474,849	113,060	474,849
<b>Total</b>	<b>2,762,696</b>	<b>1,998,271</b>	<b>2,744,015</b>	<b>1,971,333</b>

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

<b>Group</b>	<b>June 30, 2017</b>		
	Unaudited (*)		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
Interest rate swaps	132,300	38,877	2,923,517
Currency swaps	12,000	13,106	1,595,762
Forward foreign exchange contracts	10,697	9,247	1,407,334
Options	40,147	40,345	5,191,451
<b>Total derivative financial instruments</b>	<b>195,144</b>	<b>101,575</b>	<b>11,118,064</b>
Trading treasury notes	526,783	54,576	545,692
<b>Total</b>	<b>721,927</b>	<b>156,151</b>	<b>11,663,756</b>
	<b>December 31, 2016</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
Interest rate swaps	197,954	43,094	3,102,359
Currency swaps	30,124	18,456	2,642,290
Forward foreign exchange contracts	18,664	28,077	1,398,477
Options	65,522	65,835	4,720,439
<b>Total derivative financial instruments</b>	<b>312,264</b>	<b>155,462</b>	<b>11,863,565</b>
Trading treasury notes	891,018	55,570	896,754
<b>Total</b>	<b>1,203,282</b>	<b>211,032</b>	<b>12,760,319</b>
	<b>Bank</b>		
	<b>June 30, 2017</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
Interest rate swaps	132,300	38,877	2,923,517
Currency swaps	12,000	13,109	1,598,418
Forward foreign exchange contracts	10,697	9,247	1,407,334
Options	40,147	40,345	5,191,451
<b>Total derivative financial instruments</b>	<b>195,144</b>	<b>101,578</b>	<b>11,120,720</b>
Trading treasury notes	526,783	54,576	545,692
<b>Total</b>	<b>721,927</b>	<b>156,154</b>	<b>11,666,412</b>
	<b>December 31, 2016</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
Interest rate swaps	197,954	43,094	3,102,359
Currency swaps	30,141	18,490	2,647,302
Forward foreign exchange contracts	18,664	28,077	1,398,477
Options	65,522	65,835	4,720,439
<b>Total derivative financial instruments</b>	<b>312,281</b>	<b>155,496</b>	<b>11,868,577</b>
Trading treasury notes	891,018	55,570	896,754
<b>Total</b>	<b>1,203,299</b>	<b>211,066</b>	<b>12,765,331</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 73,194 (December 31, 2016: 124,484).

The Group applied also hedge accounting (fair value hedge) and as at June 30, 2017 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 83.34 million EUR with a fixed interest rate of 1.058%. The remaining period for the hedging instrument is of 3.7 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, 2017</b>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Notional</u>
Interest rate swaps	10,151	-	379,522
	<b>December 31, 2016</b>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Notional</u>
Interest rate swaps	13,610	-	473,092

*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, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Loans, gross	32,093,826	31,414,527	31,530,607	30,885,456
Loans impairment	(3,009,200)	(3,575,822)	(2,944,085)	(3,501,346)
<b>Total</b>	<b>29,084,626</b>	<b>27,838,705</b>	<b>28,586,522</b>	<b>27,384,110</b>

The structure of loans is the following:

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Working capital loans	5,013,034	4,686,250	5,013,034	4,686,250
Loans for equipment	4,368,069	4,944,079	4,284,317	4,888,549
Trade activities financing	616,557	472,395	616,557	472,395
Acquisition of real estate, including mortgage for individuals	10,799,093	10,331,907	10,799,093	10,331,907
Consumer loans	8,613,009	8,450,809	8,133,542	7,977,268
Other	2,684,064	2,529,087	2,684,064	2,529,087
<b>Total</b>	<b>32,093,826</b>	<b>31,414,527</b>	<b>31,530,607</b>	<b>30,885,456</b>

As of June 30, 2017 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 2,384,2017 (December 31, 2016: 1,883,730), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts to 4,829,755 (December 31, 2016: 5,042,356).

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

**Sector analysis**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Individuals	62.5%	61.7%	62.0%	61.2%
Public administration, education & health	3.8%	4.0%	3.9%	4.1%
Agriculture	1.5%	1.9%	1.5%	1.9%
Manufacturing	7.0%	7.1%	7.1%	7.2%
Transportation, IT&C and other services	2.6%	2.8%	2.5%	2.7%
Trade	6.1%	6.5%	6.3%	6.6%
Constructions	3.6%	3.8%	3.6%	3.9%
Utilities	2.6%	2.4%	2.7%	2.4%
Services	1.3%	1.1%	1.3%	1.1%
Others	3.6%	3.9%	3.6%	3.9%
Financial institutions	5.4%	4.9%	5.5%	5.0%
<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, 2015</b>	<b>948,076</b>	<b>2,773,208</b>	<b>281,281</b>	<b>889,117</b>	<b>2,773,208</b>	<b>273,494</b>
Increases due to amounts set aside for estimated loan losses during the period	570,228	1,197,475	316,497	553,322	1,197,475	314,005
Decreases due to amounts reversed for estimated loan losses during the period	(371,004)	(1,156,118)	(120,231)	(371,002)	(1,156,118)	(120,231)
Decreases due to amounts taken against allowances	(342,210)	(530,880)	-	(330,545)	(530,880)	-
Foreign exchange losses	(2,467)	9,866	2,101	(2,467)	9,866	2,101
<b>Balance as of December 31, 2016</b>	<b>802,623</b>	<b>2,293,551</b>	<b>479,648</b>	<b>738,425</b>	<b>2,293,551</b>	<b>469,369</b>
Increases due to amounts set aside for estimated loan losses during the period	269,258	347,906	199,159	257,453	347,906	198,423
Decreases due to amounts reversed for estimated loan losses during the period	(187,740)	(462,609)	(108,698)	(186,275)	(462,609)	(108,601)
Decreases due to amounts taken against allowances	(205,622)	(416,660)	-	(185,281)	(416,660)	-
Foreign exchange (gain) / losses	(1,591)	35	(60)	(1,591)	35	(60)
<b>Balance as of June 30, 2017</b>	<b>676,928</b>	<b>1,762,223</b>	<b>570,049</b>	<b>622,731</b>	<b>1,762,223</b>	<b>559,131</b>

**Impaired loans**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Impaired loans 90 days past due and more	2,073,713	2,722,628	2,006,845	2,647,139
Provisions for impaired loans 90 days past due and more	(1,792,738)	(2,289,199)	(1,738,542)	(2,316,307)
Impaired loans less than 90 days past due	1,172,829	1,306,115	1,172,829	1,306,115
Provisions for impaired loans less than 90 days past due	(646,412)	(806,977)	(646,412)	(715,671)
<b>Net impaired loans</b>	<b>807,392</b>	<b>932,567</b>	<b>794,720</b>	<b>921,276</b>

The gross value of the loans individually determined to be impaired for the Group is 3,246,542 (December 31, 2016: 4,028,743), while for the Bank is 3,179,674 (December 31, 2016: 3,953,254).

