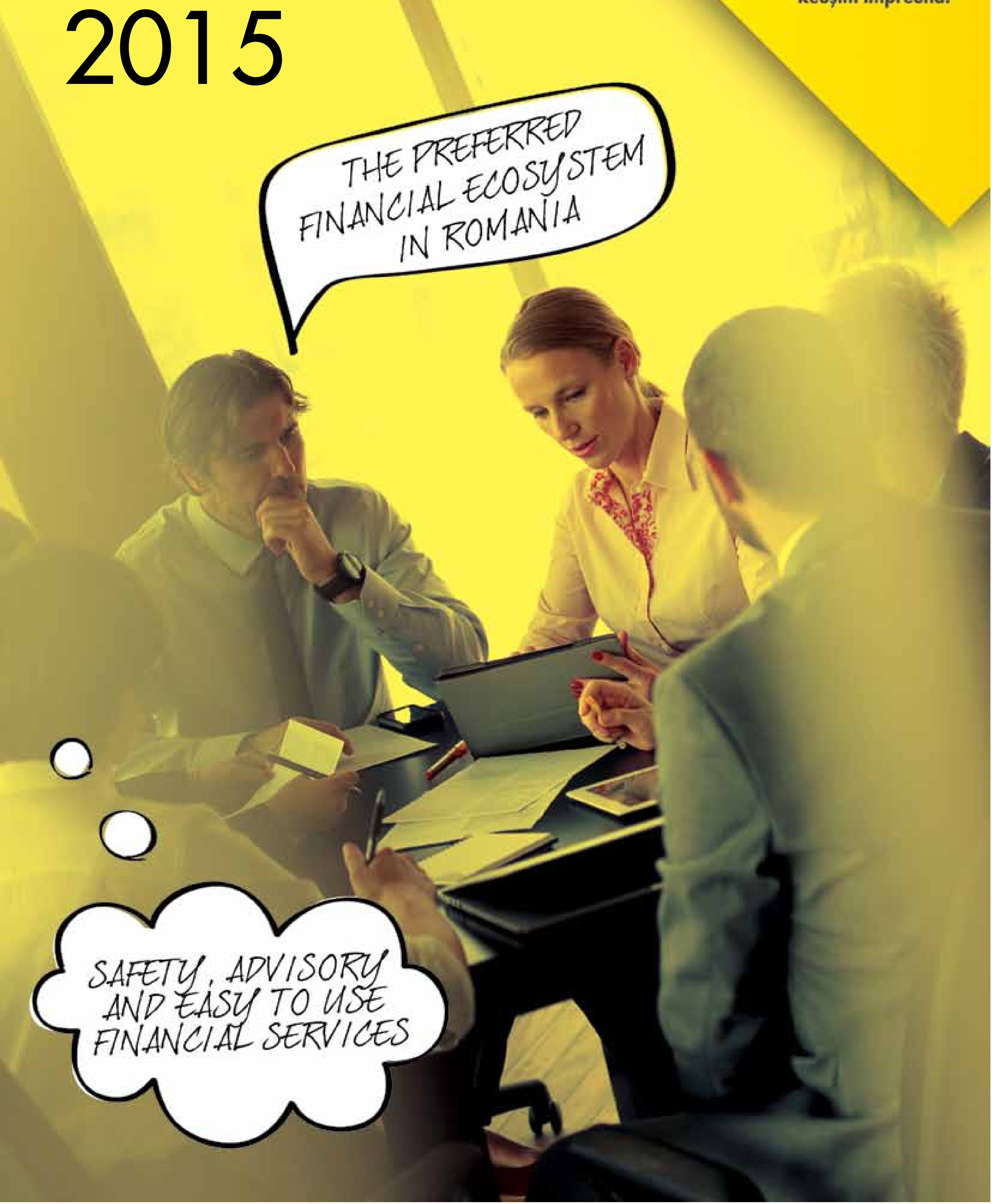
Annual Report 2015

Raiffeisen BANK

Reuşim împreună.



Survey of key data

Consolidated and Separate Financial Statements according to IFRS

	2015* EUR '000	2014* EUR '000	Change (%)
Profit and Loss			
Net interest income	237,268	235,134	1%
Net commission income	141,735	153,000	-7%
Trading profit	64,909	63,165	3%
Administrative expenses	(272,109)	(258,207)	5%
Profit/(loss) before tax	114,683	137,496	-17%
Profit/(loss) after tax, before the net income obtained from the sale of interrupted activity	95,936	115,307	-17%
Net profit for the year	95,936	115,307	-17%
Number of ordinary shares	12,000	12,000	0%
Earnings per share (in EUR/share)	7,995	9,609	-17%
Balance Sheet			
Loans and advances to banks (including placements with banks)	251,717	201,723	25%
Loans and advances to customers	4,012,286	3,594,314	12%
Deposits from banks	138,597	118,922	17%
Loans from banks	359,040	329,505	9%
Deposits from customers	5,246,898	4,700,444	12%
Equity (including minorities and profit)	709,602	743,041	-5%
Balance-sheet total	6,959,119	6,423,055	8%
Regulatory information			
Risk-weighted assets, including market risk	4,140,896	3,908,481	6%
Total own funds	764,506	787,444	-3%
Total own funds requirement	331,272	312,679	6%
Excess cover ratio	130.78%	151.84%	-14%
Core capital ratio (Tier 1), including market risk	13.90%	15.07%	-8%
Own funds ratio	18.46%	20.15%	-8%
Performance			
Return on equity (ROE) before tax	15.79%	19.25%	-18%
Return on equity (ROE) after tax	13.21%	16.15%	-18%
Cost/income ratio	60.32%	55.50%	9%
Return on assets (ROA) before tax	1.71%	2.23%	-23%
Risk/earnings ratio	27.40%	30.04%	-9%
Resources			
Number of employees	5,379	5,185	4%
Business outlets	510	527	-3%

* Unofficial conversion, unaudited

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Foreword and presentation of the Group

Foreword

In 2015, Romania continued to improve its macroeconomic ratios, while consumers' confidence in the economy returned to the same level as before the crisis.

In this context, financing for the economy accelerated, and Raiffeisen Bank granted EUR 2 billion in new loans, of which two thirds went to small, medium and large companies, and the rest to private individuals. Our customer base grew by 2 per cent last year, with a higher growth in some segments (for example, the number of Premium customers grew by 6 per cent). At year-end, Raiffeisen Bank serviced approximately 2 million individuals, 100,000 SMEs and about 8,200 medium and large corporates.

In total, loans were up by 10 per cent, including a loan portfolio purchase from a group company; organic growth stood at 5 per cent (net figures, including provisions). Deposits from customers increased again, by 13 per cent, for both individual and corporate customers, which on the one side consolidates a diversified financing structure, and on the other side proves our clients' confidence in the Raiffeisen Group. In this respect, Raiffeisen Asset Management had another year of outstanding performance, with a hefty growth of 16 per cent of assets under administration.

We continued to invest in technology and in servicing our customers via electronic channels. Our customers are now able to do more operations, in an easier manner, through Internet Banking or Smart Mobile. We also recorded a notable success in connecting with the authorities' databases, after the banking community signed an agreement with the National Agency of Fiscal Administration. Starting with 2015, Raiffeisen Bank customers can obtain a loan for personal needs almost immediately as the pay slip is no longer needed. Due to this arrangement, and with the customer's permission, the bank can check the fiscal authority's records online.

These two directions – digitalization and adjusting legislation to technological advancement – will remain the focus for the following years, and we will continue to promote such initiatives at the society level.

At the same time, 2015 was a year when other countries' economic decisions had an impact on the Romanian society, as was the case with the Swiss National Bank's decision to no longer hold the Swiss franc at a fixed exchange rate with the euro. On the one side, the exchange rate soaring gave reasons for worry to customers with Swiss franc loans, and on the other side, it determined banks to intensify restructuring measures for such portfolios so as to support their customers' reimbursement ability. Throughout the year, the public debate on long-term lending to private individuals polarized our society, and the legislators discussed a series of initiatives aimed at reducing the customers' burden.

As for ourselves, we continued to search for adequate solutions for customers with repayment difficulties, so that they can pay their installments and keep their family homes. It is worth mentioning, however, that in 2015 our customers' payment behavior improved through all segments, in particular regarding private individuals, due to the increase in the population's income and to restructuring measures agreed with the bank.

Simultaneously, in a low interest rates environment, we continued to improve our commercial offer to encourage medium and long-term savings.

In 2015; we remained focused on our involvement in social and cultural projects, faithful to our mission to support the development of prosperous and sustainable communities. I will only mention here our financial education programs, through which 6,000 pupils of all ages learn family budget management or project-based financing per year.

Finally, I would like to express my thanks especially to the whole Raiffeisen Bank team for their work, dedication and perseverance in finding the best solutions for our customers, and of course to our customers, for choosing to bank with us and for helping us to get better day by day.

Steven van Groningen
President & CEO

The Management of Raiffeisen Bank

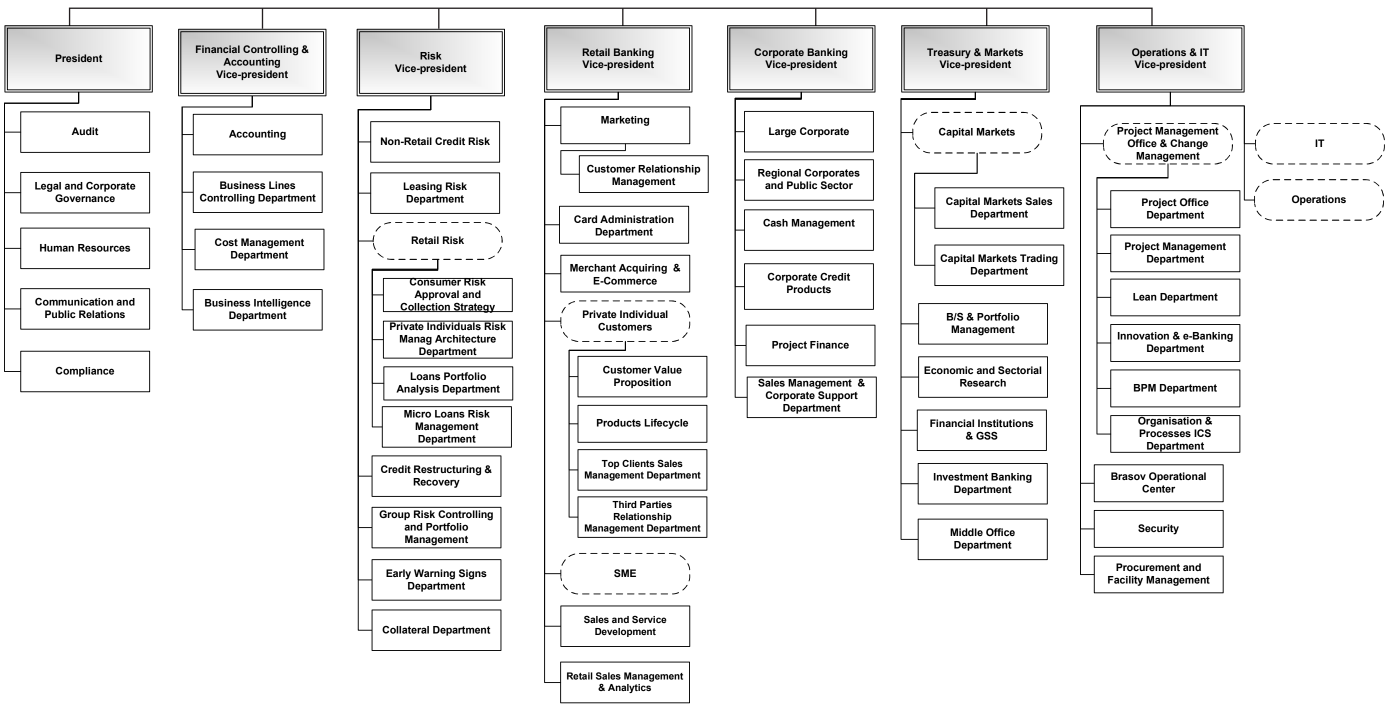
Members of the Supervisory Board,
as of 2016, March 31st

Karl Sevelda – Chairman
Martin Grüll – Deputy Chairman
Johann Strobl – Member
Klemens Breuer – Member
Peter Lennkh – Member
Anca Ioan – Member

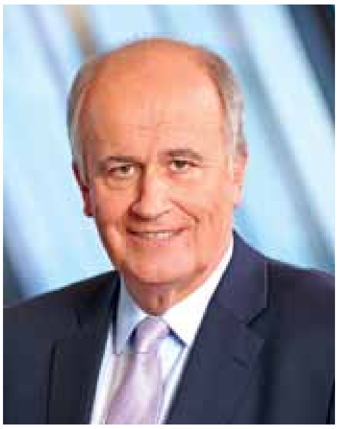
Members of the Management Board,
as of 2016, March 31st:

Steven van Groningen – President & CEO
Cristian Sporiș – Vice-president, Corporate Banking
Vladimir Kalinov – Vice-president, Retail Banking
James D. Stewart, Jr. – Vice-president, Treasury & Markets
Carl Rossey – Vice-president, Operations and IT
Bogdan Popa – Vice-president, Financial Controlling and Accounting
Mircea Busuioceanu – Vice-president, Risk

Raiffeisen Bank's structure, as of 2016, March 31st



Report of the Supervisory Board of Raiffeisen Bank S.A.



Ladies and Gentlemen,

at the beginning of 2015, Raiffeisen Bank International announced a review of the corporate strategy which the market received very positively. An emphasis on markets in which RBI can generate sustainable returns due to a strong position is also being welcomed, as is the action taken so far to achieve these goals. The plan to become a more focused universal bank with strong customer relationships by reducing complexity and risk as well as through bolstering the capital buffer is well on track and valued by market participants.

More than ever before, a bank today needs a focus – and RBI's is on CEE and Austria. RBI, therefore, needed to look at all operations unrelated to that focus, even when, in some cases, they have been highly successful in the past. The footprint in CEE was also reviewed at this time. All of this took place against the backdrop of higher regulatory capital ratio requirements, which were taken into account while determining the target CET1 and total capital ratios.

In 2015, RBI significantly strengthened its capital base, with the fully loaded CET1 ratio standing at 11.5 per cent at year-end, and also achieved a consolidated profit of EUR 379 million. The primary reason for the result being so positive was lower net provisioning for impairment losses. Furthermore, general administrative expenses were reduced by 4 per cent compared to 2014, in line with RBI's cost cutting initiative.

As substantiated by the financial results for 2015, Raiffeisen Bank S.A. once again reaffirmed the validity of its strategy, equally focused on business development and prudent risk management. Raiffeisen Bank continues to be among the most profitable banks on the local market.

At the Shareholders' Meeting on April 28th 2015, Raiffeisen Bank's shareholders decided to grant new mandates as members of the Supervisory Board to Karl Sevelda, Martin Grüll and Răzvan Munteanu. On December 31st, 2015, Răzvan Munteanu resigned from his office of Supervisory Board member.

On April 29th 2015, the Supervisory Board reelected Karl Sevelda as President of the Supervisory Board and Martin Grüll as Vice President of the Supervisory Board.

The Supervisory Board met five times in 2015. The Management Board of Raiffeisen Bank regularly provided the members of the Supervisory Board with comprehensive and timely information regarding the relevant business developments. Thus, the Management Board supported the Supervisory Board to fulfill its supervisory and controlling responsibilities. In turn, the Supervisory Board rendered the necessary support to the Management Board to accomplish the objectives of increasing the bank's value and results, in accordance with the shareholders' expectations.

The Supervisory Board was regularly informed with regard to the activities carried out in 2015 by its sub-committees, namely: the Nomination Committee, the Remuneration Committee, the Supervisory Board Risk Committee and the Audit Committee.

The Supervisory Board agreed with the Management Board's reports on the bank's audited financial statements related to the 2015 financial year, prepared according to International Financial Reporting Standards.

I would like to thank all employees of Raiffeisen Bank for their hard work and constant efforts to serve our customers and bring benefits to the entire Raiffeisen Group.

On behalf of the Supervisory Board,

Karl Sevelda
Chairman of the Supervisory Board

Raiffeisen Bank International at a glance

Raiffeisen Bank International A.G. (RBI) regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. In CEE, at the end of 2015, around 48,000 RBI employees served some 14.9 million customers in around 2,700 business outlets. In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers and major multinational clients operating in CEE. All in all, RBI employs about 51,000 employees and has total assets of approximately EUR 114 billion.

RZB was founded in 1927 as "Genossenschaftliche Zentralbank". The RZB founded its first subsidiary bank in CEE already back in 1987. Since then, further own subsidiaries have been established. From 2000 onward, Raiffeisen's expansion into CEE countries has mainly been achieved by acquiring existing banks. These were subsequently combined into a holding company that operated under the name Raiffeisen International from 2003. In April 2005, Raiffeisen International was listed on the Vienna Stock Exchange in order to finance its future growth efficiently. Today's RBI was established in 2010 through the merger of Raiffeisen International with the principal business areas of RZB.
At year-end 2015, RZB – which functions as the central institution of the Austrian Raiffeisen Banking Group – held approximately 60.7 per cent of RBI's stock, with the remaining shares in free float.

Highlights 2015

Highlights 2015

January

- Raiffeisen Bank announces changes in its fees and commissions structure, coming into force in March: subscription for Raiffeisen Smart Mobile is free, payments via electronic channels are charged maximum 35 per cent of the fee for payments at the counter, and the electronic account statement is also made available free of charge.
- The bank diversifies its savings offer for home-banking customers, by launching the Super Access Plus savings account, with higher interest rates for private individuals with salary or pension accounts opened with Raiffeisen Bank. The new accounts can also be opened via Raiffeisen Online or Smart Mobile.

February

- Raiffeisen Bank supports four programs which are implemented, for free, through Junior Achievement Romania, thus fully covering the needs for financial education in primary schools: Ourselves (Noi Înșine), My Family (Familia Mea), Our Community (Comunitatea Noastră) and, starting with the school year 2015 – 2016, Our Town (Orașul Nostru), for pupils in the 3rd and 4th grades.

March

- Raiffeisen Bank continues to diversify its bill payment methods by implementing a new, simple and fast solution, in partnership with Orange Romania. The solution allows a single-click payment for Orange bills, through Raiffeisen Online, the identification elements on the invoice being no longer required.
- Raiffeisen Bank is awarded „Best SMEs Financing Line" at Business Review Gala 2015, for its JEREMIE Program.

April

- Raiffeisen Bank launches a new unsecured loan for private individuals, denominated in lei – Flexicredit Acasă – for housing purposes, and with a maximum borrowing amount of EUR 15,000 (RON equivalent) for a maximum 10-year period. The loan can be used for modernization, expansion, renovations or for refinancing a housing loan.

May

- Aiming to respond properly to changing customer needs, Raiffeisen Bank begins its digital transformation, switching to Google Apps for Work and Google Android for Work, with the purpose of increasing internal collaboration and simplifying daily activities. Raiffeisen Bank is the first Romanian bank going Google.
- Raiffeisen Bank encourages long-term saving, by adding a new characteristic to its 18, 24 and 36 months term deposits. In case of their liquidation before maturity, the client receives an interest which is proportional with the period from purchase to withdrawal.
- Under the „Together" (Împreună) communication umbrella, the bank partners with the most important artistic, cultural, sport or education events of 2015, such as George Enescu Festival, Sibiu Theatre Festival, Bucharest International Marathon, Transilvania International Film Festival (TIFF), Undercloud Independent Theatre Festival.
- Raiffeisen Bank joins the United Nation Global Compact network, the largest corporate sustainability initiative in the world, through which it supports and promotes the universal principles on human rights, working conditions, environment and anticorruption.

Raiffeisen Bank is, for the first time, main partner of George Enescu International Festival

Steven Van Groningen is "Educator for a day" for children in Budila, Brașov

June

- Raiffeisen Bank launches the „Credite la un act distanță" campaign, thus significantly simplifying the analysis and disbursement process for the unsecured personal needs loan and the credit card. Based on a protocol signed by the Romanian Banking Association and ANAF (National Agency for Fiscal Administration), all verifications related to the salary of a loan requester are performed automatically, the submission of a pay slip being no longer needed.
- Raiffeisen Bank and the European Investment Fund sign a supplementation of the dedicated funds for SMEs lending, within the JEREMIE Initiative (Joint European Resources for Micro to Medium Enterprises), through which the bank will be able to grant loans in the value of EUR 50 million. Total SMEs loans (in accordance with the European definition) via this financial instrument thus reaches EUR 90 million.
- Raiffeisen Bank in named "Best Bank in Romania" at Euromoney Awards for Excellence.

July

- Raiffeisen Bank launches the fifth edition of Raiffeisen Comunități Grant Program, dedicated to the financing of small and medium local community projects. The best 10 projects are about to receive EUR 10,000 each, the total value of grants amounting to EUR 100,000.
- Raiffeisen Bank launches a new functionality through which legal entities can check the business and credit worthiness of their commercial partners, directly, via Raiffeisen Online.

August

- Romanian entrepreneurs believe their businesses will grow in 2015. This is the main conclusion following the completion of the "Entrepreneurs Arena" series of events, organized by Raiffeisen Bank for business people in Cluj, Iași, Timișoara, Brașov and Constanța, and dedicated to interactive discussions on financing modalities and opportunities, fiscal regulations, perceptions on the economic crisis or the entrepreneurial environment.

September

- The 22nd edition of the International George Enescu Festival takes place, sponsored, for the first time, by Raiffeisen Bank, as main partner. With the support of the bank, Green Revolution and Cultour Association, Enescu Tours take place during the festival, on foot or by bike.
- "Educator for a day" volunteering activities, part of OvidiuRo's "Every child in kindergarten" program, begin this month. 54 Raiffeisen Bank volunteers and 30 journalists, writers or actors go together in kindergartens in some of the poorest communities in Brașov and Covasna, aiming to reduce the kindergarten early dropout rate taking place in poor areas of Romania.

2015 Tour with Teatrul Act

Start for the eighth edition of Raiffeisen Bank Bucharest International Marathon

October

- The 8th edition of the Raiffeisen Bank Bucharest International Marathon gathers at the start more than 11,000 runners – amateurs and professionals, passionate about exceeding their own limits, thus marking a new participation record.
- Raiffeisen Bank mails checks and promissory notes directly at its customers' office, free of charge, thus continuing the initiatives that aim at cost reduction and a simplified interaction with the bank, as well as the streamlining of steps taken by a client using such paper-based instruments.
- The first edition of Art Encounters Festival takes places in Timişoara, with Raiffeisen Bank's support.

November

- Raiffeisen Bank customers using the www.vodafone.ro website for the purchase of phones and accessories, bill payment or recharge of pre-paid cards are now able to do all these directly, via Raiffeisen Online.
- The bank obtains a new supplementation of resources available under the JEREMIE initiative (Joint European Resources for Micro to Medium Enterprises), in the sum of EUR 35 million.
- The tenth edition of SoNoRo Festival, The Dreamers, begins, with the support of the Raiffeisen Bank, for the tenth time in a row.
- Raiffeisen Bank's President, Steven van Groningen, is named Banker of the Year, at the Financial Leaders Hall of Fame Gala, organized by Business Arena Magazine.

December

- Raiffeisen Bank extends its discounted conversion offer for customers who are facing difficulties in repaying CHF loans and have an indebtedness level that exceeds 65%, with the purpose to provide them a minimum 20% discount of the principal.
- The Banker, the prestigious publication edited by Financial Times, names Raiffeisen Bank "Bank of the Year" in Romania.

Corporate Responsibility

Corporate Responsibility

Raiffeisen Bank contributes to the sustainable development of society, being constantly interested in improving financial education among young people, supporting the Romanian arts and culture, as well as in promoting a cleaner environment and a healthier lifestyle.

We are fully aware of the important role we play in a society where 2 million people are our customers. We act responsibly in all areas and throughout the country, aiming to positively influence the communities where we operate. We are responsible for safeguarding our customers' savings, for making sound loan placements, with respect to private individuals, as well as to the 100,000 SMEs and 8,200 corporate customers we service.

Thus, we contribute to the Romanian capital formation, the development of the national economy and to the creation of a larger number of job opportunities.

Although non-financial reporting is optional until the EU Directive 95/2014 comes into force in the national legislation, Raiffeisen Bank has been publishing, since 2009, a Corporate Responsibility report, for those interested in the bank's community involvement and transparency, aside from its financial results. The report is drafted based on two models: London Benchmarking Group (LBG), which evaluates investments in community programs and influences on beneficiaries, and Global Reporting Initiative (GRI) respectively, for the indicators referring to corporate governance and the company's economic and social behavior. The two reporting models complement each other and cover different aspects.

Significant accomplishments in 2015:

- Raiffeisen Bank's contribution in community programs exceeded RON 7.8 million (according to LBG criteria), that is RON 1,463 for each of the bank's employees (approximately 325 euro), and it meant support for more than 100 programs.

- The 5th edition of the Raiffeisen Comunităţi Grants Program attracted 240 community projects and awarded the best 10 of them with 10,000 each, adding up to a total grants value of EUR 100,000. Over 60 volunteers, Raiffeisen Bank employees, took part in the evaluation of these projects, while the vote of local communities accounted for 50% of the total votes.
- More than 400 Raiffeisen Bank volunteers allotted a total of 2,077 hours to volunteering projects.

- Raiffeisen Bank partnered for the first time with George Enescu International Festival and Art Encounters (Timişoara).

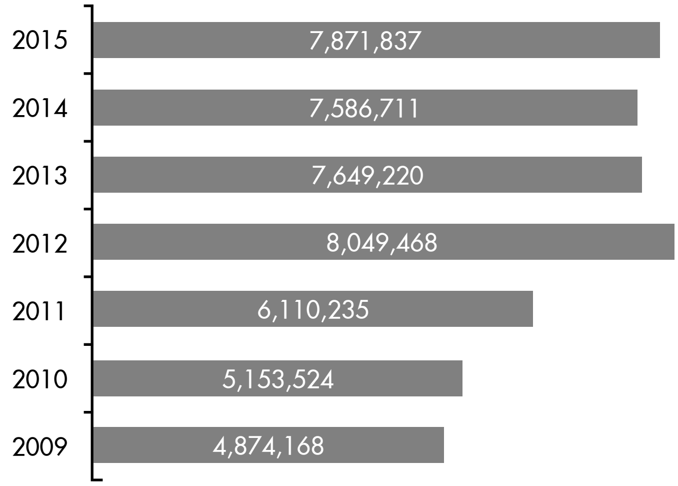
- The bank continued to support some of the most prestigious cultural and sports events in Romania: Sibiu International Theatre Festival, Transilvania International Film Festival, Sonoro, Uniter Awards Gala, Undercloud, productions and tours of Act Theatre, Bucharest International Marathon, Sport Arena Streetball, Via Maria Theresia Marathon.

- Furthermore, Raiffeisen Bank continued to contribute in 2015 to the development of projects from some of the strongest NGOs and associations in the country: Green Revolution, OvidiuRo, Tăşuleasa Social, Principesa Margareta a României Foundation, United Way, Junior Achievement, Teach for Romania, Light Into Europe, Pro Vita, Society Development Foudation, Habitat for Humanity.

Community impact – reference data for 2015

The total amount of Raiffeisen Bank sponsorship contracts exceeded RON 9 million, up 3 per cent compared to the previous year. The bank invested RON 7,871,837 in community programs (in scope of LBG reporting).

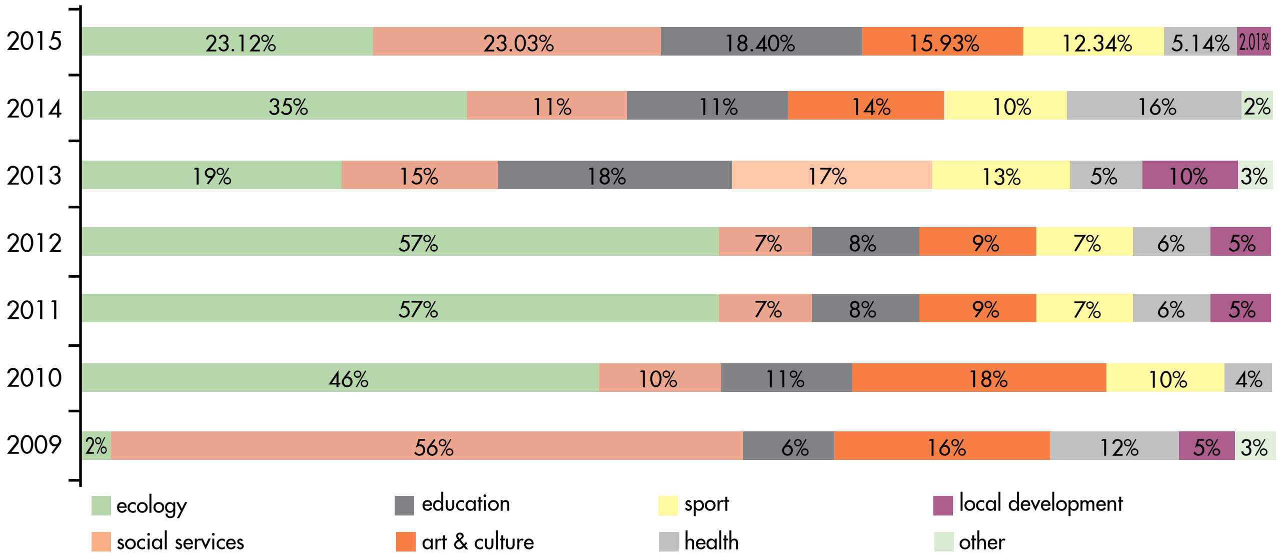
Total value of contributions:



In 2015, the causes supported by the bank remained the same and reflected the 5 strategic areas of involvement: arts and culture, urban ecology, education, social services, and sport.

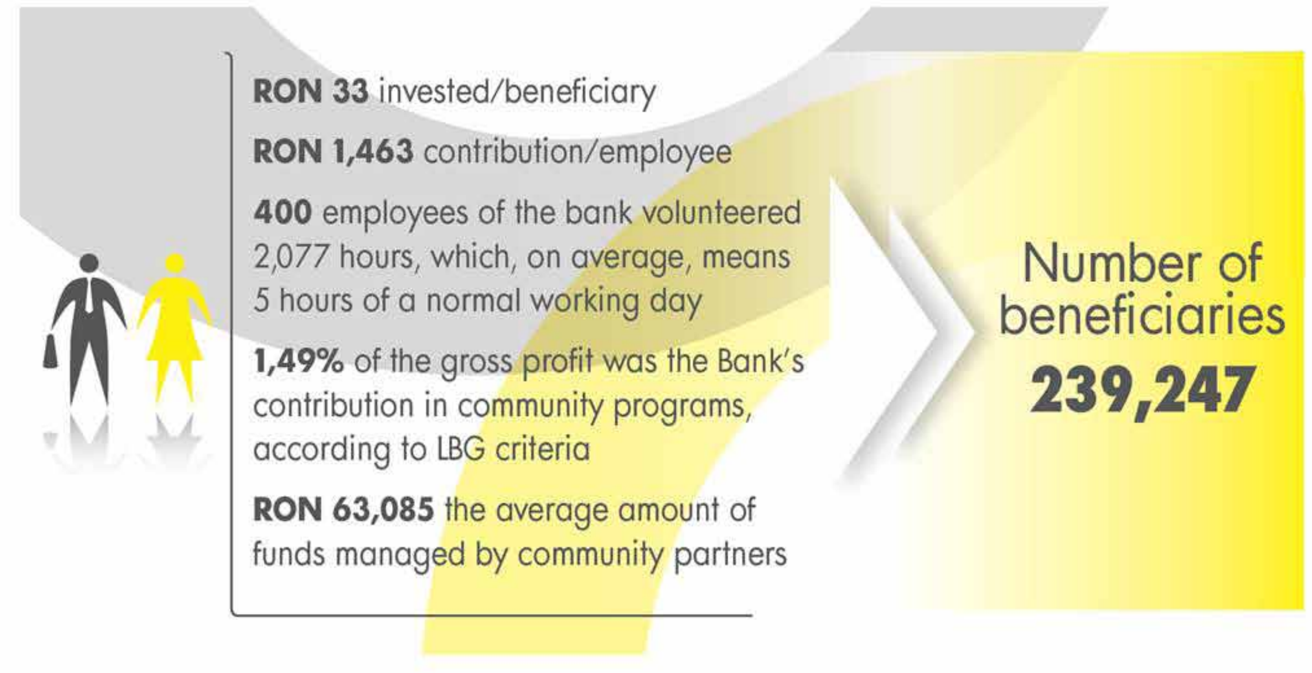
Ecology and social services (both at 23%) are the most important areas supported by the bank, followed by education (19%), cultural projects (16%), and respectively sport (above 12%). The bank continues to honor its existing partnerships with other organizations developing projects in other areas than the strategic ones, which represented 7% of the causes supported in 2015.