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**8. Finance lease receivables**

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

	<b>Group</b>	
	<b>Unaudited (*)</b>	
	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Gross investment in finance lease:</b>		
Under 1 year	327,904	278,738
Between 1 and 5 years	503,114	533,031
Higher than 5 years	10,054	16,614
	<b>841,072</b>	<b>828,383</b>
<b>Unearned finance income</b>	(63,229)	(65,947)
<b>Net investment in finance lease</b>	<b>777,843</b>	<b>762,436</b>
<b>Net investment in finance lease:</b>		
Under 1 year	298,708	249,208
Between 1 and 5 years	469,927	497,698
Higher than 5 years	9,208	15,530
	<b>777,843</b>	<b>762,436</b>
	<b>Unaudited (*)</b>	
	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Net investment in the lease	777,843	762,436
Accumulated allowance for uncollectible minimum lease payments receivable	(95,113)	(98,919)
<b>Total</b>	<b>682,730</b>	<b>663,517</b>

As at June 30, 2017 and December 31, 2016, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	<b>Group</b>		<b>Bank</b>	
	<b>Unaudited (*)</b>			
	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Less than one year	1,759	1,800	1,759	1,800
Between one and five years	5,394	5,490	5,394	5,490
More than five years	5,699	6,351	5,699	6,351
	<b>12,852</b>	<b>13,641</b>	<b>12,852</b>	<b>13,641</b>

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**9. Financial assets available for sale**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Treasury notes	12,100,293	11,517,101	12,100,293	11,517,101
Equity investments	30,959	26,279	30,959	26,279
Other securities	68,083	66,475	46,115	41,620
<b>Total</b>	<b>12,199,335</b>	<b>11,609,855</b>	<b>12,177,367</b>	<b>11,585,000</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, 2017 treasury notes amounting 22,008 have been pledged for repo transactions (as of December 31, 2016 no treasury notes have been pledged for repo transactions).

***Equity investments***

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

***Other securities***

The Group holds fund units in:

	Group			
	June 30, 2017 Unaudited (*)	Unit value	No of units	Market value
BRD Simfonia	40	456,981	18,333	18,333
BRD Obligatiuni	165	21,980	3,635	3,635
BRD Diverso	169	150,878	25,515	25,515
BRD Actiuni	173	101,798	17,656	17,656
BRD Index	149	19,794	2,944	2,944
<b>Total</b>		<b>751,431</b>		<b>68,083</b>

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

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

The Bank holds fund units in:

	<b>Bank</b>		
<b>June 30, 2017</b>	<b>Unit value</b>	<b>No of units</b>	<b>Market value</b>
BRD Diverso	169	150,878	25,515
BRD Actiuni	173	101,798	17,656
BRD Index	149	19,794	2,944
<b>Total</b>		<b>272,470</b>	<b>46,115</b>

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

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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, 2015</b>	<b>1,326,615</b>	<b>29,281</b>	<b>264,546</b>	<b>530,490</b>	<b>16,518</b>	<b>2,167,450</b>
Additions	1,108	-	64	6,624	76,750	84,546
Transfers	6,572	-	20,736	22,862	(50,158)	12
Disposals	(6,275)	-	(47,193)	(32,121)	(7,637)	(93,226)
<b>as of December 31, 2016</b>	<b>1,328,020</b>	<b>29,281</b>	<b>238,153</b>	<b>527,855</b>	<b>35,473</b>	<b>2,158,782</b>
Additions	514	-	234	3,792	35,181	39,721
Transfers	3,261	(42)	12,903	30,972	(46,562)	532
Disposals	(11,153)	-	(5,603)	(4,360)	1,531	(19,585)
<b>as of June 30, 2017 Unaudited (*)</b>	<b>1,320,642</b>	<b>29,239</b>	<b>245,687</b>	<b>558,259</b>	<b>25,623</b>	<b>2,179,450</b>
<b>Depreciation and impairment:</b>						
<b>as of December 31, 2015</b>	<b>(638,142)</b>	<b>(13,948)</b>	<b>(212,382)</b>	<b>(436,381)</b>	<b>-</b>	<b>(1,300,853)</b>
Depreciation	(45,301)	(1,391)	(21,680)	(22,243)	-	(90,615)
Impairment	(4,488)	-	-	184	-	(4,304)
Disposals	4,786	-	48,623	31,107	-	84,516
<b>as of December 31, 2016</b>	<b>(683,145)</b>	<b>(15,339)</b>	<b>(185,439)</b>	<b>(427,333)</b>	<b>-</b>	<b>(1,311,256)</b>
Depreciation	(21,671)	(695)	(11,273)	(12,133)	-	(45,772)
Impairment	(111)	-	57	(203)	-	(257)
Disposals	8,061	-	5,670	4,281	-	18,012
Transfers	1,492	30	60	183	-	1,765
<b>as of June 30, 2017 Unaudited (*)</b>	<b>(695,374)</b>	<b>(16,004)</b>	<b>(190,925)</b>	<b>(435,205)</b>	<b>-</b>	<b>(1,337,508)</b>
<b>Net book value:</b>						
<b>as of December 31, 2015</b>	<b>688,473</b>	<b>15,333</b>	<b>52,164</b>	<b>94,109</b>	<b>16,518</b>	<b>866,597</b>
<b>as of December 31, 2016</b>	<b>644,875</b>	<b>13,942</b>	<b>52,714</b>	<b>100,522</b>	<b>35,473</b>	<b>847,526</b>
<b>as of June 30, 2017 Unaudited (*)</b>	<b>625,268</b>	<b>13,235</b>	<b>54,762</b>	<b>123,054</b>	<b>25,623</b>	<b>841,942</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, 2015</b>	<b>1,316,516</b>	<b>29,285</b>	<b>254,202</b>	<b>529,757</b>	<b>16,518</b>	<b>2,146,278</b>
Additions	1,106	-	39	6,541	76,750	84,436
Transfers	6,572	-	20,736	22,862	(50,158)	11
Disposals	(6,275)	-	(47,675)	(32,055)	(7,637)	(93,642)
<b>as of December 31, 2016</b>	<b>1,317,919</b>	<b>29,285</b>	<b>227,302</b>	<b>527,103</b>	<b>35,473</b>	<b>2,137,082</b>
Additions	514	-	228	3,792	35,181	39,715
Transfers	3,262	(42)	12,903	30,972	(46,562)	533
Disposals	(11,153)	-	(5,674)	(4,358)	1,531	(19,654)
<b>as of June 30, 2017</b>	<b>1,310,542</b>	<b>29,243</b>	<b>234,759</b>	<b>557,509</b>	<b>25,623</b>	<b>2,157,676</b>
<b>Depreciation and impairment:</b>						
<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	(45,061)	(1,391)	(21,029)	(22,170)	-	(89,651)
Impairment	(4,488)	-	-	184	-	(4,304)
Disposals	4,786	-	47,670	31,069	-	83,525
<b>as of December 31, 2016</b>	<b>(678,889)</b>	<b>(15,339)</b>	<b>(176,718)</b>	<b>(426,797)</b>	<b>-</b>	<b>(1,297,743)</b>
Depreciation	(21,550)	(695)	(10,823)	(12,100)	-	(45,168)
Impairment	(111)	-	-	(203)	-	(314)
Disposals	8,061	-	5,674	4,287	-	18,022
Transfers	1,492	30	60	183	-	1,765
<b>as of June 30, 2017</b>	<b>(690,997)</b>	<b>(16,004)</b>	<b>(181,807)</b>	<b>(434,630)</b>	<b>-</b>	<b>(1,323,438)</b>
<b>Net book value:</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 December 31, 2016</b>	<b>639,030</b>	<b>13,946</b>	<b>50,584</b>	<b>100,306</b>	<b>35,473</b>	<b>839,339</b>
<b>as of June 30, 2017</b>	<b>619,545</b>	<b>13,239</b>	<b>52,952</b>	<b>122,879</b>	<b>25,623</b>	<b>834,238</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 14,085 as at June 30, 2017 (December 31, 2016: 14,780). The fair value has been determined based on a valuation by an independent valuer in 2016. Rental income from investment property of 970 (2016: 938) 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, 2017, the branch had a number of 3,916 active customers (2016: 4,116), with loans representing approximately 14% from total loans managed by the network (2016: 14%) and with deposits representing about 17% of networks’ deposits (2016: 17%).

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, 2017 and December 31, 2016 represents mainly software.

	Group	Bank
<b>Cost:</b>		
<b>as of December 31, 2015</b>	<b>364,268</b>	<b>334,867</b>
Additions	42,485	41,706
Disposals	157	157
Transfers	(11)	(11)
<b>as of December 31, 2016</b>	<b>406,899</b>	<b>376,719</b>
Additions	21,330	21,148
Disposals	1,066	1,066
Transfers	56	56
<b>as of June 30, 2017</b>	<b>429,351</b>	<b>398,989</b>
 <b>Amortization:</b>		
<b>as of December 31, 2015</b>	<b>(281,651)</b>	<b>(258,653)</b>
Amortization expense	(34,998)	(31,996)
<b>as of December 31, 2016</b>	<b>(316,649)</b>	<b>(290,649)</b>
Amortization expense	(17,032)	(16,082)
Disposals	5	(25)
<b>as of June 30, 2017</b>	<b>(333,676)</b>	<b>(306,756)</b>
 <b>Net book value:</b>		
<b>as of December 31, 2015</b>	<b>82,617</b>	<b>76,214</b>
<b>as of December 31, 2016</b>	<b>90,250</b>	<b>86,070</b>
<b>as of June 30, 2017</b>	<b>95,675</b>	<b>92,233</b>

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**13. Other assets**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Advances to suppliers	35,784	49,224	-	-
Sundry debtors	249,243	147,987	242,189	140,662
Prepaid expenses	34,419	23,367	31,035	20,344
Repossessed assets	10,781	11,301	9,459	8,806
Prepaid income tax	64	-	-	-
Other assets	8,369	8,957	7,717	8,206
<b>Total</b>	<b>338,660</b>	<b>240,836</b>	<b>290,400</b>	<b>178,018</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 96,968 (December 31, 2016: 81,307) and at Bank level is 83,827 (December 31, 2016: 66,075).

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

As of June 30, 2017 the carrying value of repossessed assets for Group is 10,781 (December 31, 2016: 11,301). As of June 30, 2017 the carrying value of repossessed assets for Bank is 9,459 (December 31, 2016: 8,806), representing four residential buildings (December 31, 2016: four residential buildings).

**14. Due to banks**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Demand deposits	378,771	379,295	378,771	379,295
Term deposits	188,616	152,306	188,616	152,306
<b>Due to banks</b>	<b>567,387</b>	<b>531,601</b>	<b>567,387</b>	<b>531,601</b>

**15. Due to customers**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Demand deposits	25,881,934	24,284,279	25,915,127	24,325,745
Term deposits	17,177,949	17,908,470	17,203,304	17,964,993
<b>Due to customers</b>	<b>43,059,883</b>	<b>42,192,749</b>	<b>43,118,431</b>	<b>42,290,738</b>

**16. Borrowed funds**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Borrowings from related parties	891,245	869,522	22,878	26,445
Borrowings from international financial institutions	155,781	231,354	54,924	111,324
Borrowings from other institutions	298	371	298	371
Other borrowings	57	311	57	311
<b>Total</b>	<b>1,047,381</b>	<b>1,101,558</b>	<b>78,157</b>	<b>138,451</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, 2017 the Group has a current tax liability in total amount of 104,692 (December 31, 2016: 142,082).