Causes supported by Raiffeisen Bank

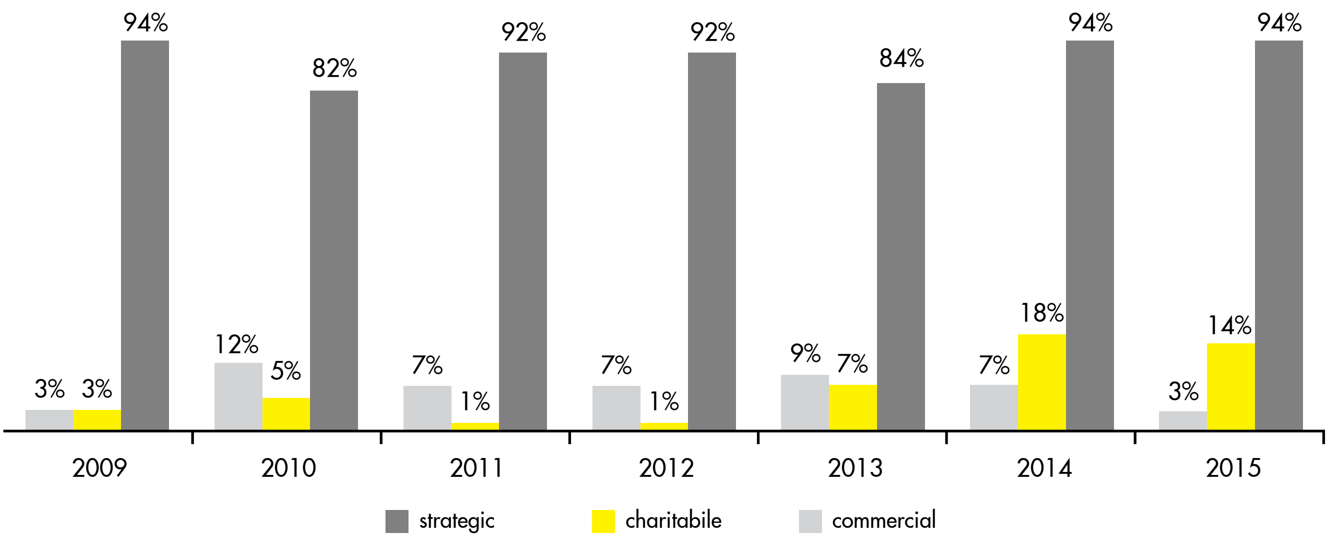


Society

Raiffeisen Bank continuously supports the civil society, by its involvement in projects which educate and enrich the community. The protection and respect for the environment, education, culture, arts or sport as a healthy lifestyle influence each and every person, hence the bank is committed to sustain strategic partners in these areas, but also to attract, by example, other supporting partners, including its customers or employees.



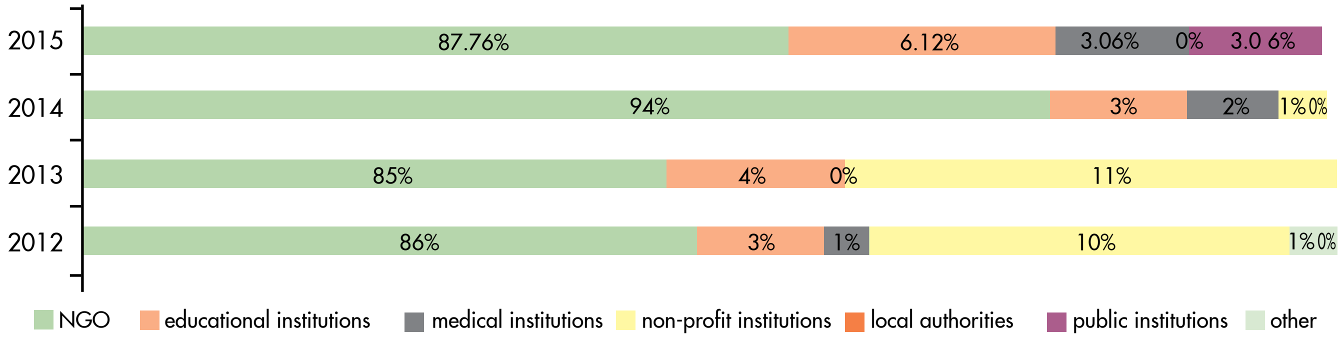
Raiffeisen Bank's reasons for involving in community (%)



Community Partners

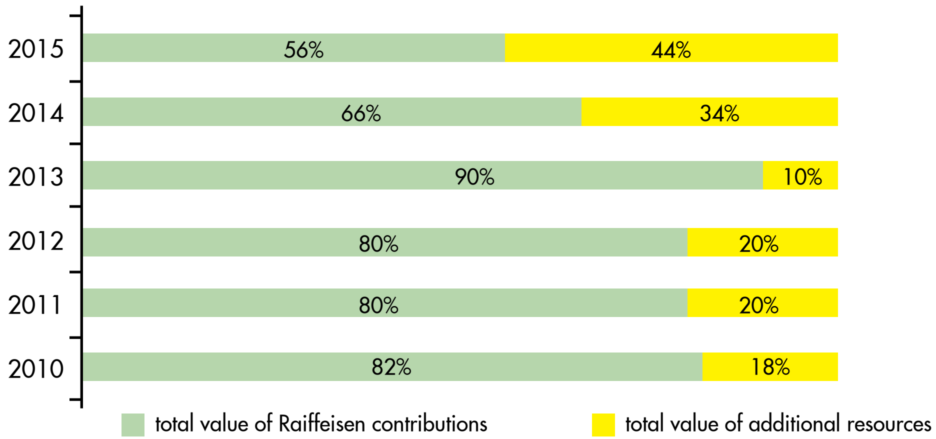
From studies similar to market research, we try to identify our audiences and discover their plans and those of their communities. In terms of social interventions and community investments, we try to facilitate cohesion among different factors, as to identify, together, solutions for real community issues. We embrace the role of facilitators: for example, we support arts and culture, choosing very good projects, without influencing the cultural act, and we make sustained efforts to increase their audience every year.

Community partners types



Furthermore, we encourage our partners' capacity to attract additional resources for the projects they implement.

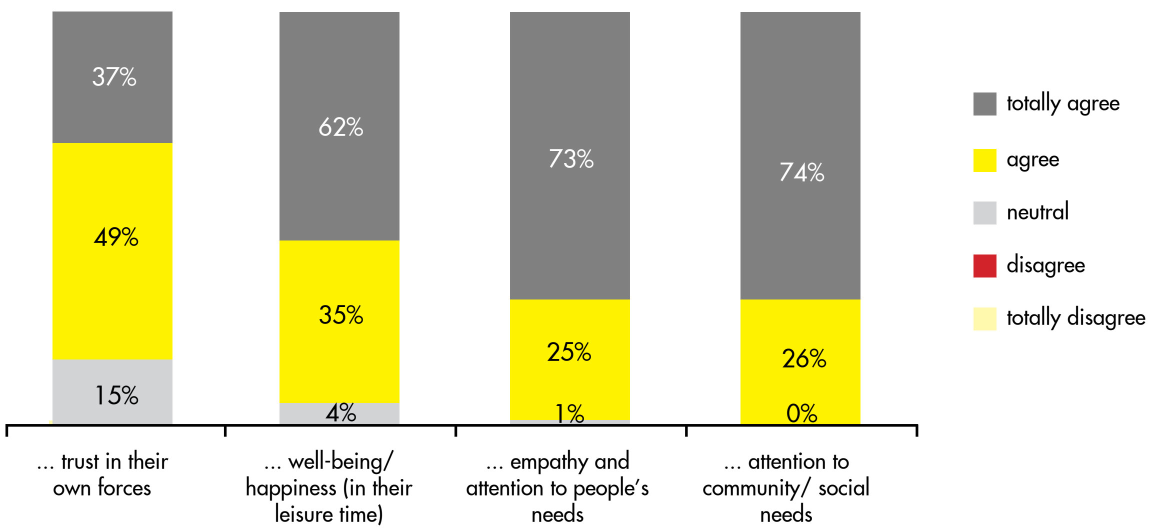
The ratio between resources invested by Raiffeisen Bank and additional attracted resources



Volunteering in Raiffeisen Bank's Team

In 2015, as in the previous two years, 7.5% of our employees took part in volunteering activities. 400 Raiffeisen Bank volunteers involved in different activities, from project assessments and selections in different financing programs, pre-school education, financial education classes, to fundraising or constructions for underprivileged people.

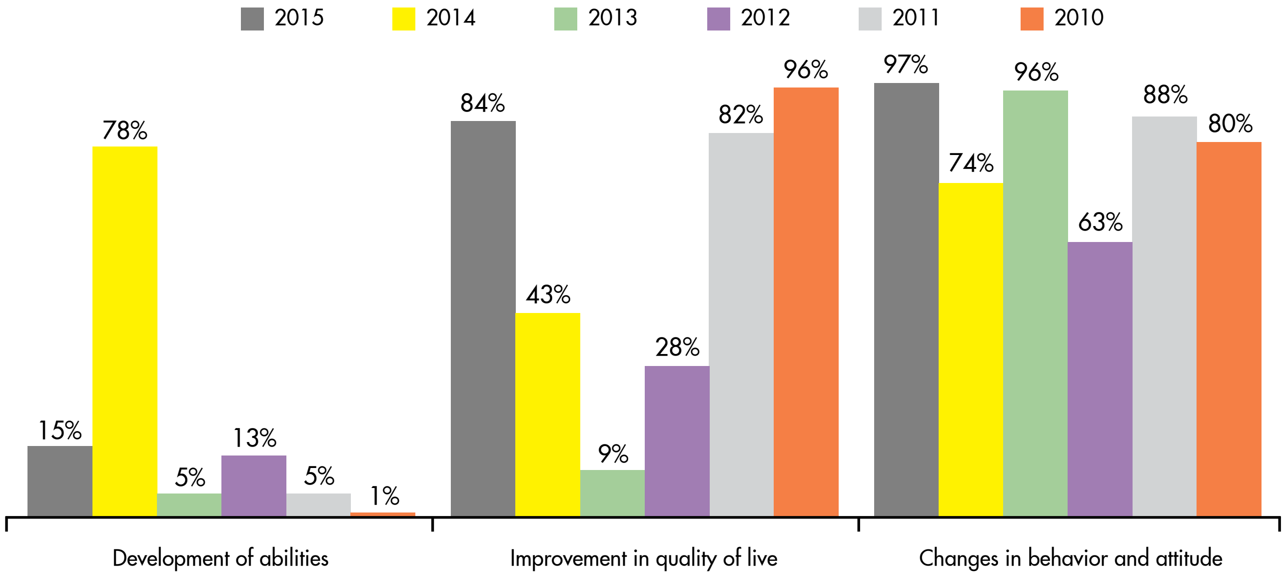
Volunteering activities helped employees to develop the following aspects:



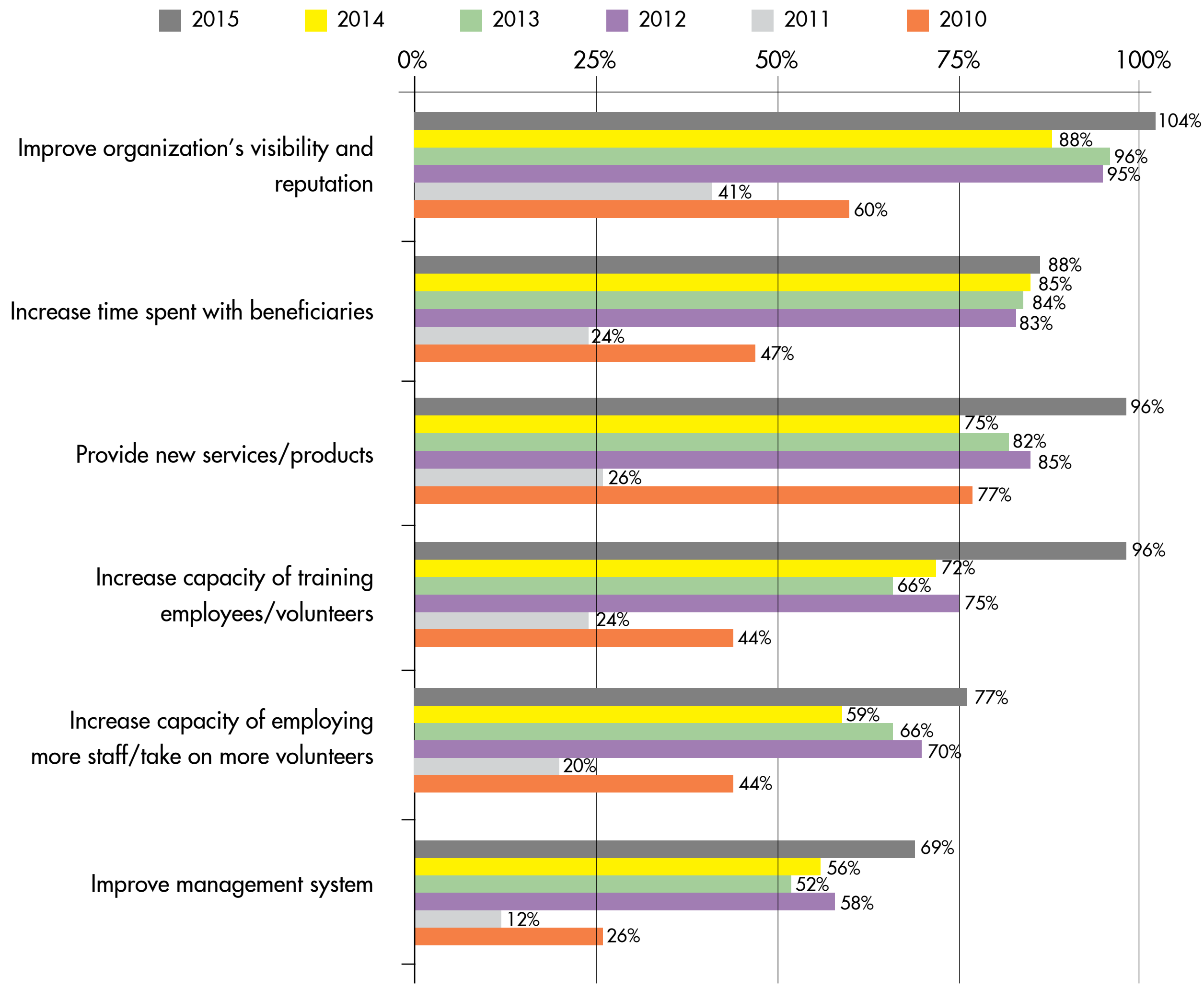
Beneficiaries of community projects

In 2015, 239,247 people benefitted directly from programs implemented with the bank's support. The most important improvements reported at their level refer to behavioral changes and life quality growth.

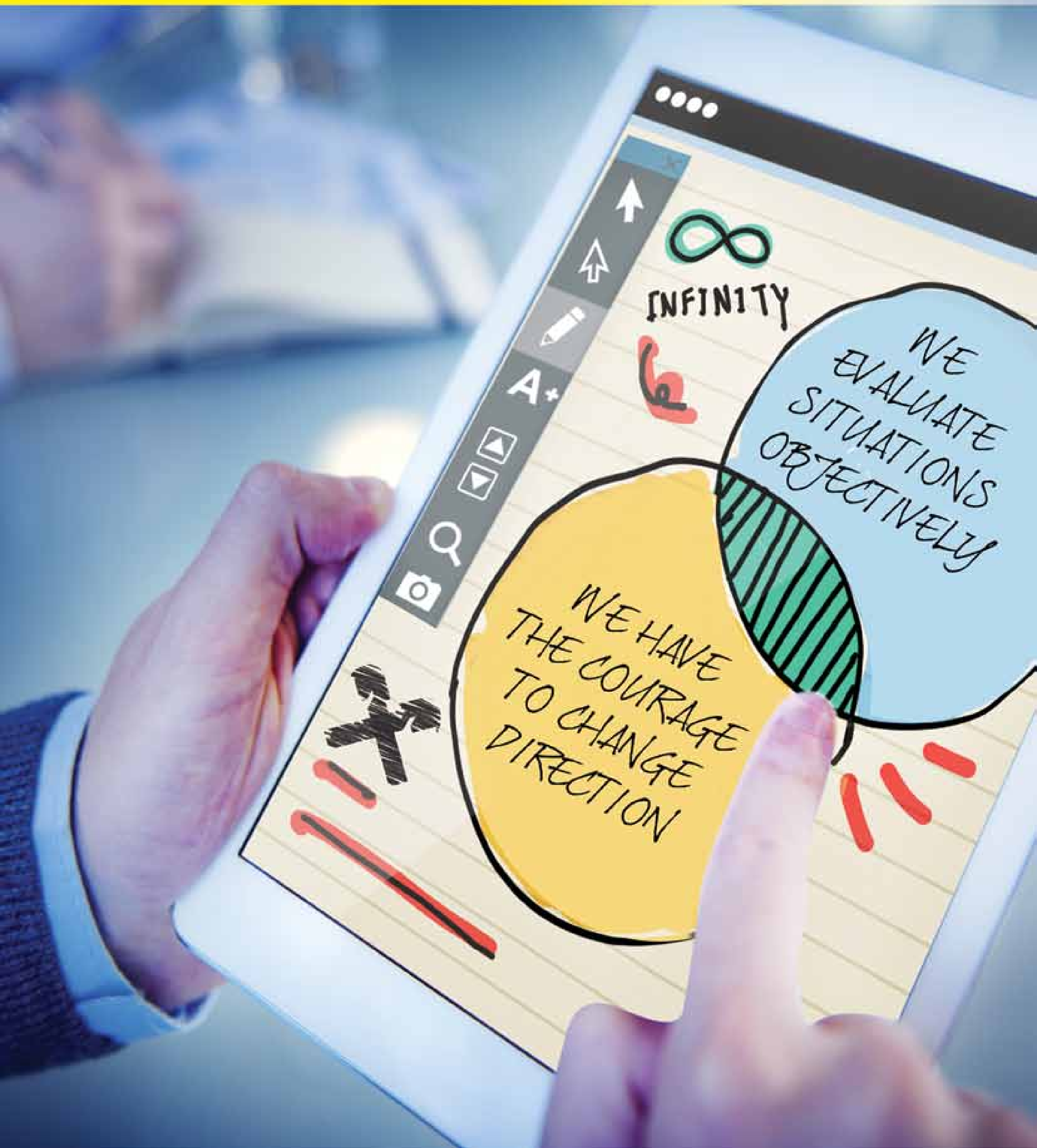
Type of changes reported by the beneficiaries



Changes generated for community partners



Management Report



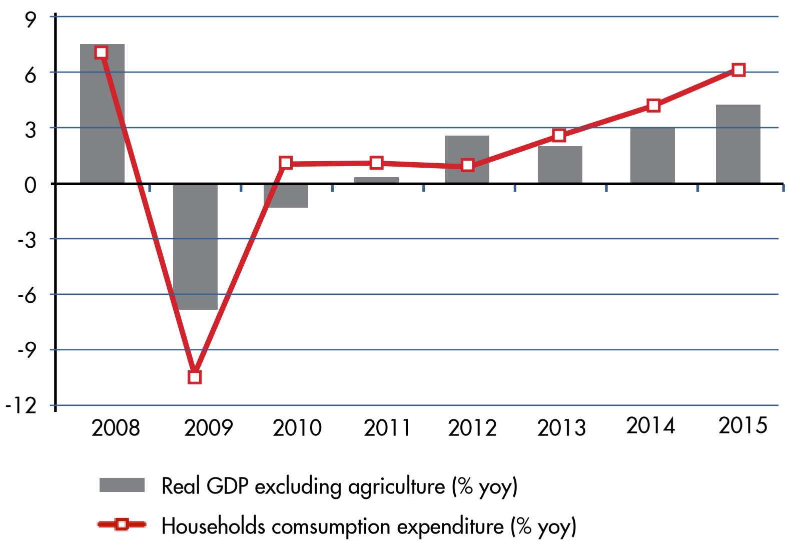
Management Report

Economic environment

Economic activity remained on a sustained upward trend in 2015, as real Gross Domestic Product (GDP) advanced by 3.7%. Moreover, real GDP excluding agriculture – a better measure to track the performance of Romanian activity as it less affected by the volatility of agricultural output – expanded even faster in 2015, respectively by 4.4%. Similar to 2014, the advance of private consumption (6.2%) remained the major driver of the GDP growth in 2015, benefiting from the rapid increase of real disposable income. Also, gross fixed capital formation advanced further in 2015 by 7.5%. On the other hand, net exports (the difference between exports and imports) had a negative contribution to the advance of real GDP in 2015, as imports, sustained by the acceleration of domestic demand, posted a faster dynamics compared to exports. All sectors of economic activity (services, industry and constructions) benefited from the advance of domestic demand. Thus, a positive aspect is that the pattern of growth improved also from a qualitative point of view in 2015.

The public budget balance recorded in 2015 a deficit of 1.5% of GDP (cash terms), undershooting the target of 1.9% of GDP. This outcome was the result of a faster than initially planned increase of public revenues from taxes and contributions combined with a good control of public expenses. However, the fiscal easing measures enforced during 2015 (the tax cuts enforced by the New Fiscal Code as well as the increase of wages in the public sector starting in the last quarter of 2015) are foreseen to result in a jump of the public budget deficit towards 3% of GDP in 2016 as well as in the subsequent years.

Dynamics of economic activity

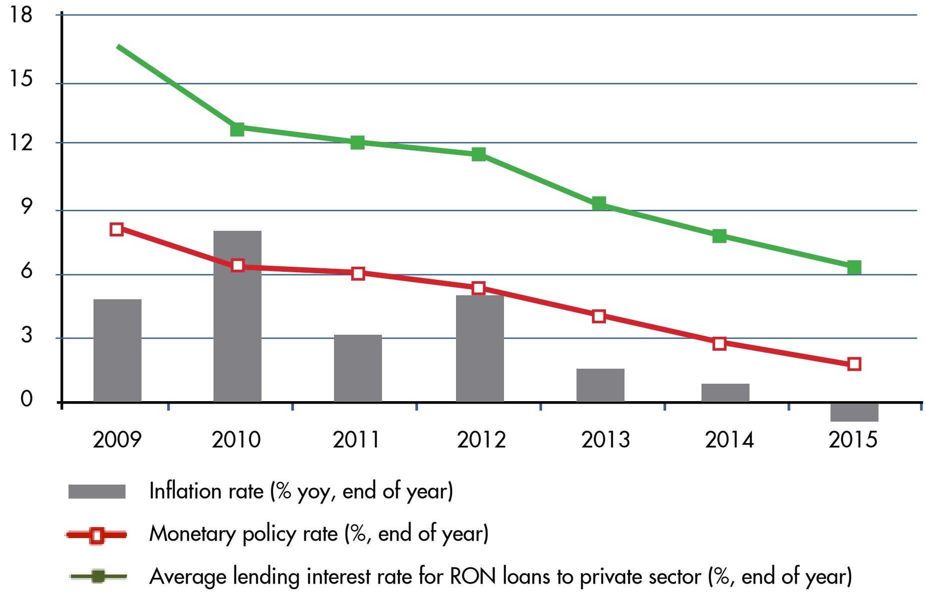


Source: National Institute of Statistics, Raiffeisen RESEARCH

Consumer prices decreased by 0.9% in 2015. The annual inflation rate entered into negative territory after the cut of the VAT rate for food products to 9% from 24% starting June 2015. However, in the absence of this tax cut, the annual inflation would have stood at around 2% at the end of 2015, suggesting that the inflationary pressures were not that low.

The National Bank of Romania (NBR) continued to ease the monetary policy stance in the 2015 by cutting the key interest rate with a total of 100 bp during January-May to 1.75%. Also, the minimum reserve requirements (MRR) ratio for RON liabilities of the banks was lowered to 8% from 10% starting from May, while MRR ratio for foreign liabilities was kept unchanged at 14%. As the foreign investors' sentiment towards RON assets remained positive for the most part for the year, the NBR refrained to sterilize the liquidity surplus from the money market. As a result, money market interest rates (ROBOR) were traded below the monetary policy rate during 2015. The monetary policy easing allowed the ROBOR rates to decrease in 2015 from 2014 which was translated in lower levels of lending and deposit interest rates used by banks in relation with their customers. Furthermore, yields of RON Government securities were on a downward trend, benefiting from the key interest rate reduction, from the preservation of the liquidity surplus on the money market, and also from decreasing yields on the foreign markets.

Dynamics of inflation and interest rates



Source: National Bank of Romania, Raiffeisen RESEARCH

Romania: Key economic figures

	2011	2012	2013	2014	2015
Nominal GDP (EUR bn)	133.3	133.6	144.3	150.2	159.8
Real GDP (% yoy)	1.1	0.6	3.5	3.0	3.7
Private consumption (% yoy)	1.0	0.8	2.6	4.1	6.2
Gross fixed investments, private and public (% yoy)	2.9	0.1	-5.4	2.5	7.5
Industrial output (% yoy)	7.5	2.4	7.9	6.1	2.8
ILO unemployment rate (avg., %)	7.2	6.8	7.1	6.8	6.8
Average monthly gross wage, EUR	467	463	489	524	568
Producer prices (avg., % yoy)	7.1	5.4	2.1	-0.1	-2.2
Consumer prices (avg., % yoy)	5.8	3.3	4.0	1.1	-0.6
Consumer prices (eop., % yoy)	3.1	4.95	1.6	0.8	-0.9
Public budget balance (% of GDP, cash terms)	-4.2	-2.5	-2.5	-1.7	-1.5
Public debt (% of GDP)	34.2	37.4	38.0	39.8	38.5
Current account balance (% of GDP)	-4.9	-4.8	-1.1	-0.5	-1.1
Gross external debt (% of GDP)	74.9	75.5	68.0	63.1	56.9
Foreign direct investment (% of GDP)	1.3	1.9	1.9	1.6	1.9
Official FX-Reserves (EUR bn, eop.)	33.2	31.2	32.5	32.2	32.2
Monetary policy rate (eop., %)	6.00	5.25	4.00	2.75	1.75
ROBOR 1-month, avg.	5.3	5.2	4.1	2.1	1.0
RON/EUR, avg.	4.24	4.46	4.42	4.44	4.45
RON/EUR, eop.	4.32	4.43	4.48	4.48	4.52

Source: National Bank of Romania, National Institute of Statistics, Raiffeisen RESEARCH

Banking system developments

Lending activity showed some evident signs of recovery in 2015 as dynamics of outstanding loans granted by the banks to the private sector (households and companies) returned to the positive territory (2.8% yoy in December 2015 when adjusting dynamics for change in EUR/RON rate). The positive dynamics was exclusively driven by RON denominated loans (19.8% yoy in December 2015) that posted consistent gains on all three segments (loans for consumer and other purposes, housing loans, and corporate loans). Otherwise, a sharp contraction was recorded in case of outstanding loans denominated in foreign currencies (-10.2% yoy in December 2015 in EUR equivalent) as both household loans and corporate loans posted negative dynamics. Similar to 2014, banks extended further in 2015 the lending in RON at the detriment of lending in foreign currencies as: only RON loans were granted in the "First Home" governmental program; differential between RON lending interest rates and FCY lending interest rates narrowed further; banks preserved a propensity to lend in RON, and the prudential standards applied in case of FCY lending were tighter than the ones used for lending in RON. In this context, out of total loans originated in 2015 around 74% were denominated in RON.

Besides a substantial decrease in the share of FCY denominated loans in total loans granted by the banks to the private sector (to 49.9% in December 2015 from 56.8% in December 2014), the aggregated balance sheet of the banking system also revealed other improvements related to the funding structure: a reduction of ratio between gross loans and deposits and a decrease of the share of external liabilities in total assets.

The ratio of non-performing loans in total loans remained on a downward trend in 2015, decreasing to 13.6% in December 2015 from 20.7% in December 2014. The solvability ratio at the level of the banking system remained at an elevated level (17.5 % in December 2015). Also, the profitability of the banking system returned in the positive territory in 2015.

The following table shows the main developments in the aggregated balance sheet of credit institutions (banks, saving banks for housing, credit co-operative organizations) and money market funds from Romania in 2015.

Aggregate monetary balance sheet of credit institutions and money market funds

	2015 (RON bn)	**2015/2014 (annual change, in real terms, %)**	**2015 (% of total assets)**	**2014 (% of total assets)**
Loans and placements with banks and NBR	*52.4*	*-0.5*	*12.6*	*13.1*
- of which minimum reserve requirements	*37.8*	*-4.2*	*9.1*	*9.8*
Loans to domestic residents, at gross value:	*227.5*	*3.9*	*54.5*	*54.5*
- households	*108.0*	*6.7*	*25.9*	*25.2*
- companies	*109.6*	*1.4*	*26.3*	*26.9*
- public sector	*10.0*	*2.8*	*2.4*	*2.4*
Debt securities issued by residents (mainly government securities)	*79.8*	*6.1*	*19.1*	*18.7*
Other assets, of which:	*57.4*	*4.7*	*13.8*	*13.7*
- external assets	*19.9*	*5.8*	*4.8*	*4.7*
- fixed assets	*11.6*	*1.4*	*2.8*	*2.8*
Total gross assets	***417.1***	***3.9***	***100.0***	***100.0***
Deposits from domestic banks and other MFIs	*3.9*	*-38.2*	*0.9*	*1.6*
Deposits from domestic residents:	*260.1*	*9.7*	*62.4*	*59.0*
- households	*146.8*	*7.3*	*35.2*	*34.0*
- companies	*106.7*	*13.0*	*25.6*	*23.5*
- public sector	*6.6*	*12.5*	*1.6*	*1.5*
Debt securities issued	*2.2*	*-4.7*	*0.5*	*0.6*
External liabilities, excluding debt securities	*63.7*	*-9.4*	*15.3*	*17.5*
Capital and reserves, including provisions	*72.8*	*0.9*	*17.5*	*18.0*
Other liabilities	*14.4*	*7.1*	*3.5*	*3.3*
Total equity and liabilities	***417.1***	***3.9***	***100.0***	***100.0***

Note: Loans and assets are at gross value (which includes provisions), the figures being different from net values (gross values excluding provisions) which are reported in financial statements made public by credit institutions. In terms of liabilities, capital includes also provisions. For comparison, net assets of credit institutions amounted only to RON 377.3 bn at the end of 2015. Components may not sum up to totals due to rounding to one decimal.

Source: Own computations based on data published by the National Bank of Romania and the European Central Bank. Annual growth rates in real terms were computed by adjusting the annual nominal growth rates by the inflation rate in 2015 (-0.93% yoy).

Summary of Raiffeisen Group’s results in Romania

I. Highlights

- We financed the economy through newly approved loans of EUR 2.0 billion (up 10 per cent yoy), out of which more than one third granted to households.
- High customer deposits growth of 13% led to further strengthening of our funding base, with both private individuals and legal entities growing in roughly equal share.
- Solid capital position, with capital adequacy ratio of 18.5%, above the industry average of 17.5%.
- We consistently deliver high ROE, backed by well-diversified and resilient revenue streams, disciplined adherence to cost efficiency programs and sound risk strategy.
- We increased our client base by 2% yoy, with especially good growth pace shown by our private individual Premium clients (+6%).

II. Accomplishments

- Underlying loan book up by 5%[1]. The customer is at the heart of the business and we are determined to continue helping our target clients achieve their ambitions, financing their activities and facilitating economic growth.
- Well-controlled cost base: on a background of continued investment and rising regulatory costs, we managed to stay on stable underlying operational expenses through disciplined implementation of a stream of productivity improvements.
- Better payment behavior from our clients, thus confirming last year’s trend and also the effects of improved sentiment accompanying a period of economic growth. Both PI and legal entities display better risk result (-8%).
- Raiffeisen Asset Management delivered another solid performance, with double digit growth in assets under management (+16%). It benefits from the strong combination of competence, attractive returns and continuous support shown by the Group.
- Employee effectiveness has improved significantly, a key factor in whether the Group can achieve its objectives. Acknowledging that people make the difference, we are committed to further enabling our staff to perform and grow in a values-driven organization.

III. Selected financials

informative conversion

Operating income and profit	***Note***	***2015 RON ‘000***	***2014 RON ‘000***	***2015 EUR ‘000 Unaudited***	***2014 EUR ‘000 Unaudited***
Net interest income	*8*	*1,054,647*	*1,045,078*	*237,268*	*235,135*
Net fee and commission income	*9*	*630,006*	*680,023*	*141,735*	*153,000*
Net trading and investment income	*10*	*293,352*	*314,517*	*65,996*	*70,764*
Non-interest income		*950,399*	*1,022,750*	*213,815*	*230,112*
Operating income		*2,005,046*	*2,067,828*	*451,082*	*465,247*
Operating expenses	*12,13*	*1,209,516*	*1,147,626*	*272,109*	*258,208*
Pre-provisioning profit		***795,530***	***920,202***	***178,973***	***207,039***
Net charge of provision for impairment losses	*14*	*289,012*	*313,986*	*65,020*	*70,645*
Share of loss of associates	*23*	*3,245*	*4,898*	*730*	*1,102*
Profit before income tax		*509,763*	*611,114*	*114,683*	*137,496*
Net profit for the year	***40***	***426,431***	***512,493***	***95,936***	***115,307***

[1] Loans, net of provisions

Our resilient and solid earning power, stemming from highly diversified income streams, allowed us once more to deliver superior financial performance and top-tier returns in spite of a difficult environment, dominated by low and still decreasing market rates.

Net interest income increased slightly from the prior year, primarily reflecting the impact of lower interest expense and higher average loan balances, but also helped by a transaction involving the acquisition of EUR 240 million loan portfolio from a company part of the RBI Group. Lending volumes and business activity rose during the year, which managed to offset to some degree the downward impact of declining interest rate levels throughout the banking system. Margins remain under pressure however, influenced by the historically low ROBOR, surplus liquidity in the system, competitive market and also by the dropping yields of the debt instruments portfolio.

Net commission income declined, especially due to higher commission expense related to cash transactions and also on the background of a slow-down in the investment banking activity. On the upside, worth mentioning that income benefited primarily from payments fees (+5%, roughly in line with overall growth in transacted volumes) and higher insurance fees related to the intensified lending activity.

In spite of the challenging trading environment, we managed to show slight growth in net trading income versus 2014, mainly from foreign exchange deals, which continue to generate strong returns. It remains an integral part of how we support our clients, be they individuals, investors or traders and we help them reach their goals. Investment income however suffered in 2015 as a direct result of low and only mildly decreasing yields.

Net impairment loss on financial assets has decreased year on year, thus confirming the significant improvement in client payment behavior we noticed also last year. Especially evident for private individuals, the same positive trend was recorded for SMEs and large companies, for which loan impairments benefited from more stable market conditions and efforts to improve the risk profile through good quality loan production.