The deferred tax liability/asset is reconciled as follows:

	Group			
	June 30, 2017 Unaudited (*)			
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	5,760	922	-	(0)
Investments and other securities	(344,220)	(55,075)	(191)	(1,470)
<b>Total</b>	<b>(338,460)</b>	<b>(54,153)</b>	<b>(191)</b>	<b>(1,470)</b>
<i>Deferred tax asset</i>				
Tangible and intangible assets	98,293	15,726	562	-
Provisions and other liabilities	636,885	101,902	224	-
<b>Total</b>	<b>735,178</b>	<b>117,628</b>	<b>786</b>	<b>-</b>
<b>Taxable items</b>	<b>396,718</b>			
<b>Deferred tax</b>		<b>63,475</b>	<b>595</b>	<b>(1,470)</b>

The taxable item in amount of 63,475 represents a deferred tax asset of 64,377 and a deferred tax liability of 902.

	Bank			
	June 30, 2017			
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	5,760	922	-	(0)
Investments and other securities	(338,583)	(54,174)	-	(1,470)
<b>Total</b>	<b>(332,823)</b>	<b>(53,252)</b>	<b>-</b>	<b>(1,470)</b>
<i>Deferred tax asset</i>				
Tangible and intangible assets	99,528	15,924	484	-
Provisions and other liabilities	617,003	98,721	1,058	-
<b>Total</b>	<b>716,531</b>	<b>114,645</b>	<b>1,542</b>	<b>-</b>
<b>Taxable items</b>	<b>383,708</b>			
<b>Deferred tax</b>		<b>61,393</b>	<b>1,542</b>	<b>(1,470)</b>

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**17. Taxation (continued)**

	Group December 31, 2016			
	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	5,762	922	-	3,255
Investments and other securities	(333,836)	(53,414)	(171)	19,736
<b>Total</b>	<b>(328,074)</b>	<b>(52,492)</b>	<b>(171)</b>	<b>22,991</b>
<i>Deferred tax asset</i>				
Tangible and intangible assets	94,780	15,164	2,143	-
Provisions and other liabilities	635,481	101,677	20,731	-
<b>Total</b>	<b>730,261</b>	<b>116,841</b>	<b>22,874</b>	<b>-</b>
<b>Taxable items</b>	<b>402,187</b>			
<b>Deferred tax</b>		<b>64,349</b>	<b>22,703</b>	<b>22,991</b>

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

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

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

	Group	Bank
<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	22,992	22,992
Deferred tax recognized in profit and loss	22,703	22,745
<b>Deferred tax asset, net as of December 31, 2016</b>	<b>64,350</b>	<b>61,321</b>
Deferred tax recognized in other comprehensive income	(1,470)	(1,470)
Deferred tax recognized in profit and loss	595	1,542
<b>Deferred tax asset, net as of June 30, 2017</b>	<b>63,475</b>	<b>61,393</b>

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**17. Taxation (continued)**

**Reconciliation of total tax charge**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2017	Six months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
<b>Profit before income tax</b>	<b>891,016</b>	<b>446,019</b>	<b>886,287</b>	<b>443,788</b>
Income tax (16%)	142,563	71,363	141,806	71,006
Fiscal credit	(4,668)	(12,511)	(4,579)	(12,442)
Non-deductible elements	13,539	12,145	7,466	8,290
Non-taxable elements	(10,399)	(6,006)	(8,464)	(5,206)
<b>Expense from income tax at effective tax rate</b>	<b>141,035</b>	<b>64,992</b>	<b>136,229</b>	<b>61,647</b>
Effective tax rate	15.8%	14.6%	15.4%	13.9%

Recognition of deferred tax asset at Bank level of 61,393 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.

**18. Other liabilities**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Sundry creditors	272,606	364,716	210,507	296,541
Other payables to State budget	31,106	31,733	29,804	30,441
Deferred income	25,322	20,093	25,322	20,093
Payables to employees	128,577	147,011	123,993	140,706
Financial guarantee and loan contracts provisions	442,337	444,888	470,851	474,031
Other provisions	39,448	19,486	38,262	16,608
<b>Total</b>	<b>939,396</b>	<b>1,027,927</b>	<b>898,739</b>	<b>978,420</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 35,905 as of June 30, 2017 (December 31, 2016: 50,323) and post-employment benefits amounting 76,775 as of June 30, 2017 (December 31, 2016: 74,972).

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**18. Other liabilities (continued)**

The movement in other provisions is as follows:

<b>Group</b>	
Carrying value as of December 31,2015	<u>17,636</u>
Additional expenses	6,825
Reversals of provisions	<u>(4,975)</u>
Carrying value as of December 31,2016	<u>19,486</u>
Additional expenses	24,538
Reversals of provisions	<u>(4,576)</u>
Carrying value as of June 30, 2017 Unaudited (*)	<u>39,448</u>
<b>Bank</b>	
Carrying value as of December 31,2015	<u>16,475</u>
Additional expenses	5,010
Reversals of provisions	<u>(4,877)</u>
Carrying value as of December 31,2016	<u>16,608</u>
Additional expenses	24,443
Reversals of provisions	<u>(2,789)</u>
Carrying value as of June 30, 2017	<u>38,262</u>

The movement in other provisions resulted mainly from potential obligations related to sale of receivables performed during the period.

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

<b>Group</b>	
Carrying value as of December 31,2015	<u>306,248</u>
Additional expenses	554,188
Reversals of provisions	<u>(417,693)</u>
Foreign exchange losses	2,145
Carrying value as of December 31,2016	<u>444,888</u>
Additional expenses	296,349
Reversals of provisions	<u>(298,731)</u>
Foreign exchange (gain)	<u>(169)</u>
Carrying value as of June 30, 2017 Unaudited (*)	<u>442,337</u>
<b>Bank</b>	
Carrying value as of December 31,2015	<u>338,848</u>
Additional expenses	550,731
Reversals of provisions	<u>(417,693)</u>
Foreign exchange losses	2,145
Carrying value as of December 31,2016	<u>474,031</u>
Additional expenses	295,720
Reversals of provisions	<u>(298,731)</u>
Foreign exchange (gain)	<u>(169)</u>
Carrying value as of June 30, 2017	<u>470,851</u>

**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 2017, 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 2016 , 76,775 as of June 30, 2017 and 74,972 as of December 31, 2016.