The execution of cost-reduction initiatives was followed through and cost awareness was highlighted in all areas. We managed to generate sustainable savings from reduction or elimination of complexity and inefficiency, the released capital being allocated to continue investments in our strategic initiatives (flat underlying cost base in 2015 vs. 2014). Total reported operating expenses show 5% increase in 2015, on the background of some non-recurring events occurred in both periods.

Net profit reached RON 426 million, a 17% decrease versus previous year, negatively affected primarily by the before mentioned non-recurring events with impact in operating expenses.

informative conversion

Balance sheet	***Note***	***2015 RON '000***	***2014 RON '000***	***2015 EUR '000 Unaudited***	***2014 EUR '000 Unaudited***
Cash and cash equivalents	*15*	*6,981,390*	*7,853,134*	*1,543,019*	*1,752,110*
Loans and advances to banks	*18*	*1,138,893*	*904,144*	*251,717*	*201,723*
Loans and advances to customers	*19*	*18,153,586*	*16,110,075*	*4,012,286*	*3,594,314*
Investment securities	*20*	*4,115,797*	*3,219,254*	*909,669*	*718,247*
Tangible and intangible fixed assets	*22,23*	*300,181*	*308,565*	*66,346*	*68,844*
Total assets		***31,486,533***	***28,788,773***	***6,959,119***	***6,423,055***
Deposits from banks	*26,28*	*2,251,557*	*2,009,894*	*497,637*	*448,427*
Deposits from customers	*27*	*23,739,592*	*21,067,858*	*5,246,898*	*4,700,444*
Debt securities issued	*29*	*739,694*	*740,287*	*163,486*	*165,165*
Subordinated liabilities	*32*	*950,436*	*923,655*	*210,064*	*206,076*
Equity	*33, 34*	*3,210,595*	*3,330,385*	*709,602*	*743,041*
Total liabilities and equity		***31,486,533***	***28,788,773***	***6,959,119***	***6,423,055***

We continued to grow in size through core customer business: our deposits base shows double digit growth pace and continues to provide fuel for healthy business development, while our loan book took another step in the right direction, helped primarily by increased consumer spending.

Compared to the same period of the previous year, total loans increased by 13%. It is worth mentioning however that this achievement came also in the context of a transaction with an RBI group company, consisting in the takeover of an approx. EUR 240 million loan portfolio. This leaves 5% organic growth, with all customer segments delivering some degree of loan book increase.

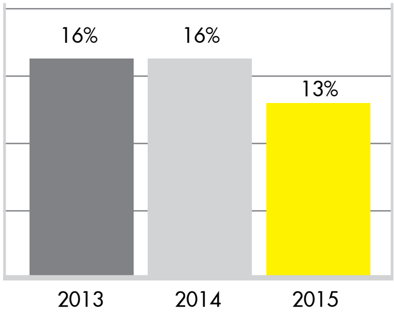
The powerful rise in deposits continuously enhances our capacity to meet the challenges and seize the opportunities that lie ahead. Despite persistently low interest rate environment, customer deposits enjoyed sustained growth also in

2015 (+13%), above the market pace of 9.6%. Both Retail and Corporate customers have contributed positively to the evolution of the deposits portfolio, with 12% and 14% increase in balances respectively. For the former, the propensity for saving continues to outpace the demand for loans in the market, while improved sentiment regarding macroeconomic developments, and the trust we gained in time from our clients were important factors that led to the positive trend in terms of customer liabilities.

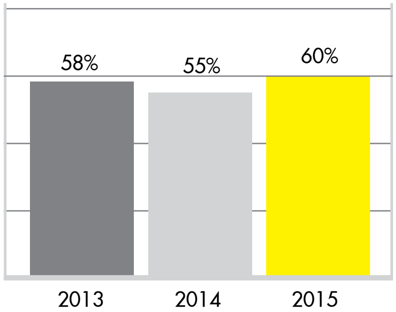
IV. Performance focus

Underlying financials stay strong. Disciplined cost management and low earnings volatility have improved our underlying CIR[3] at 55%, while our prudent risk strategy continues to show its results:

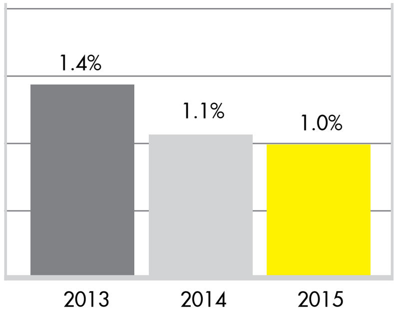
ROE [1]



CIR [2]

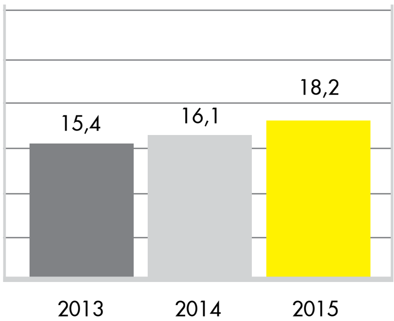


Risk change (%) [4]

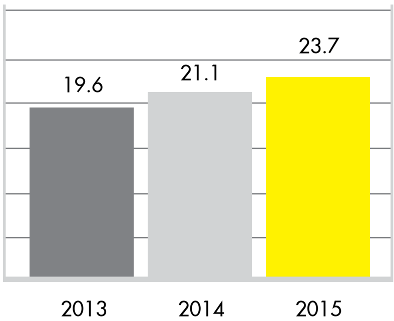


The success of our operations starts with meeting the needs of our clients. A solid balance sheet and strong financials are the foundations that will allow us to create economic wealth, by helping our clients reach their goals:

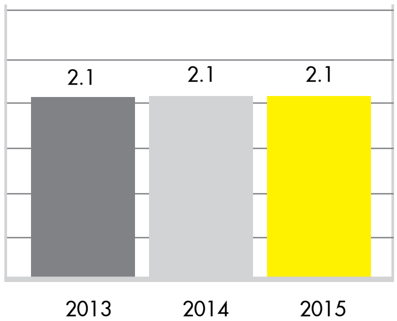
Loans (RON bn) [5]



Deposits (RON bn)

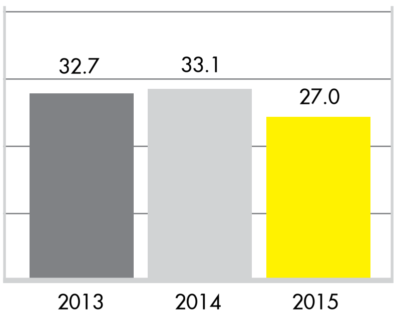


Clients (mn)

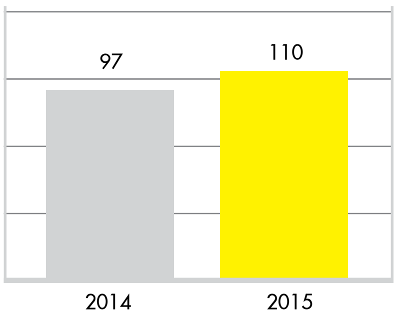


The Group remains true to its commitment of delivering top banking experience. We are still not where we want to be in terms of customer satisfaction and we want to align the organization more closely to its clients:

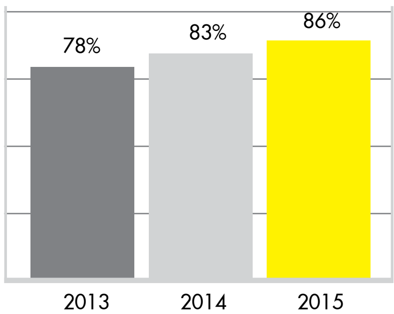
NPS PI [6]



Alternative channels users (ths) [7]



Electronic payments (% of total)



[1] Net profit divided by average stockholder's equity (including profit of the current year)
[2] Reported operating expenses divided by total operating income
[3] Underlying CIR carves out the impact of non-recurring events
[4] Provisions for impairment losses divided by total average assets
[5] Loans, net of provisions
[6] Net promoter score for PI, yearly average
[7] Active users (at least one transaction in the last month)

Human Resources

At the end of 2015, Raiffeisen Bank had 5,349 FTE active employees, compared to 5,158 in 2014. In addition, in 2015, the bank ceased using leasing staff and hired the existing employees (251 FTEs in 2014) directly. The average age of the bank's employees was 37 years.

Training

Employee learning and development is one of Raiffeisen Bank's constant concerns. Through the development programs it provides to its employees, the bank can directly influence their individual and team performance, and consequently the performance of the organization.

2015 meant the continuation or launching of training programs that are derived from the bank's strategy and aligned to its organizational culture, which aimed the development of both functional and leadership competencies, and the increase of employee engagement.

The types of programs delivered covered Raiffeisen Bank employees from all business segments and enabling functions areas (private individuals, SMEs, corporate, treasury, operations, IT) and various methods for learning and development: technical trainings, transversal initiatives for competencies development, certifications, conferences or workshops.

Raiffeisen Bank equally continued to diversify the training practices and support technologies: experiential learning, interactive platforms, and blended learning and gamification concepts.
In designing and delivering training programs, the bank aimed to include not only the full range of functions in the organization, but also a high quality level and alignment to the development objectives. These programs were implemented both with internal specialists and external providers.

As for the network branches, the new Raiffeisen School program architecture was implemented in 2015, revised and optimized to prepare the new employees for the specifics of branch activity.
Same as every year, a few hundred persons participated in the Raiffeisen School modules, attending induction, product, operations, credit, and client relationship trainings. The main improvement versus the previous concept is related to the addition of alternative learning methods, suited to the current business context and aligned with the new trends and technologies.

At the same time, the bank continued to organize workshops across the organization, aiming for the consolidation of teams and the optimum level of work-life balance. These programs took place throughout the year and covered various subjects and interests: sports, nutrition, health, personal development. Compared to the previous year, the work-life balance programs implemented under the "RStyle" brand were attended by a larger number of employees.

Rewards and Recognition for Employees

In 2015, the bank continued the programs that ensure the internal equity in terms of remuneration.
At the same time, a new remuneration system has been implemented across the organization, focused on merit recognition, which rewards employees who contribute the most to achieving performance within the bank.

The initiatives to develop the Employee Self Service platform, which began last year, continued in 2015 through the addition of new modules, offering personalized information to Raiffeisen Bank employees about offered benefits, their detailed monthly earnings and past performance appraisal ratings.

Human Resources - Business Partnership

Career Paths

The Career Paths Project started in January 2015 with the aim to design potential maps between jobs, as to facilitate talent development, promotion, and ensure succession.

The active choice of the employee and the structured career paths are prerequisites for a managerial or professional career.

The methodology employed referred to designing job architecture cockpit, developing job profiles, and designing career maps.

Employee Opinion Survey

Raiffeisen Bank continued delivering the Employee Opinion Survey (started in 2008), in cooperation with Hay Group. Launched in January 2015, the annual survey recorded an 85% response rate.
The employee survey is meant to enable the bank to:

- identify facilitators and barriers that people are experiencing in their work and that impact their engagement and effectiveness;
- measure employee levels of engagement and enablement;
- use employee input to drive change, so as to ensure continuous improvement of the working environment and enhance engagement;
- improve internal communication.

Employee Value Proposition

EVP is a statement about the manner in which Raiffeisen Bank sustains its promises and values in relation with its employees. It describes the combination of characteristics, benefits and work procedures within the organization. It is an agreement between the organization and employees which characterizes Raiffeisen Bank as employer and differentiates it from its competitors.

The EVP project started in 2014 and continued in 2015 with the support of AON Hewitt, in order to benefit from its expertise at RBI Group level and create objectivity on the matter.

In 2015, the project focused on: including the value-driven competencies in the performance management process, including Leaders Roles in the performance management forms for managers, communication of changes in Raiffeisen Bank Romania's new pay system, and the continuous promotion of the bank's Vision and values.

Lean in HR

The HR Directorate started the LEAN transformation process at the beginning of 2015, with the purpose to direct efforts into value-added activities aimed at increasing internal satisfaction, in line with HR strategy.

The diagnostic phase revealed a very good interaction of the organization with the HR team, with high scores in transparency and efficiency, though it also revealed the need for automation and a certain level of waste as possible improvement areas.

The first part of LEAN transformation concluded with a series of initiatives which were either implemented, or are on track for implementation, analysis and validation with other areas in the bank.

Recruitment

In 2015, the bank completed over 700 recruitment and selection processes by identifying suitable candidates within and outside the organization.

Youth Programs

Raiffeisen Bank also continued its focus on programs designed to attract talent and shape skills. A new edition of Raiffeisen IT Trainee was thus conducted, with 12 participants being selected. Hired as Raiffeisen Bank full-time employees, they benefited from the appropriate environment and support from the IT Area, in order to familiarize themselves with the work in Solutions Development, Testing, Data Management and IT Service Operations departments, and come in contact with top technologies. Same as the graduates of the previous editions, and based on their results during the program, they had the opportunity to obtain a position within the departments where they previous acted as trainees. The 2015 edition proved to be a success, being concluded with the integration of all 12 interns in the organization.

As part of its actions to improve the quality of the recruitment process and stabilize employee dynamics for certain segments, Raiffeisen Bank conducted a new edition of SME School, which covered not only the Bucharest Retail Region, but also other areas in the country, like Oradea, Timișoara, Brașov, Sibiu and Cluj. For this edition, the bank selected 12 participants from amongst 1,000 applicants, who benefited from SME Micro targeted trainings and were included in the activity of retail groups within the Retail Region for a nine-month period. They were constantly assessed and received feedback according to the established learning objectives. The program is designed as an alternative recruitment channel for the SME Micro segment. At the end of the trainee stage, participants have the opportunity to be hired as Micro Relationship Managers, based on their results and evolution within the program.

The bank continued to provide internships, both in Head Office and network. During these dedicated internships, students get familiarized with the spirit and culture of an elite organization. The practice period is between two and four weeks, during which young people are acquainted with the workflow within a banking entity and acquire practical experience, useful for a future employment. In 2015, Raiffeisen Bank provided internships for over 200 students.

Payroll and Administration (SARS)

In 2015, through its Salary, Personnel & Trade Unions department, Raiffeisen Bank started other initiatives meant to increase employee engagement and satisfaction. These included special moments in the history of the organization (July 1st – Raiffeisen Bank's anniversary) or in the life of employees (birthdays, children's vacation, Christmas), celebrated through events, small gifts, or activities and workshops for kids.

Raiffeisen Bank's employees driving company cars received preventive driving courses in 2015 and learned ways to avoid car accidents.

First aid courses were also organized for a number of staff members selected to provide first aid to their colleagues in cases of emergency, an initiative which will continue in 2016 with other employees.

Thanks to employees

Raiffeisen Bank's Directorate thanks the entire team for the good work, responsibility and professionalism it demonstrates every day, and the Trade Union, for support and cooperation.

Risk Management

The management body has overall responsibility for the establishment and oversight of the bank's risk management framework. In this respect, it established the Assets & Liabilities Committee (ALCO), Credit Committee, Problem Loans Committee and Risk Committee, which regularly report to the Management Board and are responsible for developing and monitoring the bank's risk management policies in the specified areas.

Raiffeisen Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to risk limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions, products and services offered.

Credit risk analysis and assessment functions for all activity segments are fully centralized and currently represent a single point of contact for the entire bank. Credit risk activity is organized by industries and specialized by customer segments. This allows a quick reaction to any major change in the micro or macroeconomic environment of the bank or its customers.

Starting with 2009, due to the economic conditions, the bank increased the review frequency of its customer portfolio in order to timely identify problem loans and be able to offer to customers financial advice and solutions customized to their needs. In order to improve this capacity, a standardized early warning system was implemented to monitor certain categories of non-retail borrowing customers and retail borrowing customers. This system monitors, on a monthly basis, the selected portfolio in order to identify early warning signs and explain them. Based on these signs, customer portfolio is split into risk groups and actions/strategies are proposed for the customers considered problematic.

Starting with 2004, a project was started at Raiffeisen Group level in order to ensure the implementation of Basel II Capital Accord requirements. As a result of this process, Raiffeisen Bank Romania received National Bank of Romania's (NBR) approval to determine the capital requirement for credit risk according to internal rating models approach (IRB), starting with July 1st, 2009. Thus, the bank uses internal rating models approach for the following portfolios: "central governments and central banks", "institutions", "corporations" and "equity".

As regards the retail portfolio, the bank started in 2009 to develop statistical models for assessing and predicting the customer/exposure performance and for estimating risk parameters relevant for risk-weighted assets calculation (PD – probability of default, LGD – loss given default, CCF – credit conversion factor) for all retail sub-portfolios (portfolio of credits ranted to individuals and SME micro customers). At the same time, the functionalities of the central IT system were upgraded in order to collect an extended set of data regarding the retail portfolio, which enhances the bank's analytic power in relation to this segment.

As a result of this process, Raiffeisen Bank Romania received NBR's approval to determine the capital requirement for credit risk for the retail portfolio, according to advanced internal rating models approach (AIRB), starting with 2013, December 1st.

In order to ensure the calculation and reporting of credit risk capital requirement, the bank implemented a centralized IT system to collect raw data at local level, as well as two software applications, developed at Group level, which facilitate an automatic monthly calculation of risk-weighted assets for retail and non-retail exposures defined by the National Bank of Romania's regulations.

Staring with 2010, January 1st, Raiffeisen Bank determines and reports the capital requirement for operational risk, using the standard approach based on the National Bank of Romania's approval from November 2009.

This approval was based on the operational risk management framework developed hroughout the bank by defining and using advanced instruments such as: an operational risk incidents database, operational risk indicators, risk scenarios, risk assessment matrix - instruments that are continuously improved.

Regarding market risk, the bank currently uses the standard approach for capital requirement calculation. The market risk management is currently implemented through a market risk limits structure applied to the bank's exposures towards interest rate risk, forex risk and other subtypes of market risks. The close monitoring process and the monitoring frequency of the established limits assure a prudent market risk profile for Raiffeisen Bank.

Liquidity risk is managed and monitored in the bank using liquidity gap reports (to identify and measure the maturity mismatch between assets and liabilities) and an early alert model (scorecard) which assesses the robustness of the balance sheet structure (loans to deposits ratio, funding concentration, size of liquid assets in relation to total obligations, etc). The bank also conducts liquidity stress-tests analysis in order to determine the necessary liquidity buffer.

During 2010, the bank implemented the regulatory requirements on governance arrangements of the credit institutions, internal capital adequacy assessment process and the conditions for outsourcing their activities. As a result, the bank implemented a process for calculating the internal capital requirements, using its own methodologies and that assures the capital adequacy also from an internal perspective.

Starting with January 2014, following the issuance and coming into force of the EU Directive and Regulation on the Basel III implementation, the bank reports to NBR on the Leverage Ratio, the Liquidity Coverage Ratio, and the Net Stable Funding Ratio.

The bank also completed in 2014 the implementation and reporting of the European Banking Authority (EBA) standards concerning forbearance and non-performing exposures.

In 2016, as it was the case all throughout 2015, the bank intends to perfect the collection and analysis instruments referring to the information needed for the assessment and integrated risk management.

Segment Reports

Segment Reports

Corporate Banking

In 2015, the Corporate Division's main focus was on sustaining the development of the financial ecosystems, leveraging on through-the-cycle industry expertise built on many years serving the best interests of our clients.

The main directions followed in the financial year 2015 were:

- Structured sales process: ensure efficiency of the sales process for better targeting and revenue generation. Benefiting from the good collaboration with internal research and financial analysis structures, the division was able to offer good value propositions (e.g. trial bank, top-up volumes, preapproved amounts) to selected partners.

- Mid-Market segment reorganizations, aimed at improving service and advisory level. The new model leverages on best practices at group and European level with focus on continuous future improvements.

- Innovation and adoption of modern banking techniques so necessary in a very dynamic financial environment.

- Cost optimization: focus on controlling costs, especially the credit risk costs, by building the portfolio on strong and healthy basis.

- Improvement of IT infrastructure for faster and more reliable response to clients needs. The new Business Intelligence Tool brought the power of insight to all the members of the team, moving advisory services to an entire different level.

- Conformity with regulatory requirements: complying with local, international and group requirements (e.g. Basel III, Fatca, AQR, etc.) in order to ensure our partners about the soundness of our business partnership.

The Corporate division is organized on a business model structured on an efficient partnership between industry expertise and tailor-made business solutions, transmitted through the relationship managers located in Headquarters and the regional commercial centers. Quality of in-house deliverables to the business model is ensured by Mid-Office responsibilities.

This year, the division was involved in important partnerships with other banks for increased service level and reduced level of risk. The Rompetrol transaction of USD 90 million is worth mentioning, as an example of the Bank respecting its statement of involvement in strategic industries.

The acquisition of Bucharest City Hall bonds marked a debut for Corporate Division in the available-for-sale financial instruments transactions, reflecting the appetite for adopting modern banking deals. Partnerships with institutional investors (e.g. EIB, EIF, EBRD) were continued and conferred an economic advantage to the Bank-client relationship.

Project finance portfolio registered a significant increase in terms of volumes as well as profitability, with significant transactions in healthcare and logistics.

The transactional banking solutions continued the strategy towards straight-through processing by delivering debt instruments through couriers directly to company premises. Client communication was also improved by automatic notifications of transactions failures for Direct Debit payers.

Aiming to allow easy access to information for its clients, Raiffeisen Bank was the first bank in the system to offer enquires of national payment incidents platform through Internet Banking.

The continuous improvements in business and workflows triggered a good evolution of the Division's financials and explain the overall result.

Corporate Division increased its portfolio by 1.5% in terms of assets and 11.6% in terms of liabilities compared to last year, capitalizing on the previous years of investments in quality of service and processes.

Regarding P&L, the division felt the impact of near-zero interest rate environment and decided to remain the preferred partner for its clients, despite the incurred costs (i.e. 7.8% drop in revenues). The focus on investments and internal improvements drew the operational costs into a negative evolution (11.6%).

The strategy of building the portfolio on sound basis paid off and risk costs decreased with 19.5% yoy offsetting part of the losses from the negative jaws (decrease revenues and increase operational expenses).

In conclusion, the division diminished its profitability with 18.8% yoy, at a level which is still above the commitment taken to the shareholders at the beginning of the year.

Retail Banking

In 2015, Raiffeisen Bank adapted its network distribution, considering the existing potential at regional level. Thus, the bank's branch network ended the year with a total of 510 branches out of which 109 only in Bucharest and Ilfov County.

Service Quality

Raiffeisen Bank also decided to increase its customers' comfort level in terms of banking interaction, by positioning itself physically closer to them through mobile offices at their employers' headquarters, where the bank's consultants offered personalized advice. Clients save time by eliminating the need to walk into a branch in order to receive new information about the bank's products and services, open an account, get a new card or a loan prescoring, or sign documents.

Through the offered solutions, Raiffeisen Bank has managed to maintain customer satisfaction with complaints' resolution at a similar level to that recorded in 2014, considering that the number of complaints collected in 2015 increased by 17% compared to previous year. Customer feedback is a continuous source of improvement for the bank's service and product quality.

Furthermore, suggestions from employees through the 2012 "Vocea Ta" online platform (18,419 suggestions by the end of 2015) contributed significantly to the simplification of customer services and adjustment of bank's internal processes.

Results	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***
Complaints number	*35,649*	*29,336*	*36,327*	*45,517*	*51,047*	*59,915*
Positive resolutions	*60%*	*65%*	*71%*	*77%*	*75%*	*82%*
Loyalty customers with complaints	*N/A*	*97%*	*98%*	*96%*	*97%*	*98%*
Satisfaction with complaint process (survey scale 1-5, 1=very unhappy, 5=very happy)	*3*	*3.2*	*3.3*	*3.3*	*3.2*	*3.1*

In 2015, Raiffeisen Bank extended its free Wi-Fi internet access to 274 more branches at national level; at year-end the entire bank network was offering this facility to customers.

Private individuals

In 2015, Raiffeisen Bank maintained its increased focus on the lending area (unsecured). Consequently, in line with the bank's strategy, client segment offers and acquisition channels were diversified. Optimizing distribution resulted in efficiency regarding both the banking activity and customer experience. The internal flows were constantly reviewed with focus on reducing bureaucracy, speed and processing accuracy.

The development of the digital area represents a constant concern for lending products too, being supported through communication campaigns. The entire customer journey (from lead collection/data input to loan disbursement) remained a permanent focus.

All these efforts led to an increase of over 27% in the unsecured loans volumes disbursed in 2015 compared to 2014. At the same time, the balances of secured lending maintained at a similar level as 2014, with an increase of LCY weight.

With respect to savings, depending on customer needs, the efforts were focused on customer advisory for long term savings or acquisition of more flexible and easier to use products. For example, customers with salary accounts opened with Raiffeisen Bank benefited from a complete counseling process. This way, the saving accounts balance grew by more than 25% in 2015, compared to 2014, and term deposits maintained at a similar level as the previous year.

In 2015, Raiffeisen Bank continued to execute the digitalization strategy of the banking services through Call Center infrastructure development, Multifunctional Machines, Smart Mobile and Raiffeisen Online. The salary/pension customer portfolio increased. In turn, this fact determined consistent growth of contactless cards portfolio (more than 200.000 debit cards) and electronic services usage. Thus, there was a progression of Smart Mobile usage with figures at least 100% on most indicators - active customers, number of logins, and number of financial transactions. Raiffeisen Online has maintained its position as the main electronic transactional channel, with a good representation among the salary customer segment.

Raiffeisen Bank celebrated in 2015 5 years since the launch of the Premium Banking service, focused on clients with more than EUR 2,000 monthly income or assets under management with Raiffeisen Group between 40,000 and 250,000 euro. To mark this anniversary, a marketing campaign for brand awareness was launched under the message: „For 5 years, this is the Premium way of banking". The bank's main focus remains the satisfaction it provides to Premium Banking clients, reflected in the continuous upgrade of our value proposition, at the same time with a strategy of organically growing and enhancing quality of client portfolio, and to increase business volumes. As a result, the bank posted significant positive evolutions compared to the previous year. The Mastercard Gold credit card and remote banking solutions were also actively promoted, to offer clients more convenience in their day-to-day life. Furthermore, portfolio diversification through advisory remained an essential point in the bank's offering, as to provide a higher yield perspective to customers, given the current market conditions.

Small and medium-sized enterprises (SMEs)

Considering the characteristics of the Romanian market, the Small and medium-sized enterprises segment in Raiffeisen Bank comprises SMEs with private capital and an annual turnover of up to EUR 5 million, including Professionals and entities like foundations and associations. The bank's strategy for this client segment looks for the development and consolidation of 'home bank' relationships, based on a clear and transparent communication, understanding clients' specific needs and providing the most appropriate financial solution, via a wide range of alternative channels and through the advice of dedicated staff (SME Relationship Managers and Branch managers).

Raiffeisen Bank's further segmentation of SME clients into companies with annual group turnover up to EUR 1 million and companies with annual group sales between EUR 1 and 5 million is meant to ensure a customized approach based on the profile, size and financial needs of the respective customers.

From a service model perspective, Raiffeisen Bank consultants provide customers with financial advisory and dedicated assistance in identifying the most appropriate products and financial solutions to best support their business plans and taking informed decisions in this respect.

Besides the extensive branch network units, SMEs can benefit of a positive and consistent client experience across a wide range of alternative channels through which they can access the bank's products and services. The last years marked a significant increase in the proportion of bank's services accessed via mobile banking (Smart Mobile), Internet Banking (Raiffeisen Online) or phone banking (Raiffeisen Direct).

Switching to a customer centric organization after the start of the global economical and financial turmoil, Raiffeisen Bank has duly aligned also its SMEs business model. A specialized SME business unit at head-office level develops the dedicated strategy and supports its implementation, continuously screening key areas – market intelligence, client optimum segmentation, value proposition, product development, service level standards - in order to ensure a high quality customer experience and increase loyalty towards the brand.

The SMEs lending portfolio maintained a stable growth, reaching EUR 358 million as of December 2015, despite the contraction in the overall lending market (also due to the decreasing borrowing appetite among legal entities) and the insolvencies' level. Working capital needs continued to be the highest occurrence among SME borrowings, while the appetite for long-term lending remained low during 2015, in line with the lower appetite among legal entities to pursue investment projects, in the context of lack of confidence in the future of the economy.

The JEREMIE product launched in 2011, together with the European Investment Fund (EIF), allowing SME clients with growth potential but low collateral to access short-term and long-term lending required to expand their business at affordable pricing, continued its success in 2015. After the full utilization of the first ceiling in 2013, considering the clear need of similar initiatives for SMEs, together with the strong track-record built by the organization, Raiffeisen was one of the few banks selected by EIF for entering a new program (EIF Portfolio Risk Sharing Loan). The second program started in September 2014 and was supplemented two times in 2015 with a total amount of EUR 52.5 million, leading to a portfolio of 1,247 loans at the end of 2015, thus confirming once more the success of the initiative. Besides partnering with reputed international institutions for sustaining the lending activity, during 2015 the bank also resorted to the leverage of Romanian institutional instruments, addressing the main challenge for SME customers: low eligible collateral available. The portfolio generated by the partnership with FNGCIMM slightly increased, new volumes generated counting for an important part of the lending granted to SMEs in 2015.

Increasing customer satisfaction and building loyalty are two main pillars of the SMEs strategy. As part of the efforts to build long term 'home bank' partnerships with our client base, Raiffeisen Bank had a series of dedicated campaigns in 2015, targeting the most important categories of SME clients and types of banking products. The campaigns sought to proactively facilitate the access to new loan amounts, as well as other products and services: salary payment agreements, POS, current account packages, debit cards, electronic channels (Raiffeisen Online, Smart Mobile).

Reflecting the bank's strong brand awareness and client's confidence, the liabilities balances for SME clients increased to almost EUR 961 million as of December 2015, up 13% versus 2014, a new record high since the crisis has started.

A series of business seminars with representative guest speakers at national level and various topics of interest (financing solutions, tax and investment products) were organized in important cities like Brașov, Oradea, Suceava, Baia Mare, Galați, Râmnicu Vâlcea. These were complemented by multiple micromarketing events held as round tables at the level of the bank's national branch network.
The main initiatives performed in 2015 sought to increase efficiency of the most important internal processes (aiming to reduce operating costs, increase sales time and customer satisfaction for internal and external clients) and also to update the SMEs customer profile, for a relevant and pragmatic approach.

SMEs continue to represent a strategic segment for Raiffeisen Bank, while the bank looks forward to support this type of customers by professional products and services, a simplified offer based on their specific needs and a positive experience offered via all available channels while doing business.

Treasury and Capital Markets

2015 was a year full of events on the financial markets, when, more than ever, the local market sensed what it means to belong to the global one. It was a year when oil prices reached minimum historical levels, interest rates as well, when internal political events and major impact monetary policy decisions happened.

In this context, Romania continued to be a benchmark for international investors, the exchange rate stability and, equally, the opportunities to invest in bonds and securities being strong enough reasons to attract foreign investments.

At the same time, 2015 was the year when, for the first time, stronger discussions at an international level regarding a new cycle for raising interest rates by the FED started. On the other hand, the European Central Bank continues fighting deflation and seems to be set on taking every necessary measure in the following period, including expanding the quantitative easing program. Following the same trend as the region, the National Bank of Romania gradually reduced the monetary policy rate down to 1.75% and assumed an active management role for the liquidity in the system.

In this complex year, facing many uncertainties and without any clear direction, the Treasury and Capital Markets Division continued to focus on the relationship with the bank's customers, covering every segment, offering specific solutions to their individual needs. Hence, the treasury sales team focused all efforts on communication and good understanding of clients' needs, in a context of increased volatility on the financial market. The capital market specific products were adapted to the particularities of our partners, proposing FX and interest rate hedging strategies, as well as investment alternatives.

Raiffeisen Bank continues to invest in solutions and systems to insure an easy and pleasant experience for our customers, when it comes to day-to-day operations.

Economic and Equity Research

The Economic and Sectorial Research Directorate provides analyses and reports that cover main developments in the Romanian economy and financial markets.

Macroeconomic research is aimed to provide a comprehensive overview of the most recent developments in the economy (with focus on GDP, external sector, inflation, interest rates, exchange rate) and an outlook for the following period. Economic research is also performed for the key sectors of the economy (companies and households) in order to identify structural characteristics of these sectors, the most recent tendencies in their activity, and their potential in terms of banking activity.

The major part of the macroeconomic analyses is disseminated outside the bank as part of the publications issued by Raiffeisen RESEARCH. At the same time, the economic and sectorial research is a key input for the bank's business lines, helping them to shape current and strategic decisions and assess the consequences of different risk scenarios. Applied macroeconomic research activity is carried out by a professional team using quantitative techniques and publicly and internal available databases.

The equity research activity was absorbed in the Economic and Sectorial Research Directorate in May 2014, after Raiffeisen Capital & Investment merged into Raiffeisen Bank. The equity research team offers comprehensive research coverage of the Romanian stock market, actively covering 16 companies, including all the companies in the Romanian BET index. In addition, there are around 40 companies, mainly small caps, covered without a rating. Starting from 2014, the coverage universe includes the latest companies listed on the local exchange: Romgaz, Nuclearelectrica and Electrica. Analysts keep in contact with more than 50 institutional investors who are actively pursuing the local stock market. The team works in close cooperation with the colleagues from Raiffeisen Centrobank and Raiffeisen RESEARCH. Extel 2014 Survey ranked one of the analysts as the best analyst covering Central and Eastern Europe. The research team participates in projects side by side with the investment banking department, taking care to fully comply with the independence and non-interference principles between the corporate finance and research activities.