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## 19. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2016: 696,901). Included in the share capital there is an amount of 1,818,721 (2016: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of June 30, 2017 represents 696,901,518 (2016: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2016: RON 1).

During 2017 and 2016, the Bank did not buy back any of its own shares.

## 20. Interest and similar income

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Six months ended June 30, 2017	Six months ended June 30, 2016
	Six months ended June 30, 2017	Six months ended June 30, 2016		
Interest on loans	737,210	758,805	676,912	701,475
Interest on deposit with banks	5,969	7,582	5,382	6,838
Interest on available for sale	156,760	136,002	156,760	136,002
Interest from hedging instruments	2,950	3,230	2,950	3,230
<b>Total</b>	<b>902,889</b>	<b>905,619</b>	<b>842,004</b>	<b>847,544</b>

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 68,485 for Group and 48,114 for Bank (2016: 66,984 for Group and 64,442 for Bank).

## 21. Interest and similar expense

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Six months ended June 30, 2017	Six months ended June 30, 2016
	Six months ended June 30, 2017	Six months ended June 30, 2016		
Interest on term deposits	56,124	90,678	57,403	92,264
Interest on demand deposits	11,677	19,236	11,684	19,240
Interest on borrowings	6,969	10,635	977	1,712
<b>Total</b>	<b>74,770</b>	<b>120,549</b>	<b>70,064</b>	<b>113,216</b>

## 22. Fees and commissions, net

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Six months ended June 30, 2017	Six months ended June 30, 2016
	Six months ended June 30, 2017	Six months ended June 30, 2016		
Services	307,057	317,651	300,409	310,635
Management fees	54,285	53,230	54,285	53,230
Packages	24,607	25,403	24,607	25,403
Transfers	53,257	70,090	53,257	70,090
OTC withdrawal	31,756	30,960	31,756	30,960
Cards	97,641	95,037	97,641	95,037
Brokerage and custody	14,204	12,100	14,204	12,100
Other	31,307	30,831	24,659	23,815
Loan activity	45,639	47,503	34,193	37,821
Off balance sheet	14,691	16,242	14,691	16,242
<b>Total</b>	<b>367,387</b>	<b>381,397</b>	<b>349,293</b>	<b>364,698</b>

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

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2017	Six months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Gain on instruments held for trading	7,741	8,301	7,528	8,047
Gain / (loss) on interest rate derivatives	(2,573)	(1,631)	(2,573)	(1,631)
Gain on currency and interest swap	(52,135)	6,163	(52,135)	6,163
Gain on forward foreign exchange contracts	(4,785)	16,876	(4,785)	16,876
Gain on currency options	3,139	2,494	3,139	2,494
Gain / (loss) on hedging	(705)	(413)	(705)	(413)
Other	1,319	2,857	1,319	2,857
<b>Total gain on derivative and other financial instruments held for trading</b>	<b>(47,999)</b>	<b>34,648</b>	<b>(48,212)</b>	<b>34,393</b>

**24. Other income**

Other income includes dividends from subsidiaries in amount of 24,603 as of June 30, 2017 (June 30, 2016: 11,158), 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 970 (2016: 938).

**25. 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), the deposits of individuals and certain entities, including small and medium enterprises and large companies are covered up to EUR 100,000 by the Bank Deposit Guarantee Fund ("Fund").

Each credit institution participating to deposit guarantee scheme shall pay the annual contribution as determined and notified by the Fund. The amount of the contribution refers to the total covered deposits at the end of the previous year and reflects also the degree of risk associated to each credit institution in the scheme.

The degree of risk is determined based on the financial and prudential indicators reported by the credit institutions to the National Bank of Romania. For this purpose, the Bank Deposits Guarantee Fund uses a methodology approved by the National Bank of Romania considering also the guidelines issued by the European Banking Authority.

For the year 2017 the expense related to the Deposit Guarantee Fund amounts to 6,908 (December 31, 2016: 47,269 according to Government Ordinance No. 39/1996 requirements).

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

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

For the year, 2017 the expense related to the Bank Resolution Fund amounts to 63,792 (December 31, 2016: 17,870 according to Government Ordinance No. 39/1996 requirements).

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**25. Contribution to Guarantee Scheme and Resolution Fund (continued)**

Both contributions to the Bank Deposit Guarantee Fund and Bank Resolution Fund meet the criteria for recognition as taxes and accounted in accordance with IFRIC 21 “Levies” requirements. The liability is recognized at the date when the obligating event occurs and the contribution is recognized as an expense in full at the same date, respectively January 1st.

**26. Personnel expenses**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2017	Six months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Salaries	252,173	244,645	235,880	228,801
Social security	61,120	61,473	57,595	57,748
Bonuses	22,341	22,027	21,316	21,022
Post-employment benefits	1,803	1,229	1,803	1,229
Other	1,957	9,093	786	7,666
<b>Total</b>	<b>339,394</b>	<b>338,467</b>	<b>317,380</b>	<b>316,466</b>

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

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2017	Six months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Depreciation and impairment	45,402	46,310	44,786	45,829
Amortisation	17,033	17,211	16,082	15,729
<b>Total</b>	<b>62,435</b>	<b>63,522</b>	<b>60,868</b>	<b>61,559</b>

The difference as at June 30, 2017 between the amount presented in note 10 and the amount presented in note 27 represents depreciation of investment property in total amount of 697 (June 30, 2016: 696).

**28. Other operating expense**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2017	Six months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Administrative expenses	201,208	192,716	188,795	180,049
Publicity and sponsorships	12,500	11,134	12,227	10,923
Other expenses	34,110	34,471	31,134	32,915
<b>Total</b>	<b>247,818</b>	<b>238,322</b>	<b>232,156</b>	<b>223,886</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 32.