Key developments in the real sector and financial markets are timely covered in short-notes, daily and weekly reports (Daily Treasury Report, CEE Daily, CEE Weekly). Comprehensive assessment of major trends in the Romanian economy and financial markets are provided in the monthly report Romania – Economic Overview and the annual country report for Romania. The quarterly Central & Eastern European Strategy report produced by Raiffeisen RESEARCH in Vienna provides useful insights regarding past and potential developments in all the economies where the Raiffeisen Bank International is present. Developments in the banking sectors from these countries are covered in detail by the annual CEE Banking Sector Report.

Among the key equity research products are the company reports, which contain the analysts' views on the covered stocks. The analysts apply fundamental analysis and use an array of methods and techniques to arrive at a target price and, thus, at a recommendation for the companies under coverage. The team strives to keep clients informed and relevant news are sent daily, before start of trading, or during trading hours if market moving information comes along. Brief notes are sent after trading hours with the evening news. A weekly bulletin provides investors with a comprehensive overview of the current valuations for companies and sectors. Quarterly results are preceded by previews and first impression reports follow after publication. Beginning of each year, the research team prepares a wrap-up report outlining the stock market evolution in the previous year, and trends for the starting year.

Financial Institutions

Financial Institutions has as main responsibility the origination and development of the business relationship with banking and non-banking financial institutions: commercial banks, investment banks, insurance companies, leasing companies (having a financial group as the main shareholder), investment funds, pension funds, brokerage companies, finance companies (mortgage or consumer finance), financial institutions qualified as supranationals etc. The main functions of the directorate comprise business origination by the relationship managers, promotion and selling of products/ banking services to the above mentioned clients, under the direct coordination with product experts.

In 2015, Financial Institutions Directorate has preserved the approach centered on each customer and its real needs, with the major aim of being a top provider of banking services. The priorities from the previous years have been extended for 2015 as well: increase of income derived from non-risk products selling, enhancing cross-selling as number of products per client, multiplying the volumes routed through the bank, efficiency. Results have been predominantly evident for insurance companies segment, followed by pension funds and investment funds, respectively.

In 2015, the Financial Institutions business line had a steady positive evolution, successfully contributing to the consolidation efforts on liabilities side and increasing the utilization rate of existing cash management products, particularly for non-banks clients as related to FI clients. The main products contributing to the 2015 financial results have been custody and fund administration (depository), equity trading, cash management (cash collection, payments etc).

The gross income reached by Financial Institutions Directorate has been more or less in line with the previous year result, if investment banking transactions for FI clients are excluded. The historical minimum interest rates have had a significant impact in the booked income, the off-set coming from increased volumes and better-than-expected result on custody & depository activity.

As regards clients defined as "banks", the activity on the existing accounts has increased, with a new number of counterparts opening settlement accounts for local currency in our books in 2015.
In compliance with the bank's efforts to reach excellence, the correspondent bank network has been extended (currently over 800 counterparts).

The Securities Services Department is the business line for custody and fund administration (depository) services for investment and pension funds. The department is also responsible for the distribution and payment agent services for external UCITS, special settlement in relation to the Bucharest Stock Exchange Central Depository and Sibex Depository, as well as for the paying agent activity, provided to the bond issuers.

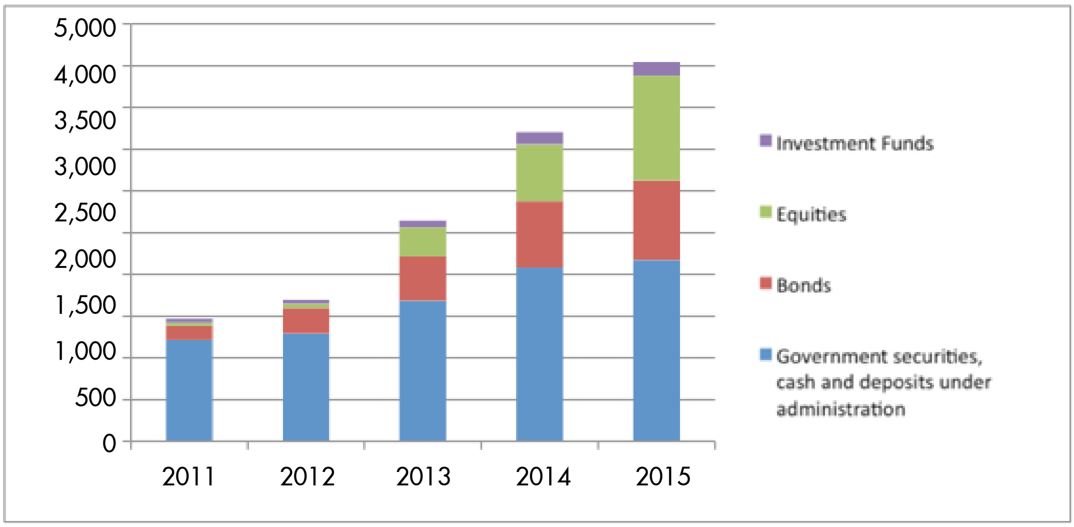
In 2015, the custody services for external clients have almost doubled the value of BSE instruments held in custody at the bank, part of the consolidation of the position as local custodian agent on the local market.

The bank has extended its custody and settlement services for external brokers accessing directly the local trading system, participating, in order to achieve this goal, independently or together to its clients, to consultations resulting in the creation of a more accessible framework for the external members of the Romanian CSD.

The value of assets under management was at the end of 2015 of EUR 4.54 billion, 24% higher than the value reported at the end of the previous year, with the highest growth (30%) being recorded by securities listed on BSE.

During 2015 the organizational chart for the departments directly involved in providing custody and fund administration services have been updated in order to comply with the new provision in force introduced by FSA Regulation no. 9/2014 regarding collective investment undertakings activity, through the segregation of the custody and fund administration operational activities.

Evolution of assets under administration 2011 – 2015 (EUR million)



Balance Sheet and Portfolio Management

The Balance Sheet and Portfolio Management Directorate is responsible for the strategic management of the bank's assets and liabilities with the goal of maintaining a sustainable medium and long-term liquidity position, while ensuring a stable net interest income. To this end, the Directorate is comprised of three interrelated teams: Asset and Liability Management (ALM), Liquidity Portfolio Management, and Funding Management.

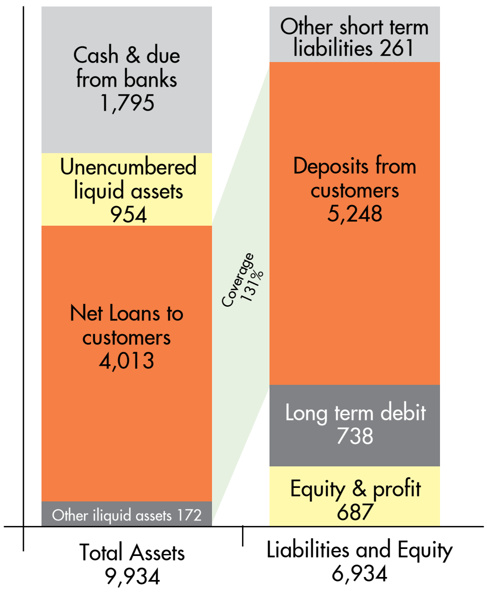
ALM team is responsible for the balance sheet management through an ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities. The unit manages the strategic interest rate position, the main objective being to maximize the economic value of the banking book and to generate adequate and stable earnings within the approved risk appetite boundaries.

The balance sheet management considers both the liquidity and interest rate perspective and is performed by using an ever growing and improving set of tools including an effective system of internal funds transfer pricing, as well as a dedicated ALM application for both liquidity and interest rate risk management. The internal funds transfer pricing system is based on market rates and is designed to allocate all costs and benefits to the business segments in a way that incentivizes the efficient use of liquidity. As part of the overall risk management framework, assets and liabilities are analyzed and modeled in order to adequately reflect the liquidity and interest rate risk profile.

Liquidity Portfolio Management team is responsible for maintaining an adequate liquidity position that allows the bank to respond to client needs and meet payment obligations both during normal economic activity and stress conditions. The team insures this objective by:

- analyzing and understating the liquidity behavior of products and business segments;
- monitoring and forecasting the liquidity position;
- managing the structural liquidity of the bank with the aim of preserving the net interest income and considering the risk appetite and limits;
- maintaining and managing a sufficient liquidity buffer for stress conditions that meets the required criteria in terms of size, composition and quality.

Balance sheet structure
31 December 2015 (EUR million)



The funding management unit is responsible for the development, execution and regular updating of the bank's funding plan. The funding plan reflects projected business growth, development of the balance sheet, future funding needs and maturity profiles, as well as the effects of changing market and regulatory conditions. Furthermore, the funding unit coordinates the operations which enhance the solvency of the bank in its commitment to maintain a healthy capital position.

The balance sheet is funded primarily through core customer deposits, long-term debt (in the form of senior debt issuance, senior loans and subordinated loans) and shareholders' equity. We monitor the funding sources, including their concentrations, according to their currency, tenor, maturity, and whether they are secured or unsecured.

Considering the ample liquidity in 2015 sustained by the large deposit base, wholesale funding was represented by an increase of funds from the European Investment Fund (EIF) under the Portfolio Risk Sharing Agreement, initially signed in December 2013. Consequently, the total funds that the bank can channel to local SMEs (EU definition) at more affordable pricing and lower collateral requirement inched up to EUR 125 million.

Investment Banking Services

2015 marked a new stage for Raiffeisen Bank in terms of innovation and pioneering on the Romanian capital market, through the execution of the largest bond issue in Romania to date, listed on the Bucharest Stock Exchange, for the City of Bucharest, amounting to RON 2.2 billion.

The offering, carried out by a consortium led by Raiffeisen Bank, was structured as a private placement addressed to investors willing to acquire securities amounting to at least RON 500,000. Owing to significant demand from the investors, as the demand was twice the value of the offering, the placement was closed in only one day.

Moreover, this offering was the first issue on the Romanian market structured as a program, thus enabling the launch of subsequent issues, either with different maturities, or opening existing issues, under the same prospectus, and was the first transaction of this type in Romania to be settled via Clearstream.

In June 2015, Raiffeisen Bank was part of the syndicate for the performance of the public offering of Government Bonds addressed to retail investors, the first such issue listed on the Bucharest Stock Exchange.

Following these events, Raiffeisen Bank ranked second in terms of volumes of bonds traded for public offerings in 2015 and consolidated its position as "trend setter" on the Romanian capital market. For its activity on the fixed income segment in 2015, Raiffeisen Bank was awarded a prize by the Bucharest Stock Exchange.

Furthermore, Raiffeisen Bank managed the issue of new shares under the share capital increase with preference rights of Banca Comercială Carpatica S.A., carried out during November and the beginning of December and concluded with the subscription of 10.5% of the newly issued shares, with the remaining shares to be offered to an institutional investor via a private placement.

On the mergers and acquisitions segment, Raiffeisen Bank successfully concluded the sale of a majority stake in Romply Merops, an important player in the Romanian wood processing sector, and the acquisition from Schwabisch Hall of a stake in Raiffeisen Banca pentru Locuințe (pending approval from the National Bank of Romania).

Asset Management Services

Raiffeisen Asset Management, the asset management company of the group, continued to attract significant amounts from the clients throughout its investment funds during 2015, thus maintaining its position among the largest asset management companies, with a market share above 20% and approximately EUR 1.5 billion assets under management (according to the Fund Managers Association's statistics).

The growth of the assets under management was sustained by the fixed income funds, Raiffeisen Euro Plus, with an addition of approximately RON 160 million equivalent, Raiffeisen RON Plus, with an addition of RON 155 million, and also by the investment funds which direct some of their placements in equity, the capital-protected funds Raiffeisen Confort and Raiffeisen Confort Euro, the only ones in Romania, with an addition of 130, respectively RON 135 million.

The extraordinary results in funds distribution are a confirmation of the fact that the sales force succeeded to adapt very fast to the new market context, where the clients' needs are a priority. Starting with the clients' expectations and risk profile, Raiffeisen Bank's client advisors offered a wide range of products, the investment funds being attractive not only for the individuals with saving and investing interests, but also for the small and medium companies wishing to maximize the return of their liquidities. The wide range of products allowed the full satisfaction of the clients' investment options not only in RON, but also in EUR in USD. The differentiation from competitors occured due to the adequate communication of the funds' advantages on the one hand, and to the active involvement in the capital gain taxation optimization on the other hand.

The company also had a constant focus towards innovation, being:

- the first in Romania to diversify equity investments to other foreign markets, through Raiffeisen Prosper and Raiffeisen Benefit;
- the first and only company to launch an open-end capital protected investment fund, Raiffeisen Confort and Raiffeisen Confort Euro;
- the first and only to launch a voluntary pension fund, Raiffeisen Acumulare;
- the first company in Romania to manage a fixed income fund denominated in EUR, Raiffeisen Euro Plus;
- the first company in Romania to manage a fixed income fund denominated in USD, Raiffeisen Dolar Plus.

Participations

Through its subsidiaries, Raiffeisen Group is present in Romania on different segments of the financial market: banking, investment fund management, leasing and also the building societies segment.

S.A.I. Raiffeisen Asset Management S.A. is the asset management company of the Group in Romania. The social capital, amounting to RON 10,656,000, is 99.99% owned by Raiffeisen Bank S.A. The accounting assets amounted to EUR 13 million. At year-end 2015, Raiffeisen Asset Management S.A. was the second player on the specific market, with more than 20% market share and assets under management equivalent to approximately EUR 1.5 billion. Counting on the huge potential of the market, in the perspective of reaching the level of the developed countries, Raiffeisen Asset Management has created a wide range of products, currently being the only asset management company in Romania to offer open investment funds and voluntary pension funds.

Raiffeisen Leasing IFN S.A. represents the Raiffeisen Group on the Romanian leasing market. The company share capital valuing RON 14,935,400 is owned by Raiffeisen Bank S.A. in proportion of 50%. At the end of 2015, the assets of Raiffeisen Leasing IFN S.A. amounted to approximately EUR 182 million, and its client database included about 3,300 active clients.

Raiffeisen Banca pentru Locuințe S.A., the first building society set-up in Romania, is owned by Raiffeisen Bank S.A., Bausparkasse Schwaebisch Hall AG - Germany and Raiffeisen Bausparkasse GmbH – Austria, each having approximate equal stakes of 33.3% of the share capital.

The savings-loan product represents a combination between savings and loans and, besides the support from the Romanian Government of 25% from the annual deposits (maximum 250 EUR/year), the bank offers fixed interest both on savings and loans. The savings-loan system for housing purposes has a powerful social role, encouraging the long-term savings and improving the housing conditions in Romania.

At year-end 2015 Raiffeisen Banca pentru Locuințe S.A. had a share capital of RON 131 million and assets amounting to RON 676 million.

At the end of 2015, Raiffeisen Bank owned 100% of Raiffeisen Services S.R.L., 33.33% of Fondul de Garantare a Creditului Rural IFN S.A.'s share capital and held equity investments in Biroul de Credit S.A, Depozitarul Central S.A., Transilvania Leasing and Credit IFN S.A., International Factors Group SCRL, Fondul Român de Garantare a Creditelor pentru Întreprinzătorii Privați IFN S.A., Casa de Compensare București S.A., Visa Europe, Societatea de Transfer de Fonduri și Decontări - TransFond S.A.

I

Consolidated and Separate Financial Statements

Consolidated and Separate Financial Statements

Content

Statement regarding the responsibility

Statement regarding the responsibility for preparing the financial statements

31 December 2015

In accordance with article 10, paragraph 1 from Accounting Law No. 82/1991, the responsibility for the accounting organization and management belongs to the administrator, to the person authorized for credit release or to other person in charge with administration of the entity.

Officially in charge as president of Raiffeisen Bank S.A. - parent company, in accordance with article 31 from Accounting Law No. 82/1991, I assume the responsibility for preparing the consolidated and separate financial statements as of 31 December 2015 and I confirm that:

a) accounting policies used for preparing the consolidated and separate financial statements as of 31 December 2015 are in accordance with Order of the National Bank of Romania No. 27/2010 and related amendments, which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union;

b) consolidated and separate financial statements prepared as of 31 December 2015 fairly reflect the financial position, statement of comprehensive income, statement of changes in equity, statement of cash flow and the related notes related to the activity developed in accordance with Order of the National Bank of Romania No. 27/2010 and related amendments, which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Steven van Groningen
President

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REPORT OF THE FINANCIAL AUDITOR

To the shareholders of Raiffeisen Bank SA

Report on the Financial Statements

1. We have audited the accompanying financial statements of Raiffeisen Bank SA and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash f lows for the year then ended, and a summary of significant accounting policies and other explanatory notes. We have also audited the separate statement of financial position of Raiffeisen Bank SA (the "Bank"), and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended presenting the following:

- Consolidated Net assets/ Total equity and reserves: 3,210,595 lei thousand
- Consolidated Profit for the year: 426,431 lei thousand
- Individual Net assets/ Total equity and reserves: 3,158,241 lei thousand
- Individual Profit for the year: 437,564 lei thousand

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements which have been presented together to report on the statement of financial position, the statement of comprehensive income, statement of changes in equity and statement of cash flows for both Group and the Bank, in accordance with Order of the National Bank of Romania no. 27/2010 and related amendments, which requires that these consolidated/separate financial statements are to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards of auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group/Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group/Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The English version of the audit report represents a translation of the original audit report issued in Romanian language.

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

Opinion - The Group

6. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2015, and of its consolidated financial performance and its consolidated cash f lows for the year then ended in accordance with Order of the National Bank of Romania no. 27/2010 and related amendments and in accordance with International Financial Reporting Standards as adopted by the European Union.

Opinion - The Bank

7. In our opinion, the separate financial statements give a true and fair view of the financial position of the Bank as of 31 December 2015, and of its financial performance and its cash f lows for the year then ended in accordance with Order of the National Bank of Romania no. 27/2010 and related amendments and in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on conformity of the Consolidated Administrators' Report with the Consolidated and Separate Financial Statements
In accordance with the Order of National Bank of Romania no. 27/2010, article no. 40 point e), we have read the Consolidated Administrators' Report presented together with the consolidated financial statements. The Consolidated Administrators' Report is not part of the consolidated financial statements. In the Consolidated Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements.

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Report on conformity of the Separate Administrators' Report with the Separate Financial Statements
In accordance with the Order of National Bank of Romania no. 27/2010, article no. 16 point e), we have read the Separate Administrators' Report presented together with the separate financial statements. The Separate Administrators' Report is not part of the separate financial statements. In the Separate Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying separate financial statements.

For and on behalf of
Ernst & Young Assurance Services SRL

Registered with the Chamber of Financial Auditors in Romania

Nr. 77/15 August 2001

Gelu Gherghescu

Ernst & Young Assurance Services S.R.L.
25. MAR. 2016
Signed for identification
Semnat pentru identificare

Registered with the Chamber of Financial Auditors in Romania
No. 1449/9 September 2002

Bucharest, Romania
25 March 2016

English translation for information purpose, only.

Consolidated and separate statement of comprehensive income

Prepared in accordance with International Financial Reporting Standards as endorsed by the European Union
31 December 2015

In RON thousand	Note	Group 2015	Group 2014	Bank 2015	Bank 2014
Interest income		1,285,375	1,367,632	1,284,598	1,367,057
Interest expense		(230,728)	(322,554)	(231,078)	(323,018)
Net interest income	**7**	**1,054,647**	**1,045,078**	**1,053,520**	**1,044,039**
Fees and commissions income		811,284	824,422	790,125	790,267
Fees and commissions expense		(181,278)	(144,399)	(180,919)	(144,315)
Net fee and commission income	**8**	**630,006**	**680,023**	**609,206**	**645,952**
Net trading income	9	288,517	280,745	288,261	277,909
Net gain from other financial instruments carried at fair value through profit and loss	21	4,835	33,772	4,835	34,034
Other operating income	10	27,041	28,210	54,120	45,449
Operating income		**2,005,046**	**2,067,828**	**2,009,942**	**2,047,383**
Operating expenses	11	(681,158)	(666,400)	(678,132)	(661,748)
Personnel expenses	12	(528,358)	(481,226)	(524,355)	(475,901)
Net impairment loss on financial assets	13	(289,012)	(313,986)	(289,012)	(313,986)
Share of gain from associates and joint ventures	22	3,245	4,898	-	-
Profit before income tax		**509,763**	**611,114**	**518,443**	**595,748**
Income tax expense	14,15	(83,332)	(98,621)	(80,879)	(94,380)
Net profit for the year		**426,431**	**512,493**	**437,564**	**501,368**
Other comprehensive income to be reclassified to profit and loss	**34**	**60,220**	**441**	**61,805**	**1,993**
Net gains (losses) on financial assets available-for-sale		71,545	440	71,583	323
Related tax of items to be reclassified to profit and loss		(11,766)	-	(11,772)	-
Other comprehensive income		**59,779**	**440**	**59,811**	**323**
Total comprehensive income for the year, net of income tax		**486,210**	**512,933**	**497,375**	**501,691**

The consolidated and separate statement of comprehensive income are to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on pages 54 to 139.

The consolidated and separate financial statements were approved by the Management Board on 21 March 2016 and were signed on its behalf by:

Steven van Groningen
President & CEO

Bogdan Popa
Vice-president & Chief Financial Officer

Consolidated and separate statement of financial position

Consolidated and Separate statement of financial position for the year ended
31 December 2015

In RON thousand	**Note**	**Group**		**Bank**	
31 December		***31 December 2015***	***31 December 2014***	***31 December 2015***	***31 December 2014***
Assets					
Cash and cash with Central Bank	16	6,981,390	7,853,134	6,981,376	7,853,128
Trading assets	17	527,133	83,636	527,218	83,636
Derivative assets held for risk management	18	1,956	3,417	1,956	3,414
Loans and advances to banks	19	1,138,893	904,144	1,138,893	904,128
Loans and advances to customers	20	18,153,586	16,110,075	18,153,586	16,110,075
Investment securities	21	4,115,797	3,219,254	4,094,689	3,199,110
Investment in associates and joint ventures	22	102,192	112,103	76,761	76,761
Other assets	26	149,691	166,602	153,194	168,463
Deferred tax assets	25	15,714	27,843	15,598	27,547
Property and equipment	23	212,958	227,347	212,695	227,170
Intangible assets	24	87,223	81,218	87,159	81,153
Total assets		***31,486,533***	***28,788,773***	***31,443,125***	***28,734,585***
Liabilities					
Trading liabilities	17	37,902	54,055	37,902	54,314
Derivative liabilities held for risk management	18	5,332	7,047	5,276	7,046
Deposits from banks	27	627,082	533,021	627,082	533,022
Deposits from customers	28	23,739,592	21,067,858	23,743,196	21,073,872
Loans from banks and other financial institutions	29	1,624,475	1,476,873	1,624,475	1,476,873
Current tax liabilities		16,167	31,586	16,095	30,454
Other liabilities	31	441,861	563,497	440,740	561,084
Debt securities issued	29	739,694	740,287	746,285	746,890
Subordinated liabilities	32	950,436	923,655	950,436	923,655
Provisions	30	93,397	60,509	93,397	60,509
Total liabilities		***28,275,938***	***25,458,388***	***28,284,884***	***25,467,719***
Equity					
Share capital	33	1,200,000	1,200,000	1,200,000	1,200,000
Retained earnings		1,729,380	1,934,870	1,677,572	1,871,930
Other reserves	34	281,215	195,515	280,669	194,936
Total equity		***3,210,595***	***3,330,385***	***3,158,241***	***3,266,866***
Total liabilities and equity		***31,486,533***	***28,788,773***	***31,443,125***	***28,734,585***

The consolidated and separate statement of comprehensive income are to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on pages 54 to 139.

The consolidated and separate financial statements were approved by the Management Board on 21 March 2016 and were signed on its behalf by:

Steven van Groningen
President & CEO

Bogdan Popa
Vice-president & Chief Financial Officer

Consolidated and separatre statement of changes in equity

Consolidated and Separate statement of changes in equity for the year ended 31 December 2015

Group

In RON thousand	***Share capital***	***Treasury shares***	***Other reserves***	***Retained earnings***	***Total***
Balance at 1 January 2014	***1,200,000***	***(8,234)***	***165,288***	***1,715,493***	***3,072,547***
Net profit for the year	-	-	-	512,493	512,493
Other comprehensive income, net of income tax	-	-	440	-	440
Total comprehensive income for the year, net of income tax	***-***	***-***	***440***	***512,493***	***512,933***
Distribution to reserves	-	-	29,787	(29,787)	-
Distribution of dividends	-	-	-	(263,329)	(263,329)
Purchase of treasury shares	-	(6,074)	-	-	(6,074)
Sale of treasury shares	-	14,308	-	-	14,308
Balance at 31 December 2014	***1,200,000***	***-***	***195,515***	***1,934,870***	***3,330,385***
Balance at 1 January 2015	***1,200,000***	***-***	***195,515***	***1,934,870***	***3,330,385***
Net profit for the year	-	-	-	426,431	426,431
Other comprehensive income, net of income tax	-	-	59,779	-	59,779
Total comprehensive income for the period, net of income tax	***-***	***-***	***59,779***	***426,431***	***486,210***
Distribution to reserves	-	-	25,921	(25,921)	-
Distribution of dividends	-	-	-	(606,000)	(606,000)
Balance at 31 December 2015	***1,200,000***	***-***	***281,215***	***1,729,380***	***3,210,595***

Bank

In RON thousand	***Share capital***	***Treasury shares***	***Other reserves***	***Retained earnings***	***Total***
Balance at 1 January 2014	***1,200,000***	***(8,235)***	***164,506***	***1,653,545***	***3,009,816***
Net profit for the year	-	-	-	501,368	501,368
Other comprehensive income, net of income tax	-	-	323	-	323
Total comprehensive income for the period, net of income tax	***-***	***-***	***323***	***501,368***	***501,691***
Appropriation of profit to reserves	-	-	29,787	(29,787)	-
Increase/Decrease due to business combination	-	-	320	10,133	10,453
Distribution of dividends	-	-	-	(263,329)	(263,329)
Purchase of treasury shares	-	(6,074)	-	-	(6,074)
Sale of treasury sale	-	14,309	-	-	14,309
Balance at 31 December 2014	***1,200,000***	***-***	***194,936***	***1,871,930***	***3,266,866***
Balance at 1 January 2015	***1,200,000***	***-***	***194,936***	***1,871,930***	***3,266,866***
Net profit for the year	-	-	-	437,564	437,564
Other comprehensive income, net of income tax	-	-	59,811	-	59,811
Total comprehensive income for the year, net of income tax	***-***	***-***	***59,811***	***437,564***	***497,375***
Appropriation of profit to reserves	-	-	25,922	(25,922)	-
Distribution of dividends	-	-	-	(606,000)	(606,000)
Balance at 31 December 2015	***1,200,000***	***-***	***280,669***	***1,677,572***	***3,158,241***

The consolidated and separate statement of changes in shareholders' equity is to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on pages 54 to 139.

Consolidated and separate statement of cash flows

Consolidated and Separate statement of cash flows for the year ended
31 December 2015

In RON thousand	Note	Group 2015	Group 2014	Bank 2015	Bank 2014
Cash flows from operating activities					
Net profit for the year		426,431	512,493	437,564	501,368
Adjustments for non-cash items:					
Depreciation and amortization	11	79,280	74,441	79,170	74,319
Net impairment loss on financial assets (release from recoveries is not included)	13	376,432	368,933	376,432	368,933
Group share of gain from associates and joint ventures	22	(3,245)	(4,898)	-	-
Loss/gain on the sale of property, plant and equipment and of intangible assets		1,430	6,655	1,399	6,669
Net charge of provisions	10,11	52,002	18,340	52,002	18,340
Income tax expense	14,15	83,332	98,621	80,879	94,380
Fair value adjustments		(254)	2,054	(312)	1,939
Net interest income	7	(1,054,647)	(1,045,078)	(1,053,520)	(1,044,039)
Unrealized foreign exchange losses		5,842	2,663	5,842	2,663
Income from dividends		(3,612)	(722)	(30,083)	(18,080)
Operating profit before changes in operating assets and liabilities		**(37,009)**	**33,502**	**(50,627)**	**6,492**
Change in operating assets:					
(Increase)/Decrease in trading assets and derivatives held for risk management		(443,497)	75,755	(443,582)	75,749
Decrease in loans and advances to banks		12,208	62,579	12,192	62,591
Increase in loans and advances to customers		(1,147,741)	(1,103,272)	(1,147,741)	(1,103,273)
Increase in investment securities		(789,556)	(230,605)	(788,559)	(225,761)
Decrease/(Increase) in other assets		15,885	(20,377)	14,274	(20,316)
Purchase of loan portfolio		(1,084,690)	-	(1,084,690)	-
Proceeds from sale of loans		88,361	54,950	88,361	54,950
Change in operating liabilities					
Decrease in trading liabilities		(16,153)	(6,642)	(16,412)	(6,456)
Increase in deposits from banks		91,121	36,855	91,120	36,856
Increase in deposits from customers		2,477,873	1,478,349	2,475,463	1,480,882
(Decrease)/Increase in other liabilities		(169,670)	100,003	(167,244)	102,961
Taxation paid		(69,475)	(92,907)	(67,275)	(89,429)
Interest paid		(246,817)	(322,243)	(247,167)	(322,251)
Interest received		1,305,985	1,326,768	1,305,196	1,325,888
Cash flows from operating activities		**(13,175)**	**1,392,715**	**(26,691)**	**1,378,883**
Investing activities					
Proceeds from sale of property, plant and equipment		1,027	2,599	994	2,613
Acquisition of property, plant and equipment	23	(37,122)	(45,509)	(36,934)	(45,505)
Acquisition of intangible assets	24	(35,204)	(24,612)	(35,166)	(24,607)
Acquisition of investment in associates and joint ventures	22	(38,400)	(30,416)	-	(30)
Proceeds from investment in associates and joint ventures	22	51,556	37,896	-	366
Dividends received		3,612	722	30,083	18,080
Cash flows used in investing activities		**(54,531)**	**(59,320)**	**(41,023)**	**(49,083)**
Financing activities					
Purchase of treasury shares	33	-	8,234	-	8,234
Cash from loans from banks		1,287,915	173,971	1,287,915	173,971
Repayments of loans from banks		(1,238,382)	(402,485)	(1,238,382)	(402,485)
Cash from debt securities issued		-	496,400	-	500,000
Repurchase of debt securities issued		(614)	-	(614)	-
Cash from subordinated liabilities		-	89,642	-	89,642
Dividends paid		(606,000)	(263,329)	(606,000)	(263,329)
Cash flow from financing activities		**(557,081)**	**102,433**	**(557,081)**	**106,033**
Net increase in cash and cash equivalents		(624,787)	1,435,828	(624,795)	1,435,833
Cash and cash equivalents at 1 January		8,732,043	7,296,215	8,732,037	7,296,204
Cash and cash equivalents at 31 December		**8,107,256**	**8,732,043**	**8,107,242**	**8,732,037**

Analysis of cash and cash equivalents

In RON thousand	Note	Group 2015	Group 2014	Bank 2015	Bank 2014
Cash and cash equivalents comprise:					
Cash on hand	16	1,373,384	1,385,888	1,373,370	1,385,882
Cash with Central Bank	16	5,608,006	6,467,246	5,608,006	6,467,246
		6,981,390	7,853,134	6,981,376	7,853,128
Loans and advances to banks – less than 3 months		1,125,866	878,909	1,125,866	878,909
Cash and cash equivalents in the cash flow statement		**8,107,256**	**8,732,043**	**8,107,242**	**8,732,037**

The consolidated and separate statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on pages 54 to 139.

Notes to the Consolidated and Separate Financial Statements

1. Reporting entity

Raiffeisen Bank SA (the "Bank") started its operations on 1 July 2002 upon the merger by acquisition of Raiffeisen Bank Romania SA by Banca Agricolă Raiffeisen SA through issue of shares. The merger between the two banks was finalized on 30 June 2002 with the purpose of streamlining the operations of the Raiffeisen Group in Romania.

The Bank is licensed by the National Bank of Romania to conduct banking activities. The current registered office is located at Sky Tower Building, Calea Floreasca, no 246 C, district 1, Bucharest, Romania.

The consolidated and separate financial statements of the Bank for the year ended 31 December 2015 comprise the Bank and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in corporate and retail banking, brokerage, leasing and asset management services.

The main activity of the Bank is to provide day-to-day banking services to corporate and individual clients. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium term facilities, bank guarantees and letters of credit. The Group also provides financial consultancy services for small and medium enterprises operating in Romania, financial leasing services, loan services in locative system, asset management services and brokerage services. The Group operates through the Head Office located in Bucharest and through its network of 510 branches as at 31.12.2015 (2014: 527 branches).

The Bank is managed in accordance with the dual management system by a Supervisory Board made up of 6 members and a Management Board made up of 7 members.

The members of the Supervisory Board as of December 31, 2015 are as follows:

- Karl Sevelda – Chairman
- Martin Grüll – Deputy Chairman
- Johann Strobl – Member
- Klemens Josef Breuer – Member
- Peter Lennkh – Member
- Anca Ileana Ioan –Independent Member

The structure of the Management Board as of December 31, 2015 is as follows:

- Steven van Groningen – President;
- Cristian Sporis - Vice-president, coordinating the Corporate Division;
- James D. Stewart. Jr. – Vice-president, coordinating the Treasury and Capital Markets Division;
- Carl Rossey – Vice-president, coordinating the Operations and IT Division;
- Vladimir Kalinov – Vice-president, coordinating the Retail Division;
- Mircea Busuioceanu - Vice-president, coordinating the Risk Division;
- Bogdan Popa – Vice-president, coordinating the Accounting and Financial Controlling Division.

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with Order no. 27/2010 of the National Bank of Romania and subsequent amendments, which require that these consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The accounting records of the Bank are maintained in RON in accordance with the Romanian accounting law and the National Bank of Romania banking regulations. Starting with 2012 National Bank of Romania issued regulations through which the International Financial Reporting Standards as adopted by the European Union ("IFRS") become basis of accounting for banks. As such the statutory accounts of the Bank and of Raiffeisen Banca pentru Locuinte are in line, in all material respects, with these standards.

The non – banking subsidiaries, associates and joint ventures prepare financial statements in accordance with the Romanian accounting law and the National Bank of Romania banking regulations ("statutory accounts") except for ICS Raiffeisen Leasing S.R.L which prepares financial statements in accordance with the Moldavian accounting law.

These accounts have been restated to reflect the existing differences between the statutory accounts and IFRS. Accordingly, such adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements into line, in all material respects, with IFRS.

b) Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following significant items from the consolidated statement of financial position:

- derivative financial instruments are measured at fair value;
- financial instruments held for trading and those designated at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- liabilities for cash-settled share based payment arrangements are measured at fair value.

c) Functional and presentation currency

The elements included in the financial statements of each Group entity are evaluated by using the currency of the primary economic environment in which the entity operates ("functional currency"). These consolidated and separate financial statements are presented in Romanian Lei ("RON"), which is the functional and presentation currency of the Bank, rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of consolidated and separate financial statements in accordance with IFRS as endorsed by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The management judgments in applying accounting policies which have a significant impact on the consolidated and separate financial statements as well as highly uncertain estimates are disclosed in Note 5.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements and have been applied consistently by the Group entities.

a) Basis of consolidation

i) Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Bank holds:

- 100% (2014: 100%) investment in Raiffeisen Services S.R.L., a company providing financial services with the exception of those related to services rendered on the capital markets;

- 99.99% (2014: 99.99%) investment in Raiffeisen Asset Management S.A., an asset management company with the purpose of administrating funds.

Until 30 April 2014 the Bank held 100% of Raiffeisen Capital and Investment S.A., a brokerage company providing stock exchange brokerage services to local and foreign customers. Starting with 1st of May the Bank merged with its subsidiary.

The Group has consolidated the financial statements of its subsidiaries in accordance with IFRS 10 "Consolidated Financial Statements".

The Bank classified the investment in subsidiaries as financial assets available for sale and evaluated them at cost due to the fact that these investments are equity instruments for which there is no active market for identical instruments and their fair value cannot be reliably estimated. Fair value requires significant judgement by management.

(ii) Joint venture
The Group holds interests in the following joint ventures:

- 50% (2014: 50%) interest in Raiffeisen Leasing IFN S.A.;

- 50% (2014: 50%) interest in ICS Raiffeisen Leasing S.R.L. from the Republic of Moldova, a company held 100% by Raiffeisen Leasing IFN;

- 33.32% (2014: 33.32%) in Raiffeisen Banca pentru Locuințe S.A. which is an entity exclusively dedicated to saving and lending business.

The Group has consolidated the financial statements of its joint ventures using the equity method, in accordance to IFRS 11 "Joint Arrangements".

The Bank has classified these investments as financial assets available for sale and evaluated them at cost less provision for impairment, where appropriate (see accounting policy 3 j).

(iii) Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Where the Group manages and administers assets held in unit funds and is also an investor in the fund, not to the extent that it has control, the fund meets the definition of an associate. The significant influence is due to the fact that Group administers the funds and participates in the policy making process.

The consolidated and separate financial statements include the Group's share of the total recognized gains and losses of associates and joint ventures on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases (see Note 22). When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. After application of the equity method, including recognizing the associate's losses, the investor applies the requirements of IAS 39 to determine whether it is necessary to recognize any additional impairment loss with respect to the investor's net investment in the associate.

The Bank holds investments of 33.33% (2014: 33.33%) in Fondul de Garantare a Creditului Rural - IFN S.A. Also the Group accounts proportionately for the share of gain or loss from its associates and joint ventures in accordance to IFRS 11 "Joint Arrangements". The Group holds interests of 0.92% (2014: 1.09%) in Raiffeisen RON Plus , 0% (2014: 0.42%) in Raiffeisen EURO Plus, investment funds administered by Raiffeisen Asset Management S.A.

The Bank has classified these investments as financial assets available for sale and evaluated them at cost less provision for impairment, where appropriate (see accounting policy 3 j).

(iv) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized gains arising from intra-Group transactions (except for the gains or losses from foreign exchange differences related to these transactions), have been eliminated from the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in that entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to RON at the official exchange rates from the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign exchange gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on settlement are recognized in profit or loss, except for differences arising from the translation of equity available-for-sale financial instruments, which are included in the fair value adjustment reserve.

The exchange rates of major foreign currencies were:

Currencies	***31 December 2015***	***31 December 2014***	***% Increase/Decrease***
Euro (EUR)	*1:RON 4.5245*	*1:RON 4.4821*	*0.01%*
US Dollar (USD)	*1:RON 4.1477*	*1:RON 3.6868*	*0.12%*

(ii) Foreign operations

A foreign operation is defined as a subsidiary, associate, joint venture, or branch whose activities are based in a country other than that of the reporting entity or whose activities are denominated in the different currency than the one of the reporting entity.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RON at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RON at the exchange rates at the date of the transactions.

Foreign currency differences on the translation of foreign operations are recognized directly in equity. When a foreign operation is disposed of, in part or in full, the relevant amount of the foreign currency translation reserve is transferred to profit and loss.

Interest income and expense are recognized in the consolidated and separate statement of comprehensive income using the effective interest rate method for all financial instruments. The effective interest rate method is used to determine the amortized cost of a financial asset or liability and apportion the interest income and expense over a relevant period of time. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. For the effective interest rate computation, the Group estimates the future cash flows by taking into account the contractual terms of each financial instrument, however it does not account for future credit losses. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. The effective interest rate method is a method of calculating the amortized cost of loans and advances to customers whereby up-front and management fees received between parties to the contract and origination costs should be integral part of the effective interest rate and should be amortized and recognized as interest income over the relevant period.

Interest income and expense presented in the consolidated and separate statement of comprehensive income include:

- interest on loans and advances to customers on an effective interest basis;
- fees and commission income/expense attributable to loan origination and management of a financial asset or liability;
- interest on financial assets and liabilities at amortized cost on an effective interest rate basis;
- interest on available-for-sale investment securities on an effective interest basis;
- interest on investment securities designated at fair value through profit or loss.

Fees and commissions directly attributable to the origination and management of a financial asset or liability (both income and expense), are included in the measurement of the effective interest rate.

Loan origination fees which can be separately identified are deferred, together with the directly attributable costs and are recognized as an adjustment to the effective interest rate of the loan.

Interest income and expense on all trading assets and liabilities are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

d) Fees and commission

Fees and commission income arises on financial services provided by the Group including commitment fees, card fees, cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services. Other fees and commission income arising on the financial services provided by the Group including cash management services, brokerage services, investment advice, financial planning, investment banking services are recognized in the consolidated and separate statement of comprehensive income on the accrual basis i.e. when the corresponding service is provided. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

Other fees and commission income and expenses corresponding to saving-lending products, which are not part of the effective interest rate of the financial instruments, are recognized when the related services are provided.

e) Net trading income

Net trading income comprises gains and losses from trading assets and liabilities and includes all realized and unrealized fair value changes, interests, dividends and foreign exchange differences.

f) Net gain/loss from other financial instruments at fair value

Net gain/loss from other financial instruments at fair value arises from derivatives held for risk management purposes and financial assets and liabilities designated at fair value through profit and loss, and include all realized and unrealized fair value changes, interests, dividends and foreign exchange differences.

g) Dividends

Dividend income is recognized in the consolidated and separate statement of comprehensive income when the right to receive the income is established. Usually, this is the ex-dividend date for equity securities. Dividends are reflected as a component of other operating income based on the underlying classification of the equity instrument.

Tax on dividends is recognized at the same time as the payment of the related dividends and is due in the following month.

Dividends to be distributed by the Bank or Group are treated as an appropriation of profit in the period they are declared and approved by the General Shareholders Meeting.

h) Lease payments

Payments made under operating leases are recognized in the consolidated and separate statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the consolidated and separate statement of comprehensive income as an integral part of the total lease expense. Operating lease expense is reflected as a component of operating expense.

Minimum lease payments made under financial leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability.

i) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is determined using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the goodwill from transactions that are not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates which are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) Financial assets and liabilities

(i) Classification
The Group classifies its financial instruments into the following categories:

Financial asset or financial liability at fair value through profit or loss
This category has two sub-categories: financial assets or financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if so designated by management. Derivatives except for derivatives held for risk management are also classified as held for trading.

The financial instruments at fair value through profit or loss comprise derivatives, bonds issued by credit institutions, bonds, discount or coupon T-bills issued by the Government of Romania, municipality and corporate bonds and listed equity securities.

Held-to-maturity investments
These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. The held to maturity investments comprise of bonds and discount or coupon T-bills.

Available-for-sale financial assets
Available-for-sale financial assets are those financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The available for sale financial assets comprise in unquoted equity instruments, bonds, discount or coupon treasury bills issued by Government of Romania and credit institutions.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the entity upon initial recognition designates as available for sale; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

(ii) Recognition
The Group initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date, which coincides with the date the Group becomes a party to the contractual provisions of the instrument.

(iii) Derecognition
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognized in the consolidated and separate statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the consolidated and separate statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognized separately as assets and liabilities, as appropriate. In transfers where the control over the asset is retained, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The transferred asset is derecognized if it meets the de-recognition criteria.

(iv) Offsetting
Financial assets and liabilities are set off and the net amount presented in the consolidated and separate statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Amortized cost measurement
The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method, for the differences between the initial amount and the maturity amount, minus any reduction from impairment or from impossibility of recovery.

(vi) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects the effect of non-performance risk.

All estimates and judgments used in fair value measurement are described in note 5. Unquoted equity instruments for which a reliable estimate of the fair value cannot be made are measured at cost and periodically tested for impairment.

(vii) Identification and measurement of impairment

Assets carried at amortized cost
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets loss are impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may be difficult to identify a single event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognized. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the effective interest rate, consisting in the current variable component of interest rate and the margin from the date of classification as default.

The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in the consolidated and separate statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by using an allowance account. The amount of the reversal is recognized in the consolidated and separate statement of comprehensive income.

Loans and advances to customers
The Group has included observable data on the following loss events that come to its attention as objective evidence that loans and advances to customers or groups of loans to customers are impaired:

(a) Significant financial difficulty of the borrower, in accordance with the Group internal customer evaluation procedure;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Reliable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

   (i) Adverse changes in the payment status of borrowers in the group, or
   (ii) ational or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists as described above individually for loans and advances to customers that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed loans and advances to customers, whether significant or not, it includes the loans and advances to customers in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans and advances to customers that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of the collective evaluation of impairment, loans and advances to customers are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms or the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Available for sale financial assets

For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is removed from other comprehensive income and recognized in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

Also, the Group recognizes the impairment loss related to equity instruments classified as available for sale if there is a significant and prolonged depreciation of the fair value under the acquisition cost. Professional judgment should be applied to determine what "significant" and "prolonged" is and, when applying the professional judgment, the Group evaluates, among other factors, the duration and the extent in which the fair value of the investment is less than its cost. However, any subsequent recovery in the fair value of an impaired available for sale equity instrument is recognized in other comprehensive income.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the respective financial asset and the present value of estimated future cash flows discounted at the current internal market rate of return for a similar financial asset. Such impairment losses are not reversed through profit and loss.

(viii) Designation at fair value through profit or loss

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- The assets or liabilities are managed, evaluated and reported internally on a fair value basis or
- The asset/liability contained an embedded derivative that significantly modified the cash flow that would otherwise have been required under the contract.

Note 6 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. The financial assets designated at fair value through profit and loss comprise listed and unlisted bonds and other fixed income financial instruments issued by the government and corporate institutions. The Group has made the designation due to the fact that the respective assets are part of a group of financial assets evaluated and reported internally on a fair value basis in accordance with the risk management procedure and investment strategy of the Group.

k) Cash and cash with Central Bank

Cash and cash with Central Bank comprise cash balances on hand, current accounts and placements with the National Bank of Romania.

For the purposes of the cash flow statement, cash and cash equivalents comprise: cash balances on hand, current accounts and other placements with the National Bank of Romania, nostro accounts and placements with other banks which have a short maturity of three months or less from the date of acquisition.

l) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the consolidated statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, unless the following conditions are met:

- if the financial asset meets the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity;

- if the financial asset does not meet the definition of loans and receivables, then it may be reclassified out of the trading category only in rare circumstances.

m) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the consolidated statement of financial position. After initial recognition, the derivative financial instruments are measured at fair value without accounting for any additional cost of trading which may arise at the moment of sale or acquisition.

Changes in the fair value of these instruments are directly recognized in the profit or loss account, as part of the trading result.

n) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments, financial assets which are not quoted on an active market and which the Group does not intend to sell immediately or in the near future. The lease contracts in which the Group is the lessor that transfers substantially all the risks and rewards related to the ownership of an asset are disclosed as loans and advances to customers.

Loans and advances are initially recognized at fair value plus any direct trading costs and subsequently measured at amortized cost, using the effective interest rate method.

o) Investment securities

Investment securities are initially measured at fair value plus direct costs associated to the transaction and accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

The financial instruments at fair value through profit or loss comprise treasury securities issued by the Government of Romania, municipality bonds and listed equity securities.

The available for sale financial assets comprise of unlisted equity investments, bonds and treasury bills.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity. Any significant sale or reclassification of held to maturity financial investments before they reach maturity will determine the reclassification of all held to maturity financial investments and will prevent the Group to classify investments as held to maturity in the current year as well as in the next two years.

However, this interdiction is not applicable in any of the following circumstances:

- the sale or the reclassification is so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset’s fair value;

- the sale or reclassification is after the Group has collected substantially all of the asset’s original principal through instalment payments or early repayments;

- the sale or the reclassification is attributable to non-recurring isolated events beyond the Group’s control and which could not have been reasonably anticipated.

p) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The costs with maintenance of property, plant and equipment are recognized in profit and loss account as they incur. Expenses generated by replacing a component of a property, plant and equipment item, including major repairs, are capitalized, if improve the future performance of the property, plant and equipment item.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Buildings	*50 years*
Office equipment and furniture	*5 years*
Motor vehicles	*5 years*
Computer equipment	*4 years*

Depreciation methods, useful life and residual values are reassessed at each reporting date and adjusted if appropriate.

q) Intangible assets

Software

Software acquired by the Group is stated at cost less accumulated amortization and accumulated impairment losses. Expenditure on internally developed software is recognized as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over its useful life.

Internally developed software is stated at cost less accumulated amortization and impairment losses. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is between 1 and 8 years. Amortization methods, useful life and residual values are reassessed at each reporting date and adjusted if appropriate.

r) Leased assets

Lessee: Leases in terms of which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognized in the Group's statement of financial position.

Lessor: The Group also acts as lessor in contract through which substantially all the risks and rewards of ownership are transferred to the lessee. These contracts are classified as finance leases and a receivable equal to the present value of minimum lease payments is recognized in the consolidated financial statements.

s) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable group of assets that generates cash flows that largely are independent from other assets or groups of assets. Impairment losses are recognized in profit or loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets of the cash-generating unit, on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

t) Deposits from customers, loans from banks, debt securities issued and subordinated liabilities

Deposits from customers, loans from banks, debt securities issued and subordinated liabilities are the Group's sources of funding.

The Group classifies issued financial instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Deposits from customers, loans from banks, debt securities issued and subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

u) Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

A provision is recognized for the amounts expected to be paid under short-term cash bonus or profit-sharing plans, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the consolidated statement of comprehensive income as incurred.

The Group, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Group are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the consolidated statement of comprehensive income as incurred. The Group does not have any further obligations.

According to the collective labour contract the Group makes contributions for its employees to Pillar 3 pension plan.

Defined benefit plans

The Group does not operate any defined benefit plan and, consequently, has no obligation in this respect.

Long-term employee benefits

The Group's net obligation in respect of long-term service benefits, other than postemployment plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

In case of retirement, the Group offers to the respective employees a number of salaries, depending on the service period. The obligation for this jubilee granted under the provisions of the Group's Collective Labor Agreement and terms of individual employee contracts is estimated using the projected unit credit method and is recognized to the consolidated statement of comprehensive income on an accruals basis. Changes in the discount rate and from other actuarial assumptions are recognized as income or expense over the expected average remaining working lives of the employees participating in the plan.

Share-based payment transactions

The fair value of the amount payable to employees in respect of share appreciation rights that are settled in cash is recognized as an expense with a corresponding increase in liabilities over the period in which the employees unconditionally become entitled to payment. The liability is premeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

v) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payments (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

w) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions include provisions for pending legal issues, provisions for un-drawn commitments and other provisions.

x) Standards, interpretations and amendments to published International Financial Reporting Standards

Changes in accounting policy and disclosures

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 2015:

- *IFRS 3 Business Combinations:* This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The management of the Group has assessed that the amendment has no significant impact on the consolidated financial statements.
- *IFRS 13 Fair Value Measurement:* This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The management of the Group has assessed that the amendment has no significant impact on the consolidated financial statements.
- *IAS 40 Investment Properties:* This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other. The management of the Group has assessed that there is no impact in the consolidated financial statements.

Standards issued but not yet effective and not early adopted:

- *IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization.* The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.
- *IAS 19 Defined Benefit Plans (Amended): Employee Contributions.* The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The management of the Group has assessed that the amendment has no impact on the consolidated and separate financial statements.
- *IFRS 9 Financial Instruments: Classification and Measurement:* The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact on the consolidated and separate financial statements.

- *IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations:* The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The management of the Group has assessed that the amendment has no impact on the consolidated and separate financial statements.

- *IFRS 14 Regulatory Deferral Accounts:* The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU, as the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.

- *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. The standard has not been yet endorsed by the EU. The Group is in the process of assessing the impact on the consolidated and separate financial statements.

- *IAS 27 Separate Financial Statements (amended):* The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.

- *Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures:* Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.

- *IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments):* The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.

- *IAS 1: Disclosure Initiative (Amendment):* The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.

- *The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle,* which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. Group is in the process of assessing the impact on the consolidated and separate financial statements.

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

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

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

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

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

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

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

- *The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle,* which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. Group is in the process of assessing the impact on the consolidated and separate financial statements.

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

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

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

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

- *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. The management of the Group has assessed that the amendment has no significant impact on the consolidated and separate financial statements.

y) Segment reporting

The Group discloses information at segment level to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

An operating segment is a component of the Group:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group)

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available

Segment reporting is based on the following business lines of the Group: corporate, individuals, small and medium entities (referred to as "SME") and Treasury, the latter including financial institutions.

4. Financial risk management

a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Taxation risk

This note provides details of the Group's exposure to each of the above-mentioned risks, the Group's objectives, policies and processes for measuring and managing risk. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk market risk and operational risk. Market risk includes currency risk, interest rate risk and equity price risk.

The disclosure requirements according to part 8 of Regulation 575/2013 on prudential requirements for credit institutions and investment firms are published on the bank's internet page at the address https://www.raiffeisen.ro/despre-noi/guvernanta-corporativa/transparenta-si-publicare/.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the risk management framework. Assets and Liabilities Committee ("ALCO"), Credit Risk Committee, Risk Management Committee and Problem Loan Committee are responsible for developing and monitoring Group's risk management policies in their specified areas. All committees report regularly to the Management Board. The framework for risk management is defined in the risk strategy, elaborated and reviewed with annual frequency. The Risk profile is also annually reviewed and comprises the evaluation of all risks considered significant. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and compliance with the approved limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. This process of risk management is critical to the Bank's continuing profitability and each employee within the Group is responsible for monitoring compliance with the Group's risk management procedures.

The Audit Committee reports to the Supervisory Board and has the responsibility to monitor the compliance with risk management procedures. Internal Audit assists the Audit Committee in these functions. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Stress Testing exercises are a common practice in the Group. Stress tests to be performed are either locally developed or developed and run at Raiffeisen Bank International Group level. The bank put in place a "Business stress testing concept paper" which establishes the steps, concepts, methodologies and timelines in stress testing process. All stress tests results are analyzed and reported to management.

b) Credit risk

i) Credit risk management

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. The Group is exposed to credit risk through its lending, trading and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties, or in the situation in which it conducts financial leasing operations, or it issues guarantees.

Credit risk associated with trading and investing activities is managed through the Group's credit risk management process. The risk is mitigated through selecting counterparties of good financial standings and monitoring their activities and through the use of credit limits and when appropriate, by obtaining collateral. The Group's primary exposure to credit risk arises through its loans and advances to customers as well as from conduction of activities related to concluding finance lease contracts. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Group is exposed to credit risk on various other financial assets, including derivative instruments and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued (see Note 37). In order to minimize this risk, Group procedures are in place to screen the customers before granting the loans and lease contracts and to monitor their ability to repay the principal and interest during the duration of the loans and lease contracts and to establish exposure limits.

The Management Board has delegated the responsibility for the credit risk management to the Credit Committee. A Risk Division, reporting to the Chief Risk Officer is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies, by pursuing the target of maintaining a healthy loan portfolio, by establishing adequate limits and defining specific lending criteria for certain products, clients categories etc.
- Establishing and implementing of procedures related to: the treatment and valuation of collaterals, periodical loan reviews, classification and loan portfolio reporting, legal documentation related to loans and lending activity, monitoring and treatment of nonperforming loans, insuring compliance with the regulatory requirements.
- Establishing an authorization structure of approval and renewing of loan facilities: the authorization limits can be settled at the individual level of certain designated risk analysts or at the Credit Committee level or at the level of the approving entity designated at Group level. The authorization limits are stipulated in the Credit Committee Bylaws and are established on different criteria like loan amount, compliance with the credit policies.
- Evaluation and review of the credit risk takes place in accordance with the authorization limits set out in the Credit Committee Bylaws as well as with the regulatory requirements.
- Limiting concentrations of exposure to counterparties, geographical areas, industries and by issuer, loan classification category, market liquidity and country (for investment securities). The concentration risk is monitored throughout the portfolio management activity, is analyzed on a monthly basis through reports and presented to the personnel involved in the lending activity as well as to the management.
- Developing and maintaining the client classification systems depending on the risk grading. Unitary client classification systems are used at Group level depending on the client risk grading. These systems comprise both scoring and rating methodologies. The Group performs periodical reviews of the clients' classification systems. The risk grading measured through the above mentioned systems stands at the base of determining the loan loss provision necessary to cover the default risk.
- Reviewing and monitoring the compliance of business units with the limits established through the Credit Policies and internal norms.
- Regular reports are provided to Credit Committee on loan portfolio quality and appropriate corrective actions are proposed and implemented.
- Providing information, advice, guidance and expertise to business units in order to promote credit risk management best practice throughout the Group.

The Group has implemented an Early Warning Signs, which is used for a monthly credit portfolio screening targeting identification of upcoming problematic exposures as early as possible. The system is based on triggers automatically detected for each client on monthly basis, but it is also based on ad-hoc manual input if adverse information is known.

The implementation of the credit policies and procedures is insured at the Group's level. Each branch is obliged to respect and implement the Group's loan policies and procedures. Each branch is responsible for the quality and performance of its credit portfolio. The Group has process of centralization of both credit approval and loan administration for companies and individuals, which leads to improved quality of the credit portfolio and better monitoring.

Internal Audit undertakes regular audits of branches/agencies and Group credit processes.

The major concentrations of credit risk arise by type of customer in relation to the Group's loans and advances and credit commitments. Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's loans and advances, commitments to extend credit and guarantees issued.

In the table below are presented the risk concentrations by product for retail customers and by economic sectors for non-retail customers. In the table are presented gross balance sheet and off balance sheet exposures.

	Group		**Bank**	
In RON thousand	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Retail customers, of which:*				
Personal loan	3,952,493	3,305,854	3,952,493	3,305,854
Mortgage	3,890,214	3,151,987	3,890,214	3,151,987
Home equity	2,221,540	1,660,793	2,221,540	1,660,793
Credit Card	1,904,771	1,841,540	1,904,771	1,841,540
Overdraft	1,455,166	1,497,453	1,455,166	1,497,453
Investment financing	483,366	439,553	483,366	439,553
Other	5,650	134,378	5,650	134,378
Non-retail customers, of which:				
Agriculture	617,289	690,259	617,289	690,259
Electricity, oil & gas	1,624,989	1,591,986	1,624,989	1,591,986
Manufacturing	2,299,917	2,376,441	2,299,917	2,376,441
Construction	1,828,400	1,853,922	1,828,400	1,853,922
Wholesale and retail trade	3,104,180	2,820,117	3,104,180	2,820,117
Services	2,314,546	2,243,533	2,314,546	2,243,533
Public sector	590,154	692,172	590,154	692,172
Total**	***26,292,675***	***24,299,988***	***26,292,675***	***24,299,988***

* Retail customers include individuals and SMEs with turnover below EUR 1,000,000 and the maximum exposure of EUR 200,000.

** Out of total credit risk exposure, at group level and also at bank level, the amount of RON 7,104,203 thousand represents off balance exposure (2014: RON 7,223,090 thousand).

In the table below is presented the split of loans and advances to customers by credit quality:

In RON thousand	Note	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Impaired loans					
Retail customers, of which*:					
Rating 1 (minimal risk)		56,025	607	56,025	607
Rating 2 (excellent credit standing)		94,166	14,950	94,166	14,950
Rating 3 (very good credit standing)		44,465	71,155	44,465	71,155
Rating 4 (good credit standing)		21,295	110,499	21,295	110,499
Rating 5 (average credit standing)		20,261	16,878	20,261	16,878
Rating 6 (mediocre credit standing)		35,057	15,870	35,057	15,870
Rating 7 (weak credit standing)		26,762	25,728	26,762	25,728
Rating 8 (very weak credit standing)		16,075	27,870	16,075	27,870
Rating 9 (doubtful and/or partial write off)		64,755	72,394	64,755	72,394
Rating 10 (default)		665,388	592,643	665,388	592,643
Un-rated**		28,637	16,476	28,637	16,476
Gross amount		**1,072,886**	**965,070**	**1,072,886**	**965,070**
Specific allowance for impairment	20	(527,055)	(500,561)	(527,055)	(500,561)
Carrying amount		**545,831**	**464,509**	**545,831**	**464,509**
Non-retail customers, of which:					
Rating 9 (very weak credit standard - doubtful)		21,904	12,925	21,904	12,925
Rating 10 (default)		480,500	544,706	480,500	544,706
Project finance***		61,446	38,376	61,446	38,376
Gross amount		**563,850**	**596,007**	**563,850**	**596,007**
Specific allowance for impairment	20	(350,444)	(341,040)	(350,444)	(341,040)
Carrying amount		**213,406**	**254,967**	**213,406**	**254,967**
Past due but not impaired					
Retail customers, of which:					
Rating 1 (minimal risk)		4,233	745	4,233	745
Rating 2 (excellent credit standing)		14,948	5,399	14,948	5,399
Rating 3 (very good credit standing)		51,051	18,945	51,051	18,945
Rating 4 (good credit standing)		94,879	62,829	94,879	62,829
Rating 5 (average credit standing)		243,629	207,147	243,629	207,147
Rating 6 (mediocre credit standing)		252,976	226,316	252,976	226,316
Rating 7 (weak credit standing)		198,800	210,935	198,800	210,935
Rating 8 (very weak credit standing)		93,342	110,856	93,342	110,856
Rating 9 (doubtful and/or partial write off)		229,588	234,622	229,588	234,622
Rating 10 (default)		79,052	69,567	79,052	69,567
Un-rated		10,707	14,708	10,707	14,708
Gross amount		**1,273,205**	**1,162,069**	**1,273,205**	**1,162,069**
Collective allowance for impairment	20	(86,930)	(55,675)	(86,930)	(55,675)
Carrying amount		**1,186,275**	**1,106,394**	**1,186,275**	**1,106,394**
Non-retail customers, of which:					
Rating 5 (sound credit standing)		24,122	12,151	24,122	12,151
Rating 6 (acceptable credit standing)		97,439	52,338	97,439	52,338
Rating 7 (marginal credit standing)		23,658	110,735	23,658	110,735
Rating 8 (weak credit standard – sub- standard)		45,765	5,981	45,765	5,981
Rating 9 (very weak credit standard - doubtful)		3,601	39,456	3,601	39,456
Rating 10 (default)		-	20,673	-	20,673
Project finance		352,481	147,798	352,481	147,798
Un-rated		9,786	-	9,786	-
Gross amount		**556,852**	**389,132**	**556,852**	**389,132**
Collective allowance for impairment	20	(3,033)	(4,955)	(3,033)	(4,955)
Carrying amount		**553,819**	**384,177**	**553,819**	**384,177**

* The definition of impaired loans is not the same with the definition of default. In general differences are due to days past due and restructured loans.

**The category „un-rated" includes private individuals and Micro exposures for which the Group does not have internal rating models developed due to low number of customers. For the entire retail portfolio the provisions are calculated based on the Flow rates model and recovery rates model and consistent with IFRS regulations.

*** The Project finance rating model is a tool defined by the Group for nonretail customers.

In RON thousand	Note	Group 31 December 2015	31 December 2014	Bank 31 December 2015	31 December 2014
Neither past due nor impaired					
Retail customers, of which:					
Rating 1 (minimal risk)		2,571,244	470,114	2,571,244	470,114
Rating 2 (excellent credit standing)		2,291,443	1,735,404	2,291,443	1,735,404
Rating 3 (very good credit standing)		1,828,845	2,638,327	1,828,845	2,638,327
Rating 4 (good credit standing)		1,174,309	1,628,242	1,174,309	1,628,242
Rating 5 (average credit standing)		898,256	734,436	898,256	734,436
Rating 6 (mediocre credit standing)		463,511	373,169	463,511	373,169
Rating 7 (weak credit standing)		220,358	182,878	220,358	182,878
Rating 8 (very weak credit standing)		76,312	71,296	76,312	71,296
Rating 9 (doubtful and/or partial write off)		51,079	53,033	51,079	53,033
Rating 10 (default)		6,695	2,585	6,695	2,585
Un-rated		118,359	114,893	118,359	114,893
Gross amount		***9,700,411***	***8,004,377***	***9,700,411***	***8,004,377***
Collective allowance for impairment	20	(31,702)	(15,972)	(31,702)	(15,972)
Carrying amount		***9,668,709***	***7,988,405***	***9,668,709***	***7,988,405***
Non-retail customers, of which:					
Rating 1 (minimal risk)		11	28,399	11	28,399
Rating 2 (excellent credit standing)		114,705	32,415	114,705	32,415
Rating 3 (very good credit standing)		77,932	210,209	77,932	210,209
Rating 4 (good credit standing)		243,334	195,891	243,334	195,891
Rating 5 (sound credit standing)		1,173,374	679,798	1,173,374	679,798
Rating 6 (acceptable credit standing)		2,198,414	2,315,842	2,198,414	2,315,842
Rating 7 (marginal credit standing)		1,425,461	1,553,398	1,425,461	1,553,398
Rating 8 (weak credit standard – sub-standard)		288,871	237,317	288,871	237,317
Rating 9 (very weak credit standard - doubtful)		14,128	54,188	14,128	54,188
Rating 10 (default)		-	12,566	-	12,566
Project finance		481,592	639,997	481,592	639,997
Un-rated		3,446	223	3,446	223
Gross amount		***6,021,268***	***5,960,243***	***6,021,268***	***5,960,243***
Collective allowance for impairment	20	(35,722)	(48,620)	(35,722)	(48,620)
Carrying amount		***5,985,546***	***5,911,623***	***5,985,546***	***5,911,623***
Total carrying amount		***18,153,586***	***16,110,075***	***18,153,586***	***16,110,075***

At Group level, loans and advances to banks in amount of RON 1,138,893 thousand (31 December 2014: RON 904,144 thousand), trading assets in amount of RON 527,133 thousand (31 December 2014: RON 83,636 thousand), derivative assets held for risk management in amount of RON 1,956 thousand (31 December 2014: RON 3,417 thousand), as well as investment securities in amount of RON 4,115,797 thousand (31 December 2014: RON 3,219,254 thousand), are all classified as current.

At bank level, loans and advances to banks in amount of RON 1,138,893 thousand (31 December 2014: RON 904,128 thousand), trading assets in amount of RON 527,218 thousand (31 December 2014: RON 83,636 thousand), derivative assets held for risk management in amount of RON 1,956 thousand (31 December 2014: RON 3,414 thousand), as well as investment securities in amount of RON 4,094,689 thousand (31 December 2014: RON 3,199,110 thousand), are all classified as current.

Loans and advances to banks as of 31 December, 2015 mainly represent money market placements and balances in correspondent accounts. Most important counterparts in terms of exposure are Germany (22%), Belgium (22%) and France (17%). Nostro accounts are always available to the Group, are not restricted, not overdue or impaired. Bank counterparties are financial institutions presenting strong financial solidity.

For corporate entities, small and medium entities, financial institutions, local and central public authorities customers, the Group uses rating scales associated with the financial performance, both for the individually and for the collectively impaired loans and advances. In accordance with the Group's policies and procedures, a rating can be associated for each category of risk, from the lowest risk considered (Rating 1) to defaulted loans category (Rating 10). In the case of private individuals and Micro exposures, the credit risk is assessed based on advanced internal model rating approach and is compliant with Basel regulatory requests. The Bank assigns ratings to customers at facility level for private individuals and at customer level for Micro. After the calibration process a probability of default is assigned to rating classes associated.