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

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**29. Cost of risk**

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2017	Six months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Net impairment allowance for loans	56,229	358,331	46,299	351,147
Net impairment allowance for sundry debtors	18,926	16,894	20,659	17,123
Net impairment allowance for risk and charges	20,132	16	21,919	19
Net impairment allowance for finance lease	857	4,113	-	-
Income from recoveries of derecognized receivables	(392,911)	(61,870)	(386,213)	(59,089)
Write-offs & sales of bad debts	29,987	17,138	26,221	13,502
Financial guarantee and loan contracts	(3,011)	(52,218)	(3,011)	(52,218)
<b>Total</b>	<b>(269,791)</b>	<b>282,404</b>	<b>(274,126)</b>	<b>270,484</b>

The net cost of risk registered a MRON 270 net release in the period from recognition of insurance indemnities, recoveries on non-retail defaulted portfolios and gain on sale of non-performing loans portfolio.

**30. Cash and cash equivalents for cash flow purposes**

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short term placements at other banks. The amounts in transit in amount of 95,018 (December 31, 2016: 169,790) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 95,602 (December 31, 2016: 91,641) for the Bank and also the ones amounting 18,674 (December 31, 2016: 26,132) for the Group are excluded. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

**Group**

	Unaudited (*)	Unaudited (*)
	June 30, 2017	June 30, 2016
Cash in hand	1,712,520	1,289,237
Current accounts and deposits with banks	2,553,399	3,297,638
<b>Total</b>	<b>4,265,919</b>	<b>4,586,875</b>

**Bank**

	June 30, 2017	June 30, 2016
Cash in hand	1,712,494	1,289,213
Current accounts and deposits with banks	2,553,395	3,296,831
<b>Total</b>	<b>4,265,889</b>	<b>4,586,044</b>

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### 31. 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, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Letters of guarantee granted	5,738,093	5,785,743	5,772,782	5,822,732
Financing commitments granted	5,382,603	5,979,179	4,990,934	5,642,716
<b>Total commitments granted</b>	<b>11,120,696</b>	<b>11,764,922</b>	<b>10,763,716</b>	<b>11,465,448</b>
Letters of guarantee received	15,555,059	15,381,026	15,555,059	15,381,026
Financing commitments received	683,085	681,165	683,085	681,165
<b>Total commitments received</b>	<b>16,238,144</b>	<b>16,062,191</b>	<b>16,238,144</b>	<b>16,062,191</b>

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**32. Other commitments**

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Tangible non-current assets	6,015	3,464	6,015	3,464
Intangible non-current assets	6,361	8,707	6,361	8,707
Operational leasing, rents and other services	427,952	388,612	427,952	388,612
<b>Total</b>	<b>440,328</b>	<b>400,783</b>	<b>440,328</b>	<b>400,783</b>

As at June 30, 2017 and December 31, 2016 the future minimum lease payments regarding operating leases and rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	Unaudited (*)			
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Less than one year	79,575	75,847	79,575	75,847
Between one and five years	195,752	176,391	195,752	176,391
More than five years	149,049	133,986	149,049	133,986
	<b>424,376</b>	<b>386,224</b>	<b>424,376</b>	<b>386,224</b>

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**33. 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:

	2017 Unaudited (*)				2016			
	Parent	Other related parties	Associates	Group Key management of the institution	Parent	Other related parties	Associates	Group Key management of the institution
<b>Assets</b>	<b>317,788</b>	<b>48,827</b>	<b>12,284</b>	<b>3,251</b>	<b>378,291</b>	<b>111,657</b>	<b>4,870</b>	<b>1,071</b>
Nostro accounts	68,055	13,826	107	-	27,851	44,533	42	-
Deposits	18,674	4,632	-	-	26,132	35,726	-	-
Loans	95,602	30,231	6,091	3,251	91,641	24,118	1,789	1,071
Derivative financial instruments	135,457	-	-	-	228,849	-	-	-
Other assets	-	138	6,086	-	3,818	7,280	3,039	-
	<b>1,241,706</b>	<b>43,751</b>	<b>104,067</b>	<b>19,107</b>	<b>1,329,229</b>	<b>63,856</b>	<b>110,361</b>	<b>16,526</b>
<b>Liabilities</b>								
Loro accounts	10,207	21,360	1,502	-	7,380	30,411	133	-
Deposits	175,181	21,676	102,176	19,107	238,056	20,026	109,472	16,526
Borrowings	891,245	-	-	-	869,511	-	-	-
Derivative financial instruments	81,798	-	-	-	115,285	-	-	-
Other liabilities	83,275	715	389	-	98,997	13,419	756	-
	<b>6,005,487</b>	<b>22,249</b>	<b>5,464</b>	<b>422</b>	<b>7,480,893</b>	<b>154,349</b>	<b>7,403</b>	<b>282</b>
<b>Commitments</b>								
Total commitments granted	118,265	8,999	2,003	422	169,493	11,158	2,758	282
Total commitments received	953,644	13,250	3,461	-	904,855	143,191	4,645	-
Notional amount of foreign exchange transactions	3,105,484	-	-	-	4,526,245	-	-	-
Notional amount of interest rate derivatives	1,828,094	-	-	-	1,880,300	-	-	-
	<b>(18,496)</b>	<b>(1,403)</b>	<b>36,391</b>	<b>89</b>	<b>45,796</b>	<b>3,886</b>	<b>16,798</b>	<b>73</b>
<b>Income statement</b>								
Interest and commission revenues	7,722	1,112	6,701	57	8,860	1,353	6,004	19
Interest and commission expense	8,378	535	61	32	10,706	426	47	53
Net gain/(loss) on interest rate derivatives	(3,333)	-	-	-	(20,447)	-	-	-
Net gain on foreign exchange derivatives	(56,256)	(113)	-	-	30,319	15	-	-
Dividend income	-	3	19,420	-	-	18	16,939	-
Other income	909	103	2,983	-	47	21	40	-
Other expenses	24,084	(3,043)	7,226	-	16,311	2,053	(6,233)	1

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**33. Related parties (continued)**