An analysis of collaterals (presented as the minimum between the exposure and the net realizable value of collateral) related to the loans granted to clients is presented as follows:

In RON thousand	***31 December 2015***	***31 December 2014***	***31 December 2015***	***31 December 2014***
Value of collaterals held against impaired loans and advances				
Property	*558,853*	*512,106*	*558,853*	*512,106*
Others	*4,668*	*11,587*	*4,668*	*11,587*
Equipment and vehicles	*4,868*	*4,913*	*4,868*	*4,913*
Cash collateral deposit	*1,269*	*2,212*	*1,269*	*2,212*
Construction materials and other similar goods	*199*	*1,646*	*199*	*1,646*
Pledge on receivables	*4,908*	*1,264*	*4,908*	*1,264*
State Guarantee	*71*	*159*	*71*	*159*
Total	***574,836***	***533,887***	***574,836***	***533,887***
Value of collaterals held against unimpaired loans and advances				
Property	*5,488,330*	*4,544,183*	*5,488,330*	*4,544,183*
State Guarantee	*1,112,440*	*945,311*	*1,112,440*	*945,311*
Equipment and vehicles	*259,174*	*309,483*	*259,174*	*309,483*
Pledge on receivables	*221,995*	*248,706*	*221,995*	*248,706*
Other	*354,873*	*241,614*	*354,873*	*241,614*
Cash collateral deposit	*106,769*	*95,097*	*106,769*	*95,097*
Letters of Guarantee	*43,749*	*88,174*	*43,749*	*88,174*
Construction materials and other similar goods	*48,387*	*63,977*	*48,387*	*63,977*
Shares	*42,894*	*40,692*	*42,894*	*40,692*
Corporate guarantee	*2,719*	*2,803*	*2,719*	*2,803*
Total	***7,681,330***	***6,580,040***	***7,681,330***	***6,580,040***

The Group holds collateral against loans and advances to customers in the form of pledge over cash deposits, mortgage interests over property, guarantees and other pledge over equipments and/or receivable.

The value of the mortgage collaterals executed by the Group as a result of the enforcement was RON 77,474 thousand (2014: RON 77,928 thousand).

Both the Group and the Bank hold additional collaterals for some of its credit exposure.

The table below shows the amount of over collateralized exposures and the value of guarantees related to Group:

	Group					
	31 December 2015			31 December 2014		
In RON thousand	Gross exposure	Value of collaterals	Net	Gross exposure	Value of collaterals	Net
Retail customers, of which:	1,387,151	2,411,772	1,024,621	1,262,040	2,225,997	963,957
Personal loan	4,859	9,070	4,211	5,981	9,616	3,635
Mortgage	593,759	834,066	240,307	566,187	755,684	189,497
Home equity	525,766	970,158	444,392	447,667	929,928	482,261
Overdraft	88,357	198,214	109,857	88,170	190,617	102,447
Investment financing	173,888	399,713	225,825	153,122	339,089	185,967
Other	522	551	29	913	1,063	150
Non-retail customers, of which:	1,608,451	2,671,299	1,062,848	1,511,418	2,273,814	762,396
Agriculture	106,401	228,780	122,379	118,573	202,942	84,369
Electricity, oil & gas	79,267	154,438	75,171	19,564	36,184	16,620
Manufacturing	347,678	592,740	245,062	295,941	479,556	183,615
Construction	317,170	539,872	222,702	326,257	444,016	117,759
Wholesale and retail trade	329,091	570,901	241,810	360,535	562,157	201,622
Services	397,526	535,560	138,034	344,054	486,202	142,148
Public sector	31,318	49,008	17,690	46,494	62,757	16,263
TOTAL	**2,995,602**	**5,083,071**	**2,087,469**	**2,773,458**	**4,499,811**	**1,726,353**

The table below shows the amount over collateralized exposures and the value of guarantees related to Bank:

	Bank					
	31 December 2015			31 December 2014		
In RON thousand	Gross exposure	Value of collaterals	Net	Gross exposure	Value of collaterals	Net
Retail customers, of which:	1,387,151	2,411,772	1,024,621	1,262,040	2,225,997	963,957
Personal loan	4,859	9,070	4,211	5,981	9,616	3,635
Mortgage	593,759	834,066	240,307	566,187	755,684	189,497
Home equity	525,766	970,158	444,392	447,667	929,928	482,261
Overdraft	88,357	198,214	109,857	88,170	190,617	102,447
Investment financing	173,888	399,713	225,825	153,122	339,089	185,967
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Construction	317,170	539,872	222,702	326,257	444,016	117,759
Wholesale and retail trade	329,091	570,901	241,810	360,535	562,157	201,622
Services	397,526	535,560	138,034	344,054	486,202	142,148
Public sector	31,318	49,008	17,690	46,494	62,757	16,263
TOTAL	**2,995,602**	**5,083,071**	**2,087,469**	**2,773,458**	**4,499,811**	**1,726,353**

Credit exposure under collateralized at Group level is showed in the table below:

	Group					
	31 December 2015			31 December 2014		
In RON thousand	Gross exposure	Value of collaterals	Net	Gross exposure	Value of collaterals	Net
Retail customers, of which:	10,659,351	3,451,027	(7,208,324)	8,869,476	2,752,799	(6,116,677)
Personal loan	3,947,634	91	(3,947,543)	3,299,873	85	(3,299,788)
Mortgage	3,296,455	2,399,856	(896,599)	2,585,800	1,921,784	(664,016)
Home equity	1,695,219	833,928	(861,291)	1,213,126	606,453	(606,673)
Credit Card	672,161	-	(672,161)	689,348	-	(689,348)
Overdraft	736,209	84,465	(651,744)	790,126	87,686	(702,440)
Investment financing	309,478	131,885	(177,593)	286,431	135,673	(150,758)
Other	2,195	802	(1,393)	4,772	1,118	(3,654)
Non-retail customers, of which:	5,533,519	1,885,005	(3,648,514)	5,433,964	1,657,142	(3,776,822)
Agriculture	359,736	139,621	(220,115)	396,108	118,597	(277,511)
Electricity, oil & gas	343,487	31,630	(311,857)	466,789	24,117	(442,672)
Manufacturing	1,105,295	422,744	(682,551)	1,123,182	474,876	(648,306)
Construction	693,618	403,716	(289,902)	627,741	273,661	(354,080)
Wholesale and retail trade	1,423,380	567,110	(856,270)	1,206,616	483,836	(722,780)
Services	1,131,326	267,518	(863,808)	1,056,046	221,423	(834,623)
Public sector	476,677	52,666	(424,011)	557,482	60,632	(496,850)
TOTAL	**16,192,870**	**5,336,032**	**(10,856,838)**	**14,303,440**	**4,409,941**	**(9,893,499)**

Credit exposure under collateralized at Bank level is showed in the table below:

	Bank					
	31 December 2015			31 December 2014		
In RON thousand	Gross exposure	Value of collaterals	Net	Gross exposure	Value of collaterals	Net
Retail customers, of which:	10,659,351	3,451,027	(7,208,324)	8,869,476	2,752,799	(6,116,677)
Personal loan	3,947,634	91	(3,947,543)	3,299,873	85	(3,299,788)
Mortgage	3,296,455	2,399,856	(896,599)	2,585,800	1,921,784	(664,016)
Home equity	1,695,219	833,928	(861,291)	1,213,126	606,453	(606,673)
Credit Card	672,161	-	(672,161)	689,348	-	(689,348)
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TOTAL	**16,192,870**	**5,336,032**	**(10,856,838)**	**14,303,440**	**4,409,941**	**(9,893,499)**

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Past due but not impaired loans
Loans and securities, where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate due to the fact that there are no objective evidence for impairment or there are objective evidence of impairment but there is no identified loss at the level of these customers.

Group

Loans and advances to customers past due but not impaired as of December 31, 2015 were as follows:

In RON thousands	*< 30 days*	*31 -60 days*	*61 - 90 days*	*91 - 180 days*	*181 days - 1 year*	*>1 year**	*Total*
Non Retail Customers	546,483	3,329	113	5,166	610	1,151	556,852
Retail customers	976,968	154,298	68,421	72,165	1,353	-	1,273,205
TOTAL	**1,523,451**	**157,627**	**68,534**	**77,331**	**1,963**	**1,151**	**1,830,057**

*Over collateralised exposures which are individually analysed

Loans and advances to customers past due but not impaired as of December 31, 2014 were as follows:

In RON thousands	*< 30 days*	*31 -60 days*	*61 - 90 days*	*91 - 180 days*	*181 days - 1 year*	*>1 year**	*Total*
Non Retail Customers	352,824	16,561	3,790	1,610	594	13,753	389,132
Retail customers	917,481	122,877	53,549	67,444	718	-	1,162,069
TOTAL	**1,270,305**	**139,438**	**57,339**	**69,054**	**1,312**	**13,753**	**1,551,201**

*Over collateralised exposures which are individually analised

Bank

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TOTAL	**1,270,305**	**139,438**	**57,339**	**69,054**	**1,312**	**13,753**	**1,551,201**

*Over collateralised exposures which are individually analysed

Allowances for impairment

The Group sets-up an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

Starting with 30 June, 2014, the Bank started to write off the value of non-performing loans fully covered with allowances for impairment. At the same time these loans were recorded in off balance sheet and the Bank is still monitoring for further recoverability. There are certain preconditions for loans write off from the balance sheet when the contractual rights still exist but from economic reasons there is a low probability of collection. For corporate and small exposures, at least one of the following preconditions must be met before the write off of a financial asset in the balance sheet, for which the contractual rights can still be exercised:

a) the guarantee recovery process has ended or this process does not make economic sense;
b) the debtor bankruptcy legal proceedings were concluded, respectively there is no probability of future cash flow from the debtor.

For retail exposures (private individuals and micro), the following three conditions must be cumulatively fulfilled in order to write off a financial asset from the balance sheet, for which the contractual rights of the cash flows are not expired:

a) the last payment / collection is older than 360 days (payments under 10 euro are not taken into account);
b) all guarantees decreased the corresponding receivable and there are no real estate mortgages and / or movable (e.g. cars, equipment) in Group's favour that can be executed in any form required by law;
c) recovery process by realization of real estate collateral is already completed.

An analysis of gross and carrying amount (taking into account the loan loss allowances) of individually impaired loans and advances on ratings is shown below:

31 December 2015	***Group***		***Bank***	
In RON thousand	***Gross amount***	***Carrying amount***	***Gross amount***	***Carrying amount***
Individually impaired loans and advances to customers				
Retail customers, of which				
Rating 1 (minimal risk)	56,025	48,631	56,025	48,631
Rating 2 (excellent credit standing)	94,166	82,789	94,166	82,789
Rating 3 (very good credit standing)	44,465	34,534	44,465	34,534
Rating 4 (good credit standing)	21,295	17,560	21,295	17,560
Rating 5 (average credit standing)	20,261	16,516	20,261	16,516
Rating 6 (mediocre credit standing)	35,057	28,543	35,057	28,543
Rating 7 (weak credit standing)	26,762	21,204	26,762	21,204
Rating 8 (weak credit standard – sub-standard)	16,075	12,004	16,075	12,004
Rating 9 (very weak credit standard - doubtful)	64,755	44,704	64,755	44,704
Rating 10 (default)	665,388	226,131	665,388	226,131
Un-rated	28,637	13,215	28,637	13,215
Total Retail customers	***1,072,886***	***545,831***	***1,072,886***	***545,831***
Non-retail customers, of which:				
Rating 9 (very weak credit standard - doubtful)	21,904	8,069	21,904	8,069
Rating 10 (default)	480,500	193,730	480,500	193,730
Project Finance	61,446	11,607	61,446	11,607
Total Non-retail customers	***563,850***	***213,406***	***563,850***	***213,406***
Total	***1,636,736***	***759,237***	***1,636,736***	***759,237***

31 December 2014	***Group***		***Bank***	
In RON thousand	***Gross amount***	***Carrying amount***	***Gross amount***	***Carrying amount***
Individually impaired loans and advances to customers				
Retail customers, of which:				
Rating 1 (minimal risk)	*607*	*535*	*607*	*535*
Rating 2 (excellent credit standing)	*14,950*	*13,835*	*14,950*	*13,835*
Rating 3 (very good credit standing)	*71,155*	*60,996*	*71,155*	*60,996*
Rating 4 (good credit standing)	*110,499*	*93,043*	*110,499*	*93,043*
Rating 5 (average credit standing	*16,878*	*13,570*	*16,878*	*13,570*
Rating 6 (mediocre credit standing)	*15,870*	*13,403*	*15,870*	*13,403*
Rating 7 (weak credit standing)	*25,728*	*22,280*	*25,728*	*22,280*
Rating 8 (weak credit standard – Sub-standard)	*27,870*	*23,193*	*27,870*	*23,193*
Rating 9 (very weak credit standard doubtful)	*72,394*	*56,644*	*72,394*	*56,644*
Rating 10 (default)	*592,643*	*157,749*	*592,643*	*157,749*
Un-rated	*16,476*	*9,261*	*16,476*	*9,261*
Total Retail customers	***965,070***	***464,509***	***965,070***	***464,509***
Non-retail customers, of which:				
Rating 9 (very weak credit standard – doubtful)	*12,925*	*11,139*	*12,925*	*11,139*
Rating 10 (default)	*544,706*	*237,588*	*544,706*	*237,588*
Project Finance	*38,376*	*6,240*	*38,376*	*6,240*
Total Non-retail customers	***596,007***	***254,967***	***596,007***	***254,967***
Total	***1,561,077***	***719,476***	***1,561,077***	***719,476***

Non-performing not defaulted exposure (NPE not defaulted)

Regulation for forborne and non-performing exposures

The regulation for forbearance pursuant to EBA/ITS/2013/03/rev1 from 24th of July 2014 and updated in 10th of March 2015 was implemented at Group level.

For reporting purposes, according to EBA ITS, non-performing exposures are considered those that satisfy at least one of the following conditions:

a) The exposure was classified as default;
b) The exposure was impaired according to IAS 39 "Financial Instruments: Recognition and Measurement";
c) Performing restructured exposure that was reclassified from non-performing exposure and for which the restructuring measures have been extended during the monitoring time frame;
d) Performing restructured exposure that was reclassified from non-performing exposure and for which number of days past due reached more that 30 days during the monitoring time frame.

Non-retail

For non-retail clients, when terms or loan conditions are modified in favour of the customer, the Group differentiates between normal renegotiation and forborne loans according to the definition of the EBA document "Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)". Non-performing exposure according to EBA definition includes exposure without any reason for default according to Article 178 CRR.

Loans are defined as forborne loans if the debtor is assessed to be in financial difficulties and the modification is assessed as concession. For non-retail customers, financial difficulties are measured by means of an internal early warning system that is based on numerous representative and accepted input factors for customers risk classification (e.g. due days, rating downgrade etc.).

IAS 39 "Financial Instruments: Recognition and Measurement" requires that impairment must be derived from an incurred loss event; default according to Article 178 CRR is still the main indicators for individual and portfolio-based loan loss provisions.

Retail

For retail customers, the restructured loans are the subject of probation period for at least three months, extended to one year if the customer not passed the observation period. During this probation period the customer is reported as individually impaired if the loss after restructuring is higher than 2.5%. The restructuring loss is calculated as the difference between future cash flows following the restructuring discounted at the effective interest rate before restructure and loan exposure (principal, interest and fees).

In the case of a non-performing exposure to Micro SME, the non-performing status is in principle considered to apply at debtor level.

In the case of a non-performing exposure to a PI, all other debtor's exposures of the same product group shall be considered non-performing (i.e. at product level).

Due to pulling effect, when a PI debtor has on-balance sheet exposures past due more than 90 days, the gross carrying amount of which represents 20% of the gross carrying amount of all its on-balance sheet exposures, all on- and off-balance sheet exposures of this debtor shall be considered as non-performing and so the non default facilities might be reclassified as non performing due to contamination at product and debtor level.

c) Liquidity risk

Liquidity risk is generated in the normal course of banking activity being a consequence of the bank's response to client needs. While depositors need short term access to their funds, borrowers need the possibility to repay the loans in medium to long term timeframes, therefore by responding to these needs the Bank accepts a degree of liquidity risk that has to be actively managed.

The Management Board defines the liquidity risk strategy based on recommendations made by the units responsible for liquidity and funding management in cooperation with the area responsible for monitoring and controlling of liquidity risk. Management Board approves each year the limits which are applied to measure and control liquidity risk as well as the bank's funding plan.

The risk tolerance of the Bank represents the foundation of the liquidity risk management framework and is defined:

- for normal business conditions, using a set of limits for the long term liquidity risk profile. The role of the limits is to prevent the accumulation of liquidity risk from current activity of the Bank;
- for stress conditions, tolerance is the Bank's capacity to operate for an acceptable time without significant changes to the strategy or business model.

Treasury and Capital Markets Division function is responsible for the management of liquidity and funding risk of the Bank and Risk Management Division has responsibilities for liquidity risk monitoring and controlling, as defined in the liquidity and funding strategies.

For liquidity management, the Bank analyses, monitors and forecasts the liquidity behaviour of products and business segments and maintain long-term liquidity, including stable deposits, in excess of illiquid assets, at an optimal cost, as defined in the risk appetite.

Diversification of funding profile in terms of investor types, products and instruments is an important element of the liquidity management framework. The core funding resources come from retail clients while other customer's deposits, interbank deposits and borrowings are additional sources of funding. This improves the Bank's flexibility in funding and diminishes the liquidity cost.

The transfer pricing mechanism represents an important instrument for the management of liquidity risks. It covers the balance sheet and off balance sheet elements and is designed to allocate all costs and benefits to the business segments in a way that incentivizes the efficient use of liquidity.

The main tools used for liquidity and funding risk management are:

- the liquidity gap report: used to identify and measure the maturity mismatch between assets and liabilities;
- liquidity scorecard: tool for assessing the robustness of the balance sheet structure (loans to deposits ratio, funding concentration, size of liquid assets in relation to total obligations, etc);
- regulatory liquidity gap: the Bank has to comply with a regulatory liquidity indicator which sets minimum liquidity risk standards at banking system level;
- funding scorecard: the Bank ensures that funding risk is mitigated through the monitoring of several triggers, among which: the concentration in sources of wholesale funding, maturity concentration, the dependence on short term funding and the percentage of unencumbered assets.

At Bank level, there are pre-established trigger levels set for the main tools which are monitored and, in case a breach is observed or anticipated, a specific action plan is taken based on senior management decision.

For stress conditions, the Bank maintains a sufficient liquidity buffer that can be used to compensate the limited access to funding sources and liquidity outflows during stress periods. The Bank determines the necessary liquidity buffer based on stress test analysis. In addition the Bank defines a contingency plan which establishes responsibilities and specific actions that can be taken to strengthen liquidity position on short term and reduce liquidity risk on medium to long term.

The main tools used for stress conditions are:

- Early warning system: used to monitoring financial markets and internal liquidity indicators in order to anticipate accumulation of risks and potential stress conditions;
- Internal stress test: scenario based analysis used to evaluate Bank's ability to operate in stress conditions;
- Regulatory liquidity coverage ratio: scenario based analysis standardized at banking system level, used to evaluate Bank's ability to operate in stress conditions, as described in CRR/ CRD IV package. According to the standard, banks are required to hold an adequate stock of unencumbered high quality assets (HQLA) to cover potential liquidity outflows in stress conditions.

Group

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2015 as follows:

In RON thousand	***Up to 3 Months***	***3 Months to 1 Year***	***1 Year to 5 Years***	***Over 5 Years***	***Without maturitaty****	***Total***
Financial Assets						
Cash and cash with Central Bank	6,981,390	-	-	-	-	6,981,390
Trading assets	14,294	167,447	242,069	103,323	-	527,133
Derivative assets held for risk management	542	-	1,414	-	-	1,956
Loans and advances to banks	1,138,893	-	-	-	-	1,138,893
Loans and advances to customers	3,281,683	3,561,500	6,035,261	5,275,142	-	18,153,586
Investment securities	1,237,566	1,250,768	1,306,838	248,889	71,736	4,115,797
Total financial assets	***12,654,368***	***4,979,715***	***7,585,582***	***5,627,354***	***71,736***	***30,918,755***
Financial Liabilities						
Trading liabilities	13,886	5,647	17,134	1,235	-	37,902
Derivative liabilities held for risk management	839	527	3,966	-	-	5,332
Deposits from banks	600,751	-	26,331	-	-	627,082
Deposits from customers	20,206,141	3,323,278	194,773	15,400	-	23,739,592
Loans from banks and other financial institutions	45,484	578,584	974,979	25,428	-	1,624,475
Debt securities issued	-	243,452	496,242	-	-	739,694
Subordinated liabilities	5,745	-	854,203	90,488	-	950,436
	20,872,846	4,151,488	2,567,628	132,551	-	27,724,513
Total financial liabilities						
Maturity surplus/ (shortfall)	***(8,218,478)***	***828,227***	***5,017,954***	***5,494,803***	***71,736***	***3,194,242***

* Without maturity includes equity instruments

The financial assets and liabilities analyzed over the remaining period from 31 December 2014 to contractual maturity are as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturitaty	Total
Financial Assets						
Cash and cash with Central Bank	7,853,134	-	-	-	-	7,853,134
Trading assets	42,245	14,735	23,117	3,539	-	83,636
Derivative assets held for risk management	2,015	1,402	-	-	-	3,417
Loans and advances to banks	904,144	-	-	-	-	904,144
Loans and advances to customers	3,260,721	3,031,742	5,341,210	4,476,402	-	16,110,075
Investment securities	162,665	1,666,728	1,162,162	221,096	6,603	3,219,254
Total financial assets	**12,224,924**	**4,714,607**	**6,526,489**	**4,701,037**	**6,603**	**28,173,660**
Financial Liabilities						
Trading liabilities	31,228	9,966	12,074	787	-	54,055
Derivative liabilities held for risk management	1,523	1,144	4,380	-	-	7,047
Deposits from banks	490,708	934	41,379	-	-	533,021
Deposits from customers	17,647,282	3,093,652	315,612	11,312	-	21,067,858
Loans from banks and other financial institutions	135,126	466,324	857,620	17,803	-	1,476,873
Debt securities issued	-	21,966	718,321	-	-	740,287
Subordinated liabilities	5,185	-	224,073	694,397	-	923,655
Total financial liabilities	**18,311,052**	**3,593,986**	**2,173,459**	**724,299**	**-**	**24,802,796**
Maturity surplus/ (shortfall)	**(6,086,128)**	**1,120,621**	**4,353,030**	**3,976,738**	**6,603**	**3,370,864**

Bank

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2015 as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturitaty	Total
Financial Assets						
Cash and cash with Central Bank	6,981,376	-	-	-	-	6,981,376
Trading assets	14,379	167,447	242,069	103,323	-	527,218
Derivative assets held for risk management	542	-	1,414	-	-	1,956
Loans and advances to banks	1,138,893	-	-	-	-	1,138,893
Loans and advances to customers	3,281,683	3,561,500	6,035,261	5,275,142	-	18,153,586
Investment securities	1,237,323	1,250,241	1,286,505	248,889	71,731	4,094,689
Total financial assets	**12,654,196**	**4,979,188**	**7,565,249**	**5,627,354**	**71,731**	**30,897,718**
Financial Liabilities						
Trading liabilities	13,886	5,647	17,134	1,235	-	37,902
Derivative liabilities held for risk management	839	471	3,966	-	-	5,276
Deposits from banks	600,751	-	26,331	-	-	627,082
Deposits from customers	20,209,745	3,323,278	194,773	15,400	-	23,743,196
Loans from banks and other financial institutions	45,484	578,584	974,979	25,428	-	1,624,475
Debt securities issued	-	246,323	499,962	-	-	746,285
Subordinated liabilities	5,745	-	854,203	90,488	-	950,436
Total financial liabilities	**20,876,450**	**4,154,303**	**2,571,348**	**132,551**	**-**	**27,734,652**
Maturity surplus/ (shortfall)	**(8,222,254)**	**824,885**	**4,993,901**	**5,494,803**	**71,731**	**3,163,066**

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2014 as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturitaty	Total
Financial Assets						
Cash and cash with Central Bank	7,853,128	-	-	-	-	7,853,128
Trading assets	42,245	14,735	23,117	3,539	-	83,636
Derivative assets held for risk management	1,817	1,550	47	-	-	3,414
Loans and advances to banks	904,128	-	-	-	-	904,128
Loans and advances to customers	3,260,721	3,031,742	5,341,210	4,476,402	-	16,110,075
Investment securities	161,066	1,666,728	1,143,623	221,096	6,597	3,199,110
Total financial assets	**12,223,105**	**4,714,755**	**6,507,997**	**4,701,037**	**6,597**	**28,153,491**
Financial Liabilities						
Trading liabilities	31,487	9,966	12,074	787	-	54,314
Derivative liabilities held for risk management	1,523	1,143	4,380	-	-	7,046
Deposits from banks	490,709	934	41,379	-	-	533,022
Deposits from customers	17,653,296	3,093,652	315,612	11,312	-	21,073,872
Loans from banks and other financial institutions	135,126	466,324	857,620	17,803	-	1,476,873
Debt securities issued	-	21,966	724,924	-	-	746,890
Subordinated liabilities	5,185	-	224,073	694,397	-	923,655
Total financial liabilities	**18,317,326**	**3,593,985**	**2,180,062**	**724,299**	**-**	**24,815,672**
Maturity surplus/ (shortfall)	**(6,094,221)**	**1,120,770**	**4,327,935**	**3,976,738**	**6,597**	**3,337,819**

Usually, the most significant liquidity gap is registered in the first interval (up to 3 months) mainly due to non-banking customers, which prefer short term maturities for deposits and long term maturities for loans. This behaviour that determines a negative gap in the first interval generates a positive gap on the other intervals (higher than 3 months). In practice the negative gap in the first bucket does not represent outflows as most customer deposits are rolled over or replaced by new deposits. Also the securities portfolio can be turned to cash (repo or sale) in a short time representing thus a buffer that diminishes the liquidity risk in the first bucket.

The negative liquidity gap on the first bucket has increased in 2015 by RON 2,128,033 thousands versus 2014, being generated by the increase in deposits from customers. As regards to the other buckets we see an improvement in the 1 – 5 years bucket due to: higher loans and advances to customer and increased investment securities in this time bucket. The over 5 years liquidity surplus is higher in 2015 compared to 2014 by RON 1,518,065 thousands due to higher loans and advances to customers in this time bucket and also due to the fact that subordinated loans moved on 1-5 years bucket from over 5 years bucket.

The amounts disclosed in the below table represent contractual maturity analysis for financial liabilities disclosed in accordance with IFRS 7 whereby the undiscounted cash flows to be shown in these predefined maturity-bands differ from the amounts included in the balance sheet because the balance sheet amount is based on discounted cash flows.

Group

Financial liabilities analyzed over the remaining period from the reporting date by using undiscounted cash flows as of 31 December 2015 are as follows:

In RON thousand	***Up to 3 Months***	***3 Months to 1 Year***	***1 Year to to 5 Year***	***Over 5 Years***	***Total***
Financial Liabilities					
Net settled trading liabilities	*1,534*	*4,006*	*8,609*	*-*	*14,149*
Gross settled trading liabilities	*1,858,673*	*1,025,785*	*116,833*	*-*	*3,001,291*
Net settled derivative liabilities held for risk management	*565*	*438*	*1,088*	*-*	*2,091*
Gross settled derivative liabilities held for risk management	*23,682*	*3,076*	*145,761*	*-*	*172,519*
Deposits from banks	*600,958*	*429*	*28,664*	*-*	*630,051*
Deposits from customers	*20,210,810*	*3,338,322*	*200,033*	*15,691*	*23,764,856*
Loans from banks	*47,462*	*585,847*	*980,695*	*25,304*	*1,639,308*
Debt securities issued	*-*	*260,676*	*577,298*	*-*	*837,974*
Subordinated liabilities	*11,785*	*34,688*	*1,010,947*	*95,373*	*1,152,793*
Irrevocable credit lines	*403,105*	*574,737*	*930,810*	*405,671*	*2,314,323*
Contingent liabilities	*18,336*	*16,949*	*3,530*	*3,608*	*42,423*
Total financial liabilities	***23,176,910***	***5,844,953***	***4,004,268***	***545,647***	***33,571,778***

Financial liabilities analyzed over the remaining period from the balance sheet date by using undiscounted cash flows as of 31 December 2014 are as follows:

In RON thousand	***Up to 3 Months***	***3 Months to 1 Year***	***1 Year to to 5 Year***	***Over 5 Years***	***Total***
Financial Liabilities					
Net settled trading liabilities	*2,284*	*3,994*	*8,419*	*-*	*14,697*
Gross settled trading liabilities	*2,259,714*	*1,258,197*	*42,161*	*-*	*3,560,072*
Net settled derivative liabilities held for risk management	*74,002*	*155,903*	*48,129*	*-*	*278,034*
Deposits from banks	*490,786*	*1,583*	*2,212*	*38,567*	*533,148*
Deposits from customers	*17,657,181*	*3,122,526*	*326,630*	*11,817*	*21,118,154*
Loans from banks	*138,871*	*481,379*	*867,867*	*17,814*	*1,505,931*
Debt securities issued	*-*	*39,708*	*839,538*	*-*	*879,246*
Subordinated liabilities	*11,599*	*35,569*	*398,257*	*733,002*	*1,178,427*
Irrevocable credit lines	*472,377*	*710,762*	*1,128,268*	*146,794*	*2,458,201*
Contingent liabilities	*35,779*	*34,551*	*34,503*	*991*	*105,824*
Total financial liabilities	***21,142,593***	***5,844,172***	***3,695,984***	***948,985***	***31,631,734***

Bank

Financial liabilities analyzed over the remaining period from the reporting date by using undiscounted cash flows as of 31 December 2015 are as follows:

In RON thousand	***Up to 3 Months***	***3 Months to 1 Year***	***1 Year to to 5 Year***	***Over 5 Years***	***Total***
Financial Liabilities					
Net settled trading liabilities	*1,533*	*4,006*	*8,712*	*(103)*	*14,148*
Gross settled trading liabilities	*1,858,673*	*1,034,256*	*116,833*	*-*	*3,009,762*
Net settled derivative liabilities held for risk management	*564*	*438*	*1,088*	*-*	*2,090*
Gross settled derivative liabilities held for risk management	*23,682*	*3,076*	*145,761*	*-*	*172,519*
Deposits from banks	*600,959*	*429*	*28,664*	*-*	*630,052*
Deposits from customers	*20,214,414*	*3,338,322*	*200,033*	*15,691*	*23,768,460*
Loans from banks	*47,462*	*585,847*	*980,695*	*25,305*	*1,639,309*
Debt securities issued	*-*	*264,396*	*580,176*	*-*	*844,572*
Subordinated liabilities	*11,785*	*34,688*	*1,010,947*	*95,373*	*1,152,793*
Irrevocable credit lines	*403,105*	*574,737*	*930,810*	*405,671*	*2,314,323*
Contingent liabilities	*18,336*	*16,949*	*3,530*	*3,608*	*42,423*
Total financial liabilities	***23,180,513***	***5,857,144***	***4,007,249***	***545,545***	***33,590,451***

Financial liabilities analyzed over the remaining period from the reporting date by using undiscounted cash flows as of 31 December 2014 are as follows:

In RON thousand	***Up to 3 Months***	***3 Months to 1 Year***	***1 Year to to 5 Year***	***Over 5 Years***	***Total***
Financial Liabilities					
Net settled trading liabilities	*2,284*	*3,994*	*8,419*	*-*	*14,697*
Gross settled trading liabilities	*2,266,324*	*1,273,180*	*42,161*	*-*	*3,581,665*
Gross settled derivative liabilities held for risk management	*74,002*	*155,903*	*48,129*	*-*	*278,034*
Deposits from banks	*490,786*	*1,583*	*2,212*	*38,567*	*533,148*
Deposits from customers	*17,663,195*	*3,122,526*	*326,630*	*11,817*	*21,124,168*
Loans from banks	*138,871*	*481,379*	*867,867*	*17,814*	*1,505,931*
Debt securities issued	*-*	*39,708*	*846,142*	*-*	*885,850*
Subordinated liabilities	*11,599*	*35,569*	*398,257*	*733,002*	*1,178,427*
Irrevocable credit lines	*472,377*	*710,762*	*1,128,268*	*146,794*	*2,458,201*
Contingent liabilities	*35,779*	*34,551*	*34,503*	*991*	*105,824*
Total financial liabilities	***21,155,217***	***5,859,155***	***3,702,588***	***948,985***	***31,665,945***

d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and others will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Group separates its exposure to market risk between trading and non-trading portfolios. The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR).

The VaR of a trading portfolio is the maximum estimated loss that can arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). In 2015, the VaR model used by the Group is based upon a 99 percent confidence level and assumes a 1-day holding period.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations when there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the used model there is a one percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature;

The Group uses VaR limits for total market risk and for individual foreign exchange and interest rate risk. The overall structure of VaR limits is subject to review and approval by the Assets and Liabilities Committee (ALCO). VaR is calculated on a daily basis. Reports including VaR limits utilization are submitted daily to Group management and monthly summaries are submitted to ALCO.

A summary of the VaR position of the Group's trading portfolios at December 31, 2015 and 2014 and during the period is as follows (trading portfolio includes trading assets and trading liabilities as well as the overall FX position of the Group):

In RON thousand	***At 31 December***	***Average Risk***	***Maximum Risk***	***Minimum Risk***
2015				
*Foreign currency risk**	291	489	1,859	49
Interest-rate risk	886	397	1,071	69
Total	***1,177***	***886***	***2,930***	***118***
2014				
*Foreign currency risk**	270	363	846	31
Interest-rate risk	333	554	1,071	237
Total	***603***	***917***	***1,917***	***268***

* Foreign currency risk is calculated based on the overall foreign exchange position of the Group

A summary of the VaR position of the Bank's trading portfolios at December 31, 2015 and 2014 and during the period is as follows (trading portfolio includes trading assets and trading liabilities as well as the overall FX position of the Bank):

In RON thousand	***At 31 December***	***Average Risk***	***Maximum Risk***	***Minimum Risk***
2015				
*Foreign currency risk**	290	489	1,859	49
Interest-rate risk	886	397	1,071	69
Total	***1,176***	***886***	***2,930***	***118***
2014				
*Foreign currency risk**	197	361	846	31
Interest-rate risk	333	554	1,071	237
Total	***530***	***915***	***1,917***	***268***

* Foreign currency risk is calculated based on the overall foreign exchange position of the Bank

Exposure to interest rate risk for non-trading portfolios

The main risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the present value of future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is principally managed by monitoring the interest rate gap and a set of pre-approved limits. ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

The derivative financial instruments used by the Group to reduce the interest rate risk include swaps that fluctuate in value depending on the interest rates variations.

The swaps are over the counter market commitments and are traded between the Group and third parties with the purpose of exchanging future cash flows on agreed amounts. Through interest rate swaps, the Group agrees to exchange with third parties, at determined time intervals the difference between the fixed and variable interest rates.

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2015 is as follows:

In RON thousand	***Less than 3 months***	***3 - 12 months***	***1 - 5 years***	***Over 5 years***	***Without interest***	***Total***
Assets						
Cash and cash with Central Bank	*5,608,019*	-	-	-	*1,373,371*	*6,981,390*
Loans and advances to banks	*1,138,893*	-	-	-	-	*1,138,893*
Loans and advances to customers	*11,027,007*	*4,726,295*	*2,266,231*	*134,053*	-	*18,153,586*
Investment securities	*1,449,147*	*1,295,073*	*1,244,700*	*126,877*	-	*4,115,797*
	19,223,066	***6,021,368***	***3,510,931***	***260,930***	***1,373,371***	***30,389,666***
Liabilities						
Deposits from banks	*602,011*	-	*25,071*	-	-	*627,082*
Deposits from customers	*14,960,819*	*4,088,299*	*4,684,243*	*6,231*	-	*23,739,592*
Loans from banks and other financial institutions	*1,572,149*	*37,244*	*15,082*	-	-	*1,624,475*
Debt securities issued	-	*243,294*	*496,400*	-	-	*739,694*
Subordinated liabilities	*950,436*	-	-	-	-	*950,436*
	18,085,415	***4,368,837***	***5,220,796***	***6,231***	**-**	***27,681,279***
Effect of derivatives held for risk management purposes	*241,918*	*(45,245)*	*(192,943)*	-	-	*3,730*
Net position	***1,379,569***	***1,607,286***	***(1,902,808)***	***254,699***	***1,373,371***	***2,712,117***

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2014 is as follows:

In RON thousand	***Less than 3 months***	***3 - 12 months***	***1 - 5 years***	***Over 5 years***	***Without interest***	***Total***
Assets						
Cash and cash with Central Bank	*6,467,252*	-	-	-	*1,385,882*	*7,853,134*
Loans and advances to banks	*904,144*	-	-	-	-	*904,144*
Loans and advances to customers	*10,207,010*	*3,422,420*	*2,283,486*	*197,159*	-	*16,110,075*
Investment securities	*303,064*	*1,700,177*	*1,125,490*	*90,523*	-	*3,219,254*
	17,881,470	***5,122,597***	***3,408,976***	***287,682***	***1,385,882***	***28,086,607***
Liabilities						
Deposits from banks	*491,748*	*902*	*40,371*	-	-	*533,021*
Deposits from customers	*14,024,196*	*4,280,032*	*2,758,714*	*4,916*	-	*21,067,858*
Loans from banks and other financial institutions	*1,431,118*	*23,344*	*22,411*	-	-	*1,476,873*
Debt securities issued	*21,687*	-	*718,600*	-	-	*740,287*
Subordinated liabilities	*923,655*	-	-	-	-	*923,655*
	16,892,404	***4,304,278***	***3,540,096***	***4,916***	**-**	***24,741,694***
Effect of derivatives held for risk management purposes	*128,131*	*(20,690)*	*(104,051)*	-	-	*3,390*
Net position	***1,117,197***	***797,629***	***(235,171)***	***282,766***	***1,385,882***	***3,348,303***

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2015 is as follows:

In RON thousand	***Less than 3 months***	***3 - 12 months***	***1 - 5 years***	***Over 5 years***	***Without interest***	***Total***
Assets						
Cash and cash with Central Bank	*5,608,005*	*-*	*-*	*-*	*1,373,371*	*6,981,376*
Loans and advances to banks	*1,138,893*	*-*	*-*	*-*	*-*	*1,138,893*
Loans and advances to customers	*11,027,007*	*4,726,295*	*2,266,231*	*134,053*	*-*	*18,153,586*
Investment securities	*1,448,898*	*1,294,666*	*1,224,248*	*126,877*	*-*	*4,094,689*
	19,222,803	***6,020,961***	***3,490,479***	***260,930***	***1,373,371***	***30,368,544***
Liabilities						
Deposits from banks	*602,011*	*-*	*25,071*	*-*	*-*	*627,082*
Deposits from customers	*14,964,423*	*4,088,299*	*4,684,243*	*6,231*	*-*	*23,743,196*
Loans from banks and other inancial institutions	*1,572,149*	*37,244*	*15,082*	*-*	*-*	*1,624,475*
Debt securities issued	*-*	*246,285*	*500,000*	*-*	*-*	*746,285*
Subordinated liabilities	*950,436*	*-*	*-*	*-*	*-*	*950,436*
	18,089,019	***4,371,828***	***5,224,396***	***6,231***	***-***	***27,691,474***
Effect of derivatives held for risk management purposes	*241,918*	*(45,245)*	*(192,943)*	*-*	*-*	*3,730*
Net position	***1,375,702***	***1,603,888***	***(1,926,860)***	***254,699***	***1,373,371***	***2,680,800***

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2014 is as follows:

In RON thousand	***Less than 3 months***	***3 - 12 months***	***1 - 5 years***	***Over 5 years***	***Without interest***	***Total***
Assets						
Cash and cash with Central Bank	*6,467,246*	*-*	*-*	*-*	*1,385,882*	*7,853,128*
Loans and advances to banks	*904,128*	*-*	*-*	*-*	*-*	*904,128*
Loans and advances to customers	*10,207,010*	*3,422,420*	*2,283,486*	*197,159*	*-*	*16,110,075*
Investment securities	*301,295*	*1,699,783*	*1,107,509*	*90,523*	*-*	*3,199,110*
	17,879,679	***5,122,203***	***3,390,995***	***287,682***	***1,385,882***	***28,066,441***
Liabilities						
Deposits from banks	*491,749*	*902*	*40,371*	*-*	*-*	*533,022*
Deposits from customers	*14,030,210*	*4,280,032*	*2,758,714*	*4,916*	*-*	*21,073,872*
Loans from banks and other financial institutions	*1,431,118*	*23,344*	*22,411*	*-*	*-*	*1,476,873*
Debt securities issued	*21,890*	*-*	*725,000*	*-*	*-*	*746,890*
Subordinated liabilities	*923,655*	*-*	*-*	*-*	*-*	*923,655*
	16,898,622	***4,304,278***	***3,546,496***	***4,916***	***-***	***24,754,312***
Effect of derivatives held for risk management purposes	*128,131*	*(20,690)*	*(104,051)*	*-*	*-*	*3,390*
Net position	***1,109,188***	***797,235***	***(259,552)***	***282,766***	***1,385,882***	***3,315,519***

The management of interest rate risk through the set of interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios include a 100 basis point (bp) parallel shift in the yield curve for all currencies and all maturities and a parallel shift of the same yield curves by 50 bp for maturities over 12 months for all currencies.

The sensitivity scenarios calculate the change in the present value of the banking book interest rate sensitive assets and liabilities of the Bank under the assumption that interest rates change according to the each of the scenarios mentioned above. Under each scenario the sensitivity result is calculated by comparing the present value of the banking book under stress scenario with the present value calculated using the base interest rate curve. The present value of the banking book is calculated by discounting future cash flows generated by interest rate sensitive assets and liabilities which are distributed on repricing gaps according to next reset date – in case of floating rate instruments – or according to maturity date – in case of fixed rate instruments.

An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

Group *In RON thousand*	***100 bp Increase***	***100 bp Decrease***	***50 bp After 1 year Increase***	***50 bp After 1 year Decrease***
At 31 December 2015	***56,151***	***(59,606)***	***34,296***	***(35,198)***
Average for the period	*(71)*	*(268)*	*3,816*	*(3,924)*
Minimum for the period	*56,151*	*(59,606)*	*34,296*	*(35,198)*
Maximum for the period	*(30,077)*	*31,582*	*(14,007)*	*14,381*
At 31 December 2014	***(13,330)***	***14,046***	***(2,900)***	***3,054***
Average for the period	*(22,694)*	*24,002*	*(10,476)*	*10,801*
Minimum for the period	*(13,330)*	*14,046*	*(2,900)*	*3,054*
Maximum for the period	*(28,023)*	*30,002*	*(16,904)*	*17,430*

An analysis of the bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

Bank *In RON thousand*	***100 bp Increase***	***100 bp Decrease***	***50 bp After 1 year Increase***	***50 bp After 1 year Decrease***
At 31 December 2015	***56,968***	***(60,459)***	***34,694***	***(35,606)***
Average for the period	*535*	*(902)*	*4,115*	*(4,230)*
Minimum for the period	*56,968*	*(60,459)*	*34,694*	*(35,606)*
Maximum for the period	*(29,271)*	*30,738*	*(13,614)*	*13,979*
At 31 December 2014	***(12,406)***	***13,072***	***(2,434)***	***2,575***
Average for the period	*(21,908)*	*23,173*	*(10,085)*	*10,400*
Minimum for the period	*(12,406)*	*13,072*	*(2,434)*	*2,575*
Maximum for the period	*(27,671)*	*29,631*	*(16,735)*	*17,256*

The Group incurs interest rate risk principally in the form of exposure to adverse changes in the market interest rates. The main sources of interest rate risk are imperfect correlations between the maturity (for fixed interest rates) or re-pricing date (for floating interest rates) of the interest-bearing assets and liabilities, adverse evolution of the slope and shape of the yield curve (the unparallel evolution of the interest rate yields of the interest-earning assets and interest-earning liabilities), imperfect correlations in the adjustments of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics.

Asset-liability risk management activities are conducted in the context of the Group's sensitivity to interest rate changes. In general, the Group is more sensitive to its interest bearing assets,which means that in decreasing interest rates environment, the net interest income will decrease as interest bearing assets will reprice faster than interest bearing liabilities. However, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contractual dates and variations in interest rate sensitivity within re-pricing periods and among currencies.

The Group manages its interest rate risk by changing the structure of its interest bearing assets and liabilities with the purpose of optimizing interest income. To accomplish this goal, the Group uses a mix of fixed and floating interest rate financial instruments, for which it tries to control the mismatch between the dates when interest rates are re-priced or assets and liabilities mature.

The interest rates related to the local currency and the major foreign currencies as at 31 December 2015 and 2014 were as follows:

Currencies	*Interest rate*	*31 December 2015*	*31 December 2014*
RON	ROBOR 3 months	1.02%	1.70%
EUR	EURIBOR 3 months	-0.13%	0.08%
EUR	EURIBOR 6 months	-0.04%	0.17%
USD	LIBOR 6 months	0.84%	0.36%

The following table shows the average interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during the 2015 financial year:

	RON Average interest rate	*EUR Average interest rate*	*USD Average interest rate*
Assets			
Current accounts with National Bank of Romania	0.22%	0.19%	0.08%
Trading assets	4.05%	3.77%	5.00%
Loans and advances to banks	0.89%	-1.76%	0.11%
Investment securities	3.22%	3.82%	4.85%
Loans and advances to customers	7.19%	4.85%	4.00%
Liabilities			
Deposits from banks	0.27%	1.26%	2.20%
Deposits from customers	0.99%	0.74%	0.40%
Loans from banks and other financial institutions	4.87%	1.21%	N/A
Subordinated liabilities	N/A	3.39%	N/A

The following table shows the interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during the 2014 financial year:

	RON Average interest rate	*EUR Average interest rate*	*USD Average interest rate*
Assets			
Current accounts with National Bank of Romania	0.45%	0.35%	0.15%
Trading assets	5.72%	3.90%	5.22%
Loans and advances to banks	2.17%	0.15%	0.12%
Investment securities	4.23%	3.66%	6.19%
Loans and advances to customers	8.91%	4.88%	4.45%
Liabilities			
Deposits from banks	1.44%	1.34%	2.47%
Deposits from customers	1.77%	0.85%	1.2%
Loans from banks and other financial institutions	5.55%	2.2%	N/A
Subordinated liabilities	N/A	4.52%	N/A

The following table shows the average interest rates per annum obtained or offered by the Bank for its interest-bearing assets and liabilities during the 2015 financial year:

	RON Average interest rate	**EUR Average interest rate**	**USD Average interest rate**
Assets			
Current accounts with National Bank of Romania	0.22%	0.19%	0.08%
Trading assets	4.05%	3.77%	5.00%
Loans and advances to banks	0.89%	-1.76%	0.11%
Investment securities	3.22%	3.82%	4.85%
Loans and advances to customers	7.19%	4.85%	4.00%
Liabilities			
Deposits from banks	0.27%	1.26%	2.20%
Deposits from customers	0.99%	0.74%	0.40%
Loans from banks and other financial institutions	4.87%	1.21%	N/A
Subordinated liabilities	N/A	3.39%	N/A

The following table shows the interest rates per annum obtained or offered by the Bank for its interest-bearing assets and liabilities during the 2014 financial year:

	RON Average interest rate	**EUR Average interest rate**	**USD Average interest rate**
Assets			
Current accounts with National Bank of Romania	0.45%	0.35%	0.15%
Trading assets	5.72%	3.90%	5.22%
Loans and advances to banks	2.17%	0.15%	0.12%
Investment securities	4.23%	3.66%	6.19%
Loans and advances to customers	8.91%	4.88%	4.45%
Liabilities			
Deposits from banks	1.44%	1.34%	2.47%
Deposits from customers	1.77%	0.85%	1.2%
Loans from banks and other financial institutions	5.55%	2.2%	N/A
Subordinated liabilities	N/A	4.52%	N/A

Exposure to currency risk

The Group is exposed to currency risk due to transactions in foreign currencies. There is also a balance sheet risk that the net monetary assets in foreign currencies will take a lower value when translated into RON as a result of currency movements or net monetary liabilities in foreign currencies will take a higher value as a result of those currency movements.

Group

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2015 are presented below:

In RON thousand	***RON***	***USD***	***EUR***	***Other***	***Total***
Monetary assets					
Cash and cash with Central Bank	*5,129,214*	*24,385*	*1,794,646*	*33,145*	*6,981,390*
Trading assets	*512,572*	*532*	*14,029*	*-*	*527,133*
Derivative assets held for risk management	*24*	*-*	*1,932*	*-*	*1,956*
Loans and advances to banks	*94,338*	*151,274*	*799,375*	*93,906*	*1,138,893*
*Loans and advances to customers**	*10,606,542*	*671,061*	*5,627,534*	*1,248,449*	*18,153,586*
Investment securities	*2,777,230*	*1,095*	*1,337,472*	*-*	*4,115,797*
Investment in associates and joint ventures	*102,192*	*-*	*-*	*-*	*102,192*
Other assets	*51,212*	*1,453*	*18,375*	*22,574*	*93,614*
Total monetary assets	***19,273,324***	***849,800***	***9,593,363***	***1,398,074***	***31,114,561***
Monetary liabilities					
Trading liabilities	*31,849*	*513*	*5,540*	*-*	*37,902*
Derivative liabilities held for risk management	*1,369*	*-*	*3,963*	*-*	*5,332*
Deposits from banks	*581,113*	*18,883*	*26,272*	*814*	*627,082*
Deposits from customers	*14,345,748*	*1,379,598*	*7,833,821*	*180,425*	*23,739,592*
Loans from banks and other financial institutions	*168,834*	*-*	*903,887*	*551,754*	*1,624,475*
Debt securities issued	*739,694*	*-*	*-*	*-*	*739,694*
Subordinated liabilities	*-*	*-*	*774,845*	*175,591*	*950,436*
Other liabilities	*259,680*	*18,483*	*126,369*	*3,750*	*408,282*
Total monetary liabilities	***16,128,287***	***1,417,477***	***9,674,697***	***912,334***	***28,132,795***
Net currency position	***3,145,037***	***(567,677)***	***(81,334)***	***485,740***	***2,981,766***

* Other currencies include mainly loans and advances to customers in CHF

Group

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2014 are presented below:

In RON thousand	***RON***	***USD***	***EUR***	***Other***	***Total***
Monetary assets					
Cash and cash with Central Bank	*5,463,221*	*29,868*	*2,322,197*	*37,848*	*7,853,134*
Trading assets	*80,915*	*309*	*2,412*	*-*	*83,636*
Derivative assets held for risk management	*133*	*-*	*3,284*	*-*	*3,417*
Loans and advances to banks	*174,062*	*315,389*	*341,734*	*72,959*	*904,144*
*Loans and advances to customers**	*9,138,265*	*442,103*	*5,167,978*	*1,361,729*	*16,110,075*
Investment securities	*2,424,068*	*1,945*	*793,241*	*-*	*3,219,254*
Investment in associates and joint ventures	*112,103*	*-*	*-*	*-*	*112,103*
Other assets	*61,467*	*3,447*	*58,344*	*7,470*	*130,728*
Total monetary assets	***17,454,234***	***793,061***	***8,689,190***	***1,480,006***	***28,416,491***
Monetary liabilities					
Trading liabilities	*52,580*	*79*	*1,396*	*-*	*54,055*
Derivative liabilities held for risk management	*2,173*	*-*	*4,874*	*-*	*7,047*
Deposits from banks	*445,263*	*17,733*	*69,083*	*942*	*533,021*
Deposits from customers	*12,544,703*	*1,048,810*	*7,327,525*	*146,820*	*21,067,858*
Loans from banks and other financial institutions	*48,268*	*-*	*757,037*	*671,568*	*1,476,873*
Debt securities issued	*740,287*	*-*	*-*	*-*	*740,287*
Subordinated liabilities	*-*	*-*	*767,062*	*156,593*	*923,655*
Other liabilities	*338,408*	*30,789*	*150,071*	*4,078*	*523,346*
Total monetary liabilities	***14,171,682***	***1,097,411***	***9,077,048***	***980,001***	***25,326,142***
Net currency position	***3,282,552***	***(304,350)***	***(387,858)***	***500,005***	***3,090,349***

* Other currencies include mainly loans and advances to customers in CHF

Derivative financial instruments used by the Group to mitigate currency risk include foreign exchange swaps.

Bank
The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2015 are presented below:

In RON thousand	***RON***	***USD***	***EUR***	***Other***	***Total***
Monetary assets					
Cash and cash with Central Bank	5,129,200	24,385	1,794,646	33,145	6,981,376
Trading assets	512,657	532	14,029	-	527,218
Derivative assets held for risk management	24	-	1,932	-	1,956
Loans and advances to banks	94,338	151,274	799,375	93,906	1,138,893
Loans and advances to customers*	10,606,542	671,061	5,627,534	1,248,449	18,153,586
Investment securities	2,769,428	1,095	1,324,166	-	4,094,689
Investment in associates and joint ventures	76,761	-	-	-	76,761
Other assets	54,715	1,453	18,375	22,574	97,117
Total monetary assets	***19,243,665***	***849,800***	***9,580,057***	***1,398,074***	***31,071,596***
Monetary liabilities					
Trading liabilities	31,849	513	5,540	-	37,902
Derivative liabilities held for risk management	1,313	-	3,963	-	5,276
Deposits from banks	581,113	18,883	26,272	814	627,082
Deposits from customers	14,349,284	1,379,608	7,833,879	180,425	23,743,196
Loans from banks and other financial institutions	168,834	-	903,887	551,754	1,624,475
Debt securities issued	746,285	-	-	-	746,285
Subordinated liabilities	-	-	774,845	175,591	950,436
Other liabilities	258,560	18,483	126,369	3,750	407,162
Total monetary liabilities	***16,137,238***	***1,417,487***	***9,674,755***	***912,334***	***28,141,814***
Net currency position	***3,106,427***	***(567,687)***	***(94,698)***	***485,740***	***2,929,782***

* Other currencies include mainly loans and advances to customers in CHF

Bank
The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2014 are presented below:

In RON thousand	***RON***	***USD***	***EUR***	***Other***	***Total***
Monetary assets					
Cash and cash with Central Bank	5,463,215	29,868	2,322,197	37,848	7,853,128
Trading assets	80,915	309	2,412	-	83,636
Derivative assets held for risk management	130	-	3,284	-	3,414
Loans and advances to banks	174,029	315,389	341,751	72,959	904,128
Loans and advances to customers*	9,138,265	442,103	5,167,978	1,361,729	16,110,075
Investment securities	2,417,319	1,945	779,846	-	3,199,110
Investment in associates and joint ventures	76,761	-	-	-	76,761
Other assets	63,325	3,447	58,344	7,470	132,586
Total monetary assets	***17,413,959***	***793,061***	***8,675,812***	***1,480,006***	***28,362,838***
Monetary liabilities					
Trading liabilities	52,839	79	1,396	-	54,314
Derivative liabilities held for risk management	2,172	-	4,874	-	7,046
Deposits from banks	445,264	17,733	69,083	942	533,022
Deposits from customers	12,550,717	1,048,810	7,327,525	146,820	21,073,872
Loans from banks and other financial institutions	48,268	-	757,037	671,568	1,476,873
Debt securities issued	746,890	-	-	-	746,890
Subordinated liabilities	-	-	767,062	156,593	923,655
Other liabilities	348,394	30,789	150,071	4,078	533,332
Total monetary liabilities	***14,194,544***	***1,097,411***	***9,077,048***	***980,001***	***25,349,004***
Net currency position	***3,219,415***	***(304,350)***	***(401,236)***	***500,005***	***3,013,834***

* Other currencies include mainly loans and advances to customers in CHF

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.This definition includes legal risk, but excludes strategic and reputational risk.

Legal risk is a component of the operational risk and is defined as the risk due to non-observance of the legal or statutory requirements and/or inaccurately drafted contracts and their execution due to lack of diligence in applying the respective law or a delay in reacting to changes in legal framework conditions.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The main responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirement for inclusion of operational risk responsibilities in each job position;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

f) Capital management

The National Bank of Romania (NBR) regulates and monitors the capital requirements at individual level and at group level.

Regulation (EU) no 575/2013 of the European Parliament and of the Council requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5%, a minimum Tier 1 capital ratio of 6% and a minimum total capital ratio of 8%. The capital adequacy ratio is calculated dividing total Group's own funds to the total risk weighted assets (Note 39).

Capital allocation

a) Credit risk: Starting with July 1st, 2009, the method for the risk weighted assets applied by the Group is internal ratings based approach for Raiffeisen Bank non-retail exposures. Starting with December 1st, 2013, Raiffeisen Bank received National Bank of Romania approval for calculating capital requirements for credit risk related to retail portfolio using advanced internal ratings based approach (AIRB). For the subsidiaries portfolios the method used is the standard approach.

b) Market risk: The Group calculates the capital requirements for market risk and for the trading book using the standard model.

c) Operational Risk: Starting with 2010, the Group calculates the capital requirements for operational risk capital using the standard approach.

The Group complies with the regulatory requirements regarding capital adequacy as at 31 December 2015 and 2014, being above the minimum required values.

g) Taxation risk

Even if the tax Romanian legislation has suffered many changes in a short period of time, there are several economics sectors with no clear provisions, issue which generates an increase of the risk of misinterpretation of the law.

The representatives of the Group consider that all the taxes, contributions and other liabilities to the State Budget have been correctly computed and registered.

According to the regulations applicable in Romania, the periods which were audited may be opened only in exceptional cases. Tax obligations of the Group are opened to tax audit for a period of five years.

In some cases the fiscal authorities may have a different interpretation of the law and may calculate interest and penalty tax. Even if a tax is not material at this point in time, due to the high interest rate, the penalties can be material at the moment when the fiscal authorities will assess the penalties.

5. Use of estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the given circumstances.

The Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management (see note 4).

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a monthly basis. As to determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before it's decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The loan impairment assessment considers the visible effects of current market conditions on the individual / collective assessment of loans and advances to customers' impairment. Hence, the Group has estimated the impairment loss provision for loans and advances to customers based on the methodology harmonized with Group policies and assessed that no further provision for impairment losses is required except as already provided for in the financial statements.

Assets accounted for at amortized cost are evaluated for impairment as described in accounting policy 3(j) (vii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its actual value, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. Country risk is a component in the assessment of collective allowances.

In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The actual amount of the allowances depends on the accuracy of the estimated future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Group: To the extent that the net present value of estimated actual cash flows differs by +/-5%, the provision computed for the purpose of covering the loss due to the loan impairment would have been increased by RON 8,304 thousand (2014: RON 6,879 thousand) or decreased by RON 7,911 thousand (2014: RON 6,568 thousand).

Bank: To the extent that the net present value of estimated actual cash flows differs by +/-5%, the provision computed for the purpose of covering the loss due to the loan impairment would have been increased by RON 8,304 thousand (2014: RON 6,879 thousand) or decreased by RON 7,911 thousand (2014: RON 6,568 thousand).

Fair value of financial instruments

The fair value of financial instruments that are not traded on an active market (for example, unlisted treasury securities, bonds and certificates of deposit) is determined by using valuation techniques. The Group uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for the available-for-sale financial instruments that were not traded in active markets.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group measures fair values mainly using valuation techniques based on observable inputs, i.e. all significant inputs are directly or indirectly observable from market data. Valuation techniques include net present value and discounted cash flow models like Black Scholes related models and option pricing models as well as other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, bond yields, foreign currency exchange rates, expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments, like interest rate and currency swaps, foreign exchange forwards and swaps, that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for bonds and simple over the counter derivatives.

For bonds valuation the Group uses prices or yields which are observable in the market, quotes published by Central Bank or quotes received upon request from third parties.

Availability of these reduces the need for management judgment and estimations and also reduces the uncertainty associated with determination of fair values. For more complex instruments, like over the counter foreign exchange options or interest rate options, the Group uses valuation models, which are usually developed from recognized valuation models. These models also use inputs, which are observable in the markets.

The valuation techniques used to determine the fair value of customers' loans and deposits not measured at fair value and disclosed in the notes consider unobservable inputs and assumptions, such as the specific credit risk and contractual characteristics of the portfolios, but also observables inputs, the benchmark interest rates.

The fair value of the unimpaired customer loans was determined based on the cash flows estimated to be generated by the portfolio. These amounts were discounted using the interest rates that would be currently offered by the Group to clients for similar products (the available offer as of the valuation date or loans granted during the last 6 months), by considering the characteristics of each loan, namely product type, currency, remaining tenor, interest rate type, customer segmentation. For the products no longer in the Group's offer, and for which no current market-observed interest rates are available, following assumptions were used: similar products' prevailing margins for discounting, adjusted with the relevant market rate index correspondent to the particular products' currencies, the swap points required for the currency conversion (if applicable) and remaining tenors. The fair value of the overall loan portfolio was determined to be only slightly below the book value, by 0.03%, which is the consequence of discount rates marginally above the interest rates of the portfolio subject to fair value calculation. The products bearing fixed interest rate have shown a constant decrease in rates for the past years, in trend with the overall market evolution and the demand for loans, thus triggering also the relatively accelerated refinancing of the loans from the portfolio earning high interest rates. This latter event brought the discount rates slightly above the average interest rate of the fixed rate loan portfolio. As expected, the drop in market rates (Robor, Euribor, Libor) has influenced only to a small extent the variation of the fair value vs. book value of the loans tied to these indexes, considering the fact that margins have had little variation from one period to the next.

For the depreciated loan portfolio, a similar discounted cash flow calculation resulted in a fair value calculation that can be approximated by the net book value.

The fair value of deposits from customers portfolio was determined based on the interest rate differential of the current portfolio as of end-2015 and the prevailing interest rates offered by the Group, during the last month of 2015, for deposits. For the term deposits, a discounted cash flows calculation was performed using for discounting the interest rates pertaining to the new deposits opened during December 2015 with tenors, currencies and client types similar to the structure of the portofolio subject to the fair value calculation. The fair value of the current accounts and savings accounts from clients was estimated to be equal to the book value, with no evidence of product characteristics requiring a different value than the one currently in accounting books. The results show that the fair value of the customer deposits portfolio is slightly higher than the book value, thus reflecting an interest rate environment dominated by decreasing rates throughout the local banking system, but in a context of relatively short renewal period for the deposits portfolio.

For the borrowings and the issued bonds, the Group performed a discounted cash flows analysis in order to estimate the fair value. In discounting was used the most recent quotations for similar instruments in terms of remaining tenor, fixing period and currency. The results showed a value of the borrowings portfolio below the book value, on the background of the high majority of funding lines bearing floating rates, with relatively short fixing periods and also considering that some funding lines have relatively good terms and low margins were negotiated. For the issued bonds, current market conditions and overall upswing in local economy would warrant slightly lower rates for newly issued bonds, which brought the overall fair value of the bond portfolio above book value.

Held-to-maturity investments
The Group follows the guidance of IAS 39 "Financial instruments: recognition and measurement" and classifies part of the non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

In case the so classified instruments are not held to maturity, except for the specific cases mentioned by IAS 39 "Financial instruments: recognition and measurement", the Group is obliged to reclassify the whole class as available for sale. If the Grup investments would have to be valued at fair value and not at amortised cost, the fair value would be greater than the accounting value by RON 15,511 thousand (2014: RON 14,949 thousand). If the Bank investments would have to be valued at fair value and not at amortised cost, the fair value would be greater than the accounting value by RON 14,101 thousand (2014: RON 13,502 thousand).

6. Financial assets and liabilities

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in note 5:

Group

In RON thousand	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2015						
Assets						
Financial instruments measured at fair value						
Trading assets	17	486,933	40,200	-	527,133	527,133
Derivative assets held for risk management	18	-	1,956	-	1,956	1,956
Investment securities available for sale*		1,859,940	158,462	81,543	2,099,945	2,099,945
Investment securities designated at fair value through profit or loss*		1,568,450	176,994	11,003	1,756,447	1,756,447
Financial instruments for which fair value is discloses						
Cash and cash with Central Bank		6,981,390	-	-	6,981,390	6,981,390
Loans and advances to banks	19	-	-	1,138,893	1,138,893	1,138,893
Loans and advances to customers		-	-	18,147,474	18,147,474	18,153,586
Investment securities held to maturity		270,885	-	-	270,885	255,373
Investment securities available for sale		-	-	4,032	4,032	4,032
Investment in associates and joint ventures		-	-	102,192	102,192	102,192
Other assets		-	-	93,614	93,614	93,614
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	17	-	37,902	-	37,902	37,902
Derivative liabilities held for risk management	18	-	5,332	-	5,332	5,332
Financial instruments for which fair value is discloses						
Deposits from banks	27	-	-	627,082	627,082	627,082
Deposits from customers		-	-	23,747,385	23,747,385	23,739,592
Loans from banks and other financial institutions	29	-	-	1,620,131	1,620,131	1,624,475
Debt securities issued		786,203	-	-	786,203	739,694
Subordinated liabilities	32	-	-	950,436	950,436	950,436
Other liabilities		-	-	408,282	408,282	408,282

* The amounts of RON thousand 16,005 and RON thousand 11,003 represents transfer of bonds issued by European Bank for Reconstruction and Development from level 2 to level 3 due to the fact that the market became inactive between aquisiton date and current period.

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in note 5:

Group

In RON thousand	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2014						
Assets						
Financial instruments measured at fair value						
Trading assets	17	17,409	66,227	-	83,636	83,636
Derivative assets held for risk management	18	-	3,417	-	3,417	3,417
Investment securities available for sale		68,246	16,013	-	84,259	84,259
Investment securities designated at fair value through profit or loss		2,629,795	139,392	-	2,769,187	2,769,187
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank		7,853,128	-	-	7,853,128	7,853,128
Loans and advances to banks	19	-	-	904,144	904,144	904,144
Loans and advances to customers		-	-	16,139,141	16,139,141	16,110,075
Investment securities held to maturity		376,875	-	-	376,875	361,926
Investment securities available for sale		-	-	3,882	3,882	3,882
Investment in associates and joint ventures		-	-	112,103	112,103	112,103
Other assets		-	-	130,728	130,728	130,728
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	17	-	54,055	-	54,055	54,055
Derivative liabilities held for risk management	18	-	7,047	-	7,047	7,047
Financial instruments for which fair value is disclosed						
Deposits from banks	27	-	-	533,021	533,021	533,021
Deposits from customers		-	-	21,076,562	21,076,562	21,067,858
Loans from banks and other financial institutions	29	-	-	1,476,873	1,476,873	1,476,873
Debt securities issued		749,019	-	-	749,019	740,287
Subordinated liabilities	32	-	-	923,655	923,655	923,655
Other liabilities		-	-	523,346	523,346	523,346

During 2014 there were no transfers of assets and liabilities between levels.