	2017					2016				
	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>299,114</b>	<b>48,827</b>	<b>55,263</b>	<b>10,436</b>	<b>3,251</b>	<b>348,341</b>	<b>111,626</b>	<b>58,569</b>	<b>2,180</b>	<b>599</b>
Nostro accounts	68,055	13,826	-	107	-	27,851	44,533	-	42	-
Deposits	-	4,632	-	-	-	-	35,726	-	-	-
Loans	95,602	30,231	53,852	6,091	3,251	91,641	24,118	57,350	1,789	599
Derivative financial instruments	135,457	-	-	-	-	228,849	-	17	-	-
Other assets	-	138	1,411	4,238	-	-	7,249	1,202	349	-
<b>Liabilities</b>	<b>350,128</b>	<b>43,751</b>	<b>81,459</b>	<b>104,034</b>	<b>19,107</b>	<b>455,446</b>	<b>63,066</b>	<b>124,568</b>	<b>110,316</b>	<b>11,988</b>
Loro accounts	10,207	21,360	-	1,502	-	7,380	30,411	-	133	-
Deposits	175,181	21,676	58,551	102,176	19,107	238,056	20,026	97,992	109,472	11,988
Lease payable	-	-	22,877	-	-	-	-	26,445	-	-
Derivative financial instruments	81,798	-	3	-	-	115,285	-	-	-	-
Other liabilities	82,942	715	28	356	-	94,725	12,629	131	711	-
<b>Commitments</b>	<b>6,005,487</b>	<b>22,249</b>	<b>18,323</b>	<b>5,464</b>	<b>422</b>	<b>7,480,893</b>	<b>154,349</b>	<b>16,746</b>	<b>7,403</b>	<b>267</b>
Total commitments granted	118,265	8,999	15,667	2,003	422	169,493	11,158	11,734	2,758	267
Total commitments received	953,644	13,250	-	3,461	-	904,855	143,191	-	4,645	-
Notional amount of foreign exchange transactions	3,105,484	-	2,656	-	-	4,526,245	-	5,012	-	-
Notional amount of interest rate derivatives	1,828,094	-	-	-	-	1,880,300	-	-	-	-
<b>Income statement</b>	<b>(25,969)</b>	<b>(1,923)</b>	<b>38,719</b>	<b>28,907</b>	<b>89</b>	<b>35,133</b>	<b>3,392</b>	<b>22,694</b>	<b>10,072</b>	<b>33</b>
Interest and commission revenues	7,134	678	11,023	182	57	8,116	999	6,139	228	14
Interest and commission expense	2,024	535	1,568	61	32	2,198	426	1,940	47	19
Net gain/(loss) on interest rate derivatives	(3,333)	-	-	-	-	(20,447)	-	-	-	-
Net gain on foreign exchange derivatives	(56,256)	(113)	(216)	-	-	30,319	15	(174)	-	-
Dividend income	-	3	24,603	19,420	-	-	18	11,158	16,939	-
Other income	909	103	1,184	2,948	-	47	21	4,812	6	-
Other expenses	23,553	(3,129)	557	6,296	-	14,900	1,913	(1,181)	(7,148)	-

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**33. Related parties (continued)**

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

The Bank has collateral received from SG Paris regarding derivative instruments in total amount of 73,210 as at June 30, 2017 (December 31, 2016: 124,517).

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

As of June 30, 2017, the Board of Directors and Managing Committee members own 304,530 shares (2016: 304,530).

Key management personnel benefits for 2017 and 2016:

	<b>Group</b>		<b>Bank</b>	
	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
Short-term benefits	7,752	7,135	5,462	4,845
Long-term benefits	2,206	1,439	2,206	1,439
Termination benefits	-	488	-	-
Share-based payment transactions	-	2	-	2

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### 34. Contingencies

As of June 30, 2017 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 197,440 (December 31, 2016: 63,408). 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 18,205 (December 31, 2016: 16,608) and the Group 19,392 (December 31, 2016: 19,486) in relation with the litigations.

### 35. Earnings per share

	Group		Bank	
	Unaudited (*) June 30, 2017	Unaudited (*) June 30, 2016	June 30, 2017	June 30, 2016
Ordinary shares on the market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	744,119	378,009	750,058	382,141
Earnings per share (in RON)	1.0678	0.5424	1.0763	0.5483

Basic earnings per share are calculated by dividing net profit/ (loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of June 30, 2017 and June 30, 2016 there were no dilutive equity instruments issued by the Group and Bank.

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### 36. Fair value

#### **Determination of fair value and fair value hierarchy**

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

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

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

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

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

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

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

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

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**36. Fair value (continued)**

	<b>Group</b>				<b>Bank</b>			
	<b>June 30, 2017 Unaudited (*)</b>				<b>June 30, 2017</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	-	132,300	-	132,300	-	132,300	-	132,300
Currency swaps	-	12,000	-	12,000	-	12,000	-	12,000
Forward foreign exchange contracts	-	10,697	-	10,697	-	10,697	-	10,697
Options	-	-	40,147	40,147	-	-	40,147	40,147
	<b>-</b>	<b>154,997</b>	<b>40,147</b>	<b>195,144</b>	<b>-</b>	<b>154,997</b>	<b>40,147</b>	<b>195,144</b>
Financial assets available for sale								
Treasury notes	12,100,293	-	-	12,100,293	12,100,293	-	-	12,100,293
Equity investments (listed)	3,717	-	-	3,717	3,717	-	-	3,717
Equity investments (not listed)	-	-	27,242	27,242	-	-	27,242	27,242
Other securities quoted	68,083	-	-	68,083	46,115	-	-	46,115
<b>Total</b>	<b>12,172,093</b>	<b>-</b>	<b>27,242</b>	<b>12,199,335</b>	<b>12,150,125</b>	<b>-</b>	<b>27,242</b>	<b>12,177,367</b>
Trading treasury notes	526,783	-	-	526,783	526,783	-	-	526,783
<b>Total</b>	<b>12,698,876</b>	<b>154,997</b>	<b>67,389</b>	<b>12,921,262</b>	<b>12,676,908</b>	<b>154,997</b>	<b>67,389</b>	<b>12,899,294</b>
<b>Assets for which fair value is disclosed</b>								
Cash in hand	1,712,520	-	-	1,712,520	1,712,494	-	-	1,712,494
Due from Central Bank	-	-	4,107,620	4,107,620	-	-	4,107,620	4,107,620
Due from banks	-	-	2,762,696	2,762,696	-	-	2,744,015	2,744,015
Loans and advances to customers	-	-	29,196,525	29,196,525	-	-	28,718,377	28,718,377
Financial lease receivables	-	-	687,037	687,037	-	-	-	-
<b>Total</b>	<b>1,712,520</b>	<b>-</b>	<b>36,753,879</b>	<b>38,466,399</b>	<b>1,712,494</b>	<b>-</b>	<b>35,570,012</b>	<b>37,282,506</b>

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

(\*) Unaudited / unreviewed by the financial auditor



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**36. Fair value (continued)**

	<b>Group</b>				<b>Bank</b>			
	<b>June 30, 2017 Unaudited (*)</b>				<b>June 30, 2017</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	-	38,877	-	38,877	-	38,877	-	38,877
Currency swaps	-	13,106	-	13,106	-	13,109	-	13,109
Forward foreign exchange contracts	-	9,247	-	9,247	-	9,247	-	9,247
Options	-	-	40,345	40,345	-	-	40,345	40,345
<b>Total</b>	<b>-</b>	<b>61,230</b>	<b>40,345</b>	<b>101,575</b>	<b>-</b>	<b>61,233</b>	<b>40,345</b>	<b>101,578</b>
Trading treasury notes	54,576	-	-	54,576	54,576	-	-	54,576
<b>Total</b>	<b>54,576</b>	<b>61,230</b>	<b>-</b>	<b>156,151</b>	<b>54,576</b>	<b>61,233</b>	<b>40,345</b>	<b>156,154</b>
<b><u>Liabilities for which fair value is disclosed</u></b>								
Due to banks	-	567,387	-	567,387	-	567,387	-	567,387
Due to customers	-	43,063,088	-	43,063,088	-	43,121,640	-	43,121,640
Borrowed funds	-	1,047,381	-	1,047,381	-	78,157	-	78,157
<b>Total</b>	<b>-</b>	<b>44,677,856</b>	<b>-</b>	<b>44,677,856</b>	<b>-</b>	<b>43,767,184</b>	<b>-</b>	<b>43,767,184</b>

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**36. Fair value (continued)**

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

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**36. Fair value (continued)**

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

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### **36. Fair value (continued)**

#### **Financial instruments measured at fair value**

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

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

#### *Derivatives*

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

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

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

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

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

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### **36. Fair value (continued)**

#### *Equities*

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.

The fair value of equity instruments not listed classified as available for sale financial assets and consisting of ordinary shares of other entities is determined by using the net assets of the entities as at the end of the last closed reporting period. The entities net assets represent the best estimation of the current replacement cost that would be paid in order to replace the holding as it consists of the initial capital investment adjusted by the financial performance of the entity.

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

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

##### *Financial assets*

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

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

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

##### *Financial liabilities*

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

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

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**36. Fair value (continued)**

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

	Group				Bank			
	June 30, 2017 Unaudited (*)		December 31, 2016		June 30, 2017		December 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>								
Cash in hand	1,712,520	1,712,520	1,800,529	1,800,529	1,712,494	1,712,494	1,800,506	1,800,506
Due from Central Bank	4,107,620	4,107,620	5,339,460	5,339,460	4,107,620	4,107,620	5,339,460	5,339,460
Due from banks	2,762,696	2,762,696	1,998,271	1,998,271	2,744,015	2,744,015	1,971,333	1,971,333
Loans and advances to customers	29,084,626	29,196,557	27,838,705	27,995,196	28,586,522	28,718,408	27,384,110	27,565,687
Financial lease receivables	682,730	687,037	663,517	668,235	-	-	-	-
	<b>38,350,192</b>	<b>38,466,430</b>	<b>37,640,482</b>	<b>37,801,691</b>	<b>37,150,651</b>	<b>37,282,537</b>	<b>36,495,409</b>	<b>36,676,986</b>
<b>Financial liabilities</b>								
Due to banks	567,387	567,387	531,601	531,601	567,387	567,387	531,601	531,601
Due to customers	43,059,883	43,063,088	42,192,749	42,197,955	43,118,431	43,121,640	42,290,738	42,295,957
Borrowed funds	1,047,381	1,047,381	1,101,558	1,101,558	78,157	78,157	138,451	138,451
	<b>44,674,651</b>	<b>44,677,856</b>	<b>43,825,908</b>	<b>43,831,114</b>	<b>43,763,975</b>	<b>43,767,184</b>	<b>42,960,790</b>	<b>42,966,009</b>

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**36. Fair value (continued)**

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

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

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

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

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

**Movement in level 3:**

	Equity investments (not listed)	Municipal Bonds	Options (A)	Options (L)
<b>Closing balance as at December 31, 2015</b>	<b>86,752</b>	<b>272,040</b>	-	-
Transfers into Level 3	-	-	71,669	72,281
Acquisitions	18,878	4,911	15,061	15,061
Sales	(79,902)	-	(3,339)	(3,339)
Reimbursements	-	(12,466)	(23,633)	(23,633)
Gain losses from change in fair value	(2,745)	(2,076)	5,764	5,465
Reclassification	-	(262,409)	-	-
<b>Closing balance as at December 31, 2016</b>	<b>22,983</b>	<b>-</b>	<b>65,522</b>	<b>65,835</b>
Acquisitions	568	-	11,698	11,699
Sales	-	-	(1,260)	(1,260)
Reimbursements	-	-	(30,618)	(30,618)
Gain losses from change in fair value	5,059	-	(5,195)	(5,311)
Translation differences	(1,368)	-	-	-
<b>Closing balance as at June 30, 2017</b>	<b>27,242</b>	<b>-</b>	<b>40,147</b>	<b>40,345</b>

In June 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) from financial assets available for sale (December 31, 2015: 272,040) to “loans and advances to customers” and measures them at amortised cost, amounting 255,997 at June 30, 2017 (263,728 at December 31, 2016).

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

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