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in note 5:

Bank

In RON thousand	Note	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying amount**
31 December 2015						
Assets						
Financial instruments measured at fair value						
Trading assets	17	487,018	40,200	-	**527,218**	**527,218**
Derivative assets held for risk management	18	-	1,956	-	**1,956**	**1,956**
*Investment securities available for sale**		1,859,940	158,462	81,543	**2,099,945**	**2,099,945**
*Investment securities designated at fair value through profit or loss**		1,568,449	176,994	11,003	**1,756,446**	**1,756,446**
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank		6,981,376	-	-	**6,981,376**	**6,981,376**
Loans and advances to banks	19	-	-	1,138,893	**1,138,893**	**1,138,893**
Loans and advances to customers		-	-	18,147,474	**18,147,474**	**18,153,586**
Investment securities held to maturity		248,371	-	-	**248,371**	**234,271**
Investment securities available for sale		-	-	4,027	**4,027**	**4,027**
Investment in associates and joint ventures		-	-	76,761	**76,761**	**76,761**
Other assets		-	-	97,117	**97,117**	**97,117**
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	17	-	37,902	-	**37,902**	**37,902**
Derivative liabilities held for risk management	18	-	5,276	-	**5,276**	**5,276**
Financial instruments for which fair value is disclosed						
Deposits from banks	27	-	-	627,082	**627,082**	**627,082**
Deposits from customers		-	-	23,750,989	**23,750,989**	**23,743,196**
Loans from banks and other financial institutions	29	-	-	1,620,131	**1,620,131**	**1,624,475**
Debt securities issued		793,157	-	-	**793,157**	**746,285**
Subordinated liabilities	32	-	-	950,436	**950,436**	**950,436**
Other liabilities		-	-	407,162	**407,162**	**407,162**

* The amounts of RON thousand 16,005 and RON thousand 11,003 represents transfer of bonds issued by European Bank for Reconstruction and Development from level 2 to level 3 due to the fact that the market became inactive between aquisiton date and current period.

The table below analyses financial instruments by using the valuation methods described in note 5:

In RON thousand	Note	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying amount**
31 December 2014						
Assets						
Financial instruments measured at fair value						
Trading assets	17	17,409	66,227	-	**83,636**	**83,636**
Derivative assets held for risk management	18	-	3,414	-	**3,414**	**3,414**
Investment securities available for sale		68,246	16,013	-	**84,259**	**84,259**
Investment securities designated at fair value through profit or loss		2,629,794	139,392	-	**2,769,186**	**2,769,186**
Financial instruments for which fair value is discloses						
Cash and cash with Central Bank		7,853,128	-	-	**7,853,128**	**7,853,128**
Loans and advances to banks	19	-	-	904,128	**904,128**	**904,128**
Loans and advances to customers		-	-	16,139,141	**16,139,141**	**16,110,075**
Investment securities held to maturity		355,290	-	-	**355,290**	**341,788**
		-	-	3,877	**3,877**	**3,877**
Investment in associates and joint ventures		-	-	76,761	**76,761**	**76,761**
Other assets		-	-	132,586	**132,586**	**132,586**
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	17	-	54,314	-	**54,314**	**54,314**
Derivative liabilities held for risk management	18	-	7,046	-	**7,046**	**7,046**
Financial instruments for which fair value is discloses						
Deposits from banks	27	-	-	533,022	**533,022**	**533,022**
Deposits from customers		-	-	21,082,576	**21,082,576**	**21,073,872**
Loans from banks and other financial institutions	29	-	-	1,476,873	**1,476,873**	**1,476,873**
Debt securities issued		755,732	-	-	**755,732**	**746,890**
Subordinated liabilities	32	-	-	923,655	**923,655**	**923,655**
Other liabilities		-	-	533,332	**533,332**	**533,332**

During 2014 there were no transfers of assets and liabilities between levels.

The below table presents financial instruments measured at carrying amount and at fair value:

Group

In RON thousand	Note	Held for trading	Designated at fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Total carrying amount	Fair value
31 December 2015								
Financial Assets								
Trading assets	17	527,133	-	-	-	-	527,133	527,133
Derivative assets held for risk management	18	1,956	-	-	-	-	1,956	1,956
Loans and advances to banks	19	-	-	-	1,138,893	-	1,138,893	1,138,893
Loans and advances to customers	20	-	-	-	18,153,586	-	18,153,586	18,147,474
Investment securities	21	-	1,756,447	255,373	-	2,103,977	4,115,797	4,131,309
Total financial assets		***529,089***	***1,756,447***	***255,373***	***19,292,479***	***2,103,977***	***23,937,365***	***23,946,765***
Financial liabilities								
Trading liabilities	17	37,902	-	-	-	-	37,902	37,902
Derivative liabilities held for risk management	18	5,332	-	-	-	-	5,332	5,332
Deposits from banks	27	-	-	-	627,082	-	627,082	627,082
Deposits from customers	28	-	-	-	23,739,592	-	23,739,592	23,747,385
Loans from banks and other financial institutions	29	-	-	-	1,624,475	-	1,624,475	1,620,131
Debt securities issued	29	-	-	-	739,694	-	739,694	786,203
Subordinated liabilities	32	-	-	-	950,436	-	950,436	950,436
Total financial liabilities		***43,234***	***-***	***-***	***27,681,279***	***-***	***27,724,513***	***27,774,471***
31 December 2014								
Financial Assets								
Trading assets	17	83,636	-	-	-	-	83,636	83,636
Derivative assets held for risk management	18	3,417	-	-	-	-	3,417	3,417
Loans and advances to banks	19	-	-	-	904,144	-	904,144	904,144
Loans and advances to customers	20	-	-	-	16,110,075	-	16,110,075	16,139,141
Investment securities	21	-	2,769,187	361,926	-	88,141	3,219,254	3,234,203
Total financial assets		***87,053***	***2,769,187***	***361,926***	***17,014,219***	***88,141***	***20,320,526***	***20,364,541***
Financial liabilities								
Trading liabilities	17	54,055	-	-	-	-	54,055	54,055
Derivative liabilities held for risk management	18	7,047	-	-	-	-	7,047	7,047
Deposits from banks	27	-	-	-	533,021	-	533,021	533,021
Deposits from customers	28	-	-	-	21,067,858	-	21,067,858	21,076,562
Loans from banks and other financial institutions	29	-	-	-	1,476,873	-	1,476,873	1,476,873
Debt securities issued		-	-	-	740,287	-	740,287	749,019
Subordinated liabilities	32	-	-	-	923,655	-	923,655	923,655
Total financial liabilities		***61,102***	***-***	***-***	***24,741,694***	***-***	***24,802,796***	***24,820,232***

The below table presents financial instruments measured at carrying amount and at fair value:

Bank

In RON thousand	Note	Held for trading	Designated at fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Total carrying amount	Fair value
31 December 2015								
Financial Assets								
Trading assets	17	527,218	-	-	-	-	527,218	527,218
Derivative assets held for risk management	18	1,956	-	-	-	-	1,956	1,956
Loans and advances to banks	19	-	-	-	1,138,893	-	1,138,893	1,138,893
Loans and advances to customers	20	-	-	-	18,153,586	-	18,153,586	18,147,474
Investment securities	21	-	1,756,446	234,271	-	2,103,972	4,094,689	4,108,789
Total financial assets		**529,174**	**1,756,446**	**234,271**	**19,292,479**	**2,103,972**	**23,916,342**	**23,924,330**
Financial liabilities								
Trading liabilities	17	37,902	-	-	-	-	37,902	37,902
Derivative liabilities held for risk management	18	5,276	-	-	-	-	5,276	5,276
Deposits from banks	27	-	-	-	627,082	-	627,082	627,082
Deposits from customers	28	-	-	-	23,743,196	-	23,743,196	23,750,989
Loans from banks and other financial institutions	29	-	-	-	1,624,475	-	1,624,475	1,620,131
Debt securities issued	29	-	-	-	746,285	-	746,285	793,157
Subordinated liabilities	32	-	-	-	950,436	-	950,436	950,436
Total financial liabilities		**43,178**	**-**	**-**	**27,691,474**	**-**	**27,734,652**	**27,784,973**
31 December 2014								
Financial Assets								
Trading assets	17	83,636	-	-	-	-	83,636	83,636
Derivative assets held for risk management	18	3,414	-	-	-	-	3,414	3,414
Loans and advances to banks	19	-	-	-	904,128	-	904,128	904,128
Loans and advances to customers	20	-	-	-	16,110,075	-	16,110,075	16,139,141
Investment securities	21	-	2,769,186	341,788	-	88,136	3,199,110	3,212,612
Total financial assets		**87,050**	**2,769,186**	**341,788**	**17,014,203**	**88,136**	**20,300,363**	**20,342,931**
Financial liabilities								
Trading liabilities	17	54,314	-	-	-	-	54,314	54,314
Derivative liabilities held for risk management	18	7,046	-	-	-	-	7,046	7,046
Deposits from banks	27	-	-	-	533,022	-	533,022	533,022
Deposits from customers	28	-	-	-	21,073,872	-	21,073,872	21,082,576
Loans from banks and other financial institutions	29	-	-	-	1,476,873	-	1,476,873	1,476,873
Debt securities issued		-	-	-	746,890	-	746,890	755,732
Subordinated liabilities	32	-	-	-	923,655	-	923,655	923,655
Total financial liabilities		**61,360**	**-**	**-**	**24,754,312**	**-**	**24,815,672**	**24,833,218**

7. Net interest income

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Interest income				
Interest and similar income arising from:				
Current accounts and loans and advances to banks	11,793	25,058	11,793	24,995
Loans and advances to customers (i)	1,204,198	1,254,341	1,204,198	1,254,694
Derivatives held for risk management	785	5,208	785	5,208
Available for sale investments	5,058	4	5,058	4
Held to maturity investments	9,415	6,238	9,415	6,238
Other investment securities	58,103	76,277	57,326	75,412
Negative interest	(4,425)	-	(4,425)	-
Other	448	506	448	506
Total interest income	**1,285,375**	**1,367,632**	**1,284,598**	**1,367,057**
Interest expense and similar charges				
Interest expense and similar charges arising from:				
Deposits from banks	(1,033)	(2,469)	(1,033)	(2,619)
Deposits from customers	(118,656)	(207,167)	(118,660)	(207,177)
Debt securities issued	(38,931)	(29,959)	(39,277)	(30,264)
Loans from banks and subordinated liabilities	(67,630)	(76,398)	(67,630)	(76,398)
Other	(4,481)	(6,561)	(4,481)	(6,560)
Negative interest	3	-	3	-
Total interest expense	**(230,728)**	**(322,554)**	**(231,078)**	**(323,018)**
Net interest income	**1,054,647**	**1,045,078**	**1,053,520**	**1,044,039**

(i) The amount of interest income from impaired loans amounts to RON 60,258 thousand (31 December 2014: RON 56,536 thousand).

8. Net fee and commission income

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Fee and commission income				
Transactions from payments transfer business	584,388	562,320	584,388	562,320
Loans administration and guarantee issuance	57,813	46,973	57,813	46,973
Variable component referring to the sale of loans to RIEEF (Note 37.i)	12,159	56,689	12,159	56,689
Asset management fee	76,114	70,838	-	-
Commissions from insurance premium collections	39,226	33,650	39,226	33,650
Commissions for buying/selling cash	3,666	6,438	3,666	6,438
Other	37,918	47,514	92,873	84,197
Total fee and commission income	**811,284**	**824,422**	**790,125**	**790,267**
Fees and commissions expense				
Commissions for payment transfers	(151,598)	(128,516)	(151,598)	(128,496)
Loan and guarantees received from banks	(12,254)	(4,405)	(12,254)	(4,405)
For securities business	(902)	(514)	(543)	(514)
Other	(16,524)	(10,964)	(16,524)	(10,900)
Total fee and commission expense	**(181,278)**	**(144,399)**	**(180,919)**	**(144,315)**
Net fee and commission income	**630,006**	**680,023**	**609,206**	**645,952**

9. Net trading income

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Net trading income arises from:				
Foreign exchange rate fluctuations and related transactions (i), out of which:	276,357	257,836	276,101	257,355
• Foreign exchange derivatives	(4,893)	50,497	(4,893)	50,497
• Net gain on revaluation of monetary assets and foreign currency transactions	281,250	207,339	280,994	206,858
Interest rate instruments (ii), out of which:	12,160	20,554	12,160	20,554
• Net trading result from government securities and and corporate debt securities	9,483	15,026	9,483	15,026
• Interest rate swaps (loss) / gain (Note 35)	2,677	5,528	2,677	5,528
Other trading income (broker activity)	-	2,355	-	-
Net trading income	**288,517**	**280,745**	**288,261**	**277,909**

(i) Net foreign exchange income includes gains and losses from spot and forward contracts, money market instruments, currency swaps and from the translation of foreign currency assets and liabilities;

(ii) Net trading income from interest rate instruments includes the net result on trading in government securities, corporate debt securities and interest rate swaps.

10. Other operating income

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Net proceeds from sales of equity investments of other interests	9,648	-	9,648	-
Reversal of litigation provision	-	5,654	-	5,654
Revenues from additional leasing services	519	536	519	536
Reversal of other provisions	3,342	8,673	3,342	8,673
Dividend income	3,612	732	30,083	18,080
Other computer services	2,142	754	2,142	754
Revenues from insurance recovery	3	1,880	3	1,880
Sundry income	7,775	9,981	8,383	9,872
Total	**27,041**	**28,210**	**54,120**	**45,449**

11. Operating expenses

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Rental of office space expenses	155,901	167,989	155,544	167,603
IT repairs and maintenance	81,781	66,704	81,281	66,193
Depreciation and amortization (Note 23, Note 24)	79,280	74,441	79,170	74,319
Deposit insurance fees	59,076	52,318	59,076	52,318
Security expenses	57,753	63,740	57,753	63,740
Advertising	43,048	44,825	42,796	44,526
Charge of litigation provision	42,393	7,320	42,393	7,320
Legal, advisory and consulting expenses	41,015	39,194	40,926	39,025
Postal and telecommunication expenses	32,208	37,289	32,182	37,235
Office supplies	31,719	34,558	31,697	34,515
Sundry operating expenses	16,788	28,738	16,721	26,797
Charge of other provisions	12,951	19,693	12,951	19,693
Training expenses for staff	10,890	11,651	10,853	11,651
Travelling expenses	6,030	4,868	5,957	4,868
Transport costs	5,622	5,824	5,611	5,823
Other taxes	4,703	7,248	3,221	6,122
Total	**681,158**	**666,400**	**678,132**	**661,748**

12. Personnel expense

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Salary expense (i)	424,929	369,561	421,801	365,398
Social contributions	95,136	101,605	94,283	100,496
Other staff expenses	5,688	5,373	5,666	5,340
Long term employee benefits (ii)	2,605	4,687	2,605	4,667
Total	**528,358**	**481,226**	**524,355**	**475,901**

The number of employees at Group level as at 31 December 2015 was 5,379 (31 December 2014: 5,185). The number of employees at Bank level as at 31 December 2015 was 5,349 (31 December 2014: 5,158). The Group has no lease staff as at 31 December 2015 (31 December 2014: 251). The Bank has no lease staff as at 31 December 2015 (2014: 251)

(i) Out of the total salary expense, the Group has recorded in 2015 RON 4,114 thousand, representing contribution for employees to Pillar 3 pension plan (2014: RON 4,133 thousand).

(ii) The long term benefits for employees also include the provision for benefits granted on retirement as a one-off compensation and deferred performance bonus. Out of the total long term employee benefits, the Group has recorded in 2015 RON 753 thousand, representing the expense for share incentive plan (2014: RON 782 thousand).

Share-based remuneration

The Management Board, with approval by the Supervisory Board, of Raiffeisen Bank International has approved the existence of a share incentive program (SIP) which could offer performance based allotments of shares to eligible employees at home and abroad for a given period. Eligible employees were board members and selected executives of Raiffeisen Bank International, as well as executives of its affiliated bank subsidiaries and other affiliated companies.

The number of ordinary shares of Raiffeisen Bank International which will ultimately be transferred depends on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the share of the RBI AG compared to the total shareholder return of the shares of companies in DJ EURO STOXX Banks index after a three-year holding period. Participation in SIP is voluntary.

Expenses related to the share incentive program are recognized in staff expenses in accordance with IFRS 2 for cash settled share-based payment transactions and the liability incurred at the fair value of the liability. The share incentive plan was in place until 31 December 2013 and from 2014 the Group has cancelled this form of remuneration. The number of contingently allotted shares was: SIP 2011: 9,581, SIP 2012: 12,143, SIP 2013: 18,075.

The number of shares as determined above considers full performance achievement. The value of the finally paid out Raiffeisen Bank International shares to personnel depends on the value of shares at payout. For each annual SIP there is a vesting period of 5 years.

13. Net charge of provision for impairment losses

Group		
In RON thousand	***2015***	***2014***
Impairment charge on loans and advances to customers (Note 20)	*515,100*	*599,087*
Release of the impairment for loans and advances to customers (Note 20)	*(175,611)*	*(282,676)*
Impairment charge on un-drawn commitments (Note 30)	*11,534*	*24,235*
Release of the impairment for un-drawn commitments (Note 30)	*(16,926)*	*(12,408)*
Loans written-off	*42,335*	*40,695*
Recoveries from loans and advances to customers	*(87,420)*	*(54,947)*
Net charge of provision for impairment losses	***289,012***	***313,986***

Bank		
In RON thousand	***2015***	***2014***
Impairment charge on loans and advances to customers (Note 20)	*515,100*	*530,557*
Release of the impairment for loans and advances to customers (Note 20)	*(175,611)*	*(282,676)*
Impairment charge on un-drawn commitments (Note 30)	*11,534*	*24,235*
Release of the impairment for un-drawn commitments (Note 30)	*(16,926)*	*(12,408)*
Loans written-off	*42,335*	*108,495*
Recoveries from loans and advances to customers	*(87,420)*	*(54,217)*
Net charge of provision for impairment losses	***289,012***	***313,986***

14. Income tax expense

Group		
In RON thousand	**2015**	**2014**
Current tax expenses at 16% (2014:16%) of taxable profits determined in accordance with Romanian law	82,975	97,611
Deferred tax expense (Note 25)	357	1,010
Total	**83,332**	**98,621**

Bank		
In RON thousand	**2015**	**2014**
Current tax expenses at 16% (2014:16%) of taxable profits determined in accordance with Romanian law	80,702	93,138
Deferred tax expense (Note 25)	177	1,242
Total	**80,879**	**94,380**

15. Reconciliation of income before tax with the consolidated statement of comprehensive income

	Group		**Bank**	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Profit subject to corporate income tax	509,727	608,090	518,443	595,748
Taxation at statutory rate of 16% (2014: 16%)	**81,556**	**97,294**	**82,951**	**95,319**
Non-deductible expenses	57,797	52,502	57,586	52,136
Non-taxable revenues	(46,502)	(45,430)	(49,960)	(47,809)
Effect of utilization of carried forward tax losses	-	(35)	-	-
Corporate income tax before fiscal credit	**92,851**	**104,331**	**90,577**	**99,646**
Fiscal credit	(7,209)	(9,422)	(7,208)	(9,210)
Adjustments recognized in the period for current tax of prior periods	(2,667)	2,702	(2,667)	2,702
Corporate income tax	**82,975**	**97,611**	**80,702**	**93,138**
Effect of origination and reversal of temporary differences	357	1,010	177	1,242
Taxation in the consolidated statement of comprehensive income	**83,332**	**98,621**	**80,879**	**94,380**

The main non taxable income are from reversal of provisions and dividends received, and non deductible expenses are from provisions, prior years expenses, sponsorships, accruals and other non-deductible expenses according to the Fiscal Code.

Fiscal credit represents sponsorship expense according to the applicable fiscal regulations.

16. Cash and cash with central bank

In RON thousand	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Cash on hand	1,373,384	1,385,888	1,373,370	1,385,882
Minimum compulsory reserve (i)	3,207,989	3,467,225	3,207,989	3,467,225
Current accounts held with central bank (ii)	2,400,017	3,000,021	2,400,017	3,000,021
Total	**6,981,390**	**7,853,134**	**6,981,376**	**7,853,128**

(i) The Bank maintains with the National Bank of Romania the minimum compulsory reserve established under Regulation no. 6/2002 issued by the National Bank of Romania, with subsequent amendments and addendums. On 31 December 2015 the mandatory minimum reserve ratio was 8% (31 December 2014: 10%) for funds raised in RON and 14% (31 December 2014: 14%) for funds raised in foreign currency with residual maturity of less than 2 years, at the end of the observation period. For liabilities having residual maturity over 2 years at the end of the observation period, without reimbursement, conversion or early retirement clauses, compulsory minimum reserve ratio was set at 0% (31 December 2014: 0%).

As of 31 December 2015, the interest paid by the NBR for the RON reserves was 0.14 % per year and for EUR reserves was 0.09 % per year.

The minimum compulsory reserve can be used by the Group for daily activities but under the condition that the monthly average balance of the minimum compulsory reserve is kept within the legal limits.

17. Trading assets / liabilities

In RON thousand	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Trading assets				
Bonds (i)	487,018	17,409	487,018	17,409
Derivative financial instruments	40,115	66,227	40,200	66,227
Total	**527,133**	**83,636**	**527,218**	**83,636**
Trading liabilities				
Derivative financial instruments	37,902	54,055	37,902	54,314
Total	**37,902**	**54,055**	**37,902**	**54,314**

(i) The bonds held as at 31 December 2015 and as at December 2014 include discount treasury bills and bonds in RON, USD and EUR.

18. Derivatives held for risk management

Group

31 December 2015

In RON thousand	Notional buy	Notional sell	Fair value Assets	Liabilities
OTC products:				
Currency swaps	158,358	154,628	1,932	3,253
Interest rate swaps	105,490	105,490	24	2,079
			1,956	**5,332**

31 December 2014

In RON thousand	Notional buy	Notional sell	Fair value Assets	Liabilities
OTC products:				
Currency swaps	273,532	270,142	3,374	5,012
Interest rate swaps	59,821	59,821	43	2,035
			3,417	**7,047**

Bank

31 December 2015

In RON thousand	Notional buy	Notional sell	Fair value Assets	Liabilities
OTC products:				
Currency swaps	158,358	154,628	1,932	3,197
Interest rate swaps	105,490	105,490	24	2,079
			1,956	**5,276**

31 December 2014

In RON thousand	Notional buy	Notional sell	Fair value Assets	Liabilities
OTC products:				
Currency swaps	273,532	270,142	3,371	5,011
Interest rate swaps	59,821	59,821	43	2,035
			3,414	**7,046**

Certain monetary items denominated in foreign currency are economically hedged using swap contracts as set out in the table above. The Group does not use hedge accounting for its currency and interest rate derivative contracts. The fair value of derivative financial instruments is determined using the market quotations at the valuation date using discounted cash flow models.

Foreign exchange transactions are measured on the basis of discounting future cash flows with market rates; the sites of Reuters and the fixing price of National Bank of Romania are the source of rates.

19. Loans and advances to banks

Group
As at 31 December 2015, out of the total loans and advances to banks of RON 1,138,893 thousand (2014: RON 904,144 thousand), term deposits held with commercial banks amount to RON 765,716 thousand (2014: RON 19,057 thousand). Loans and advances to banks include also collateral deposits of RON 13,029 thousand (2014: RON 25,213 thousand), the rest of the amount represent current accounts and sight deposits.

Bank
As at 31 December 2015, out of the total loans and advances to banks of RON 1,138,893 thousand (2014: RON 904,128 thousand), term deposits held with commercial banks amount to RON 765,716 thousand (2014: RON 19,057 thousand). Loans and advances to banks include also collateral deposits of RON 13,029 thousand (2014: RON 25,213 thousand), the rest of the amount represent current accounts and sight deposits.

20. Loans and advances to customers

The Group's commercial lending is concentrated on companies and individuals. Economic sector risk concentrations within the customer loan portfolio at balance sheet date were as follows:

	Group		**Bank**	
In RON thousand	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Retail customers	12,046,502	10,131,516	12,046,502	10,131,516
Non-retail customers, of which:				
Agriculture and food industry	466,137	514,681	466,137	514,681
Electricity, oil & gas	422,754	486,353	422,754	486,353
Manufacturing	1,452,973	1,419,123	1,452,973	1,419,123
Construction	1,010,788	953,998	1,010,788	953,998
Wholesale and retail trade	1,752,471	1,567,151	1,752,471	1,567,151
Services	1,528,852	1,400,100	1,528,852	1,400,100
Public sector	507,995	603,976	507,995	603,976
Total loans and advances to customers before allowances	**19,188,472**	**17,076,898**	**19,188,472**	**17,076,898**
Less allowance for impairment losses on loans and advances to customers	(1,034,886)	(966,823)	(1,034,886)	(966,823)
Net loans and advances to customers	**18,153,586**	**16,110,075**	**18,153,586**	**16,110,075**

As at 31 December 2015, 7% of the Group's portfolio of non-retail loans (31 December 2014: 9%) was concentrated towards local state-owned corporate customers or state entities.

The allowances for impairment losses on loans and advances to customers can be further analyzed as follows:

	Group		**Bank**	
In RON thousand	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Specific allowances for impairment				
Balance as at the beginning of the year	841,601	905,821	841,601	905,821
Impairment loss for the year				
Charge for the year	414,981	498,527	414,981	498,527
Release	(106,265)	(160,527)	(106,265)	(160,527)
Decreases due to amounts taken against allowances	(296,278)	(408,296)	(296,278)	(408,296)
Effect of foreign currencies movements	23,460	6,076	23,460	6,076
Balance at the end of the year	**877,499**	**841,601**	**877,499**	**841,601**

In RON thousand	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Collective allowances for impairment				
Balance as at the beginning of the year	125,222	145,896	125,222	145,896
Impairment loss for the year				
Charge for the year	100,119	100,560	100,119	100,560
Release	(69,346)	(122,149)	(69,346)	(122,149)
Effect of foreign currencies movements	1,392	915	1,392	915
Balance at the end of the year	**157,387**	**125,222**	**157,387**	**125,222**
Total allowances for impairment	**1,034,886**	**966,823**	**1,034,886**	**966,823**

21. Investment securities

In RON thousand	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Investment securities at fair-value through profit or loss				
Treasury securities issued by the Government of Romania (i)	298,166	1,031,379	298,166	1,031,379
Bonds issued by the Government of Romania (ii)	1,270,284	1,598,416	1,270,283	1,598,415
Bonds issued by other public sector	176,994	129,384	176,994	129,384
Bonds issued by credit institutions	11,003	10,008	11,003	10,008
Total investment securities at fair value through profit or loss	**1,756,447**	**2,769,187**	**1,756,446**	**2,769,186**
Investment securities available-for-sale				
Bonds issued by other public sector	158,462	-	158,462	-
Unquoted equity instruments (iii)	69,570	3,882	69,565	3,877
Quoted equity instruments	2,166	2,721	2,166	2,721
Bonds issued by the Government of Romania (ii)	1,204,747	45,754	1,204,747	45,754
Bonds issued by credit institutions	16,005	16,013	16,005	16,013
Treasury securities issued by the Government of Romania (i)	653,027	19,771	653,027	19,771
Total investment securities available-for-sale	**2,103,977**	**88,141**	**2,103,972**	**88,136**
Investment securities held-to-maturity (ii)				
Bonds issued by private sector issuers	5,155	6,743	-	-
Bonds issued by the Government of Romania (ii)	250,218	226,445	234,271	213,050
Treasury securities issued by the Government of Romania (i)	-	128,738	-	128,738
Total investment securities held-to-maturity	**255,373**	**361,926**	**234,271**	**341,788**
Total investment securities	**4,115,797**	**3,219,254**	**4,094,689**	**3,199,110**

i) Treasury bills issued by the Government of Romania include discount securities denominated in RON. Discount treasury bills bear fixed interest rates.

ii) Bonds issued by the Government of Romania include bonds issued by the Ministry of Finance denominated in RON, EUR and USD, bearing fixed interest rate between 2.15% p.a. and 6.75% p.a. As at 31 December 2015, bonds issued by the Government of Romania amounting to RON 63,204 thousand (31 December 2014: RON 53,061 thousand) are pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations.

iii) Unquoted equity instruments represent equity investments that do not have a quoted price in an active market for an identical instrument and whose fair value cannot be reliably measured. Any fair value measurement would require significant management judgement due to the difficulties in obtaining information that might be relied on to use in valuation. Therefore, these equity investments are measured at cost less impairment, if any.

As of December 31, 2015 the carrying amount of unquoted equity instruments held by the Group amounted to RON 69,570 thousand (31 December 2014: RON 3,882 thousand). No impairment losses have been recognized in respect of these instruments (31 December 2014: RON nil).

The increase in unquoted equity instruments is mainly due to Visa Europe Limited shares. The Group is a principal member of Visa Europe Limited and holds one share in the share capital of this company. Until 2015, the Group held this participation at cost, as it did not have a quoted market price in an active market and its fair value could not be reliably measured. In November 2015, Visa Inc. and Visa Europe Limited, entered into a Transaction Agreement, pursuant to which Visa Inc. acquires 100% of the share capital of Visa Europe. The transaction is expected to take place during year 2016. During December 2015, the Group was being made an offer for the purchase of its share in Visa Europe. Therefore, the Group considered that the offer received makes the evaluation of the share reliable, evaluation which was not available before the transaction announcement. As a result, the Group considered that the offer received represents a reliable measure of the share in Visa Europe and booked, as of 31 December 2015, the share at fair value.

Group: Net gain from other financial instruments carried at fair value through profit and loss as of 31 December 2015 are in amount of RON 4,835 thousand (31 December 2014: RON 33,772 thousand).

Bank: Net gain from other financial instruments carried at fair value through profit and loss as of 31 December 2015 are in amount of RON 4,835 thousand (31 December 2014: RON 34,034 thousand).

22. Investment in an associate and joint venture

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Balance at 1 January	**112,103**	**114,685**	**123,799**	**124,135**
Additions	38,400	30,300	-	30
Disposals	(51,524)	(37,896)	-	-
Changes in consolidation scope	-	-	-	(366)
Other comprehensive income	(32)	116	-	-
Group's share of gain from associates	3,245	4,898	-	-
Total	**102,192**	**112,103**	**123,799**	**123,799**
Allowance for impairment	-	-	(47,038)	(47,038)
Balance at 31 December	**102,192**	**112,103**	**76,761**	**76,761**

The Group's interests in its associates and joint ventures that are unlisted are as follows:

Investment in associates *In RON thousand*	**Assets**	**Liabilities**	**Revenues**	**Profit**	**Interest held%**
31 December 2015					
Raiffeisen RON Plus	2,665,409	20,276	97,965	57,942	0.92%
Fondul de Garantare a Creditului Rural IFN SA	1,236,531	1,189,382	35,410	4,581	33.33%

Investment in associates *In RON thousand*	**Assets**	**Liabilities**	**Revenues**	**Profit**	**Interest held%**
31 December 2014					
Raiffeisen RON Plus	2,741,060	390,362	723,341	116,227	1.09%
Raiffeisen EURO Plus	2,132,704	168,996	858,039	83,213	0.42%
Fondul de Garantare a Creditului Rural IFN SA	1,268,649	1,220,546	33,742	5,922	33.33%

Investment in joint ventures In RON thousands	Assets	Liabilities	Revenues	Interest income	Interest expense	Income taxes	Profit	Interest held%
31 December 2015								
Raiffeisen Leasing IFN S.A.	822,206	749,609	100,358	48,685	(14,112)	(3,208)	12,773	50.00%
ICS Raiffeisen Leasing S.R.L.	29,616	25,059	4,640	4,113	(1,166)	(118)	661	50.00%
Raiffeisen Banca pentru Locuințe S.A.	676,043	605,475	39,989	25,077	(9,803)	(385)	1,008	33.33%

Investment in joint ventures In RON thousands	Assets	Liabilities	Revenues	Interest income	Interest expense	Income taxes	Profit	Interest held%
31 December 2014								
Raiffeisen Leasing IFN S.A.	790,498	730,675	75,146	57,292	(17,928)	(2,413)	9,195	50.00%
ICS Raiffeisen Leasing S.R.L.	41,401	37,840	5,174	4,615	(1,423)	(136)	933	50.00%
Raiffeisen Banca pentru Locuințe S.A.	527,362	457,715	33,150	22,860	(7,758)	69	1,750	33.33%

23. Property, plant and equipment

Group

In RON thousand	Land and buildings	Furniture and computer equipment	Motor vehicles	Assets in progress	Total
Cost					
Balance at 1 January 2014	213,828	411,450	37,222	13,104	675,604
Additions	9,094	26,096	13,649	7,476	56,315
Disposals	(16,909)	(22,091)	(9,925)	(10,806)	(59,731)
Balance at 31 December 2014	**206,013**	**415,455**	**40,946**	**9,774**	**672,188**
Balance at 1 January 2015	206,013	415,455	40,946	9,774	672,188
Additions	2,948	33,549	4,525	7,958	48,980
Disposals	(4,255)	(12,335)	(1,797)	(11,858)	(30,245)
Balance at 31 December 2015	**204,706**	**436,669**	**43,674**	**5,874**	**690,923**
Depreciation and impairment losses					
Balance at 1 January 2014	145,443	274,447	21,617	-	441,507
Charge for the year	15,434	25,972	4,250	-	45,656
Disposals	(16,334)	(16,168)	(9,820)	-	(42,322)
Balance at 31 December 2014	**144,543**	**284,251**	**16,047**	**-**	**444,841**
Balance at 1 January 2015	144,543	284,251	16,047	-	444,841
Charge for the year	11,140	31,750	5,119	-	48,009
Disposals	(3,399)	(9,877)	(1,609)	-	(14,885)
Balance at 31 December 2015	**152,284**	**306,124**	**19,557**	**-**	**477,965**
Carrying amounts					
At 1 January 2014	**68,385**	**137,003**	**15,605**	**13,104**	**234,097**
At 31 December 2014	**61,470**	**131,204**	**24,899**	**9,774**	**227,347**
At 1 January 2015	**61,470**	**131,204**	**24,899**	**9,774**	**227,347**
At 31 December 2015	**52,422**	**130,545**	**24,117**	**5,874**	**212,958**

Bank

In RON thousand	**Land and buildings**	**Furniture and computer equipment**	**Motor vehicles**	**Assets in progress**	**Total**
Cost					
Balance at 1 January 2014	***214,435***	***417,468***	***25,362***	***16,875***	***674,140***
Additions	9,094	26,179	13,562	7,476	56,311
Disposals	(16,909)	(22,091)	(9,887)	(10,806)	(59,693)
Balance at 31 December 2014	***206,620***	***421,556***	***29,037***	***13,545***	***670,758***
Balance at 1 January 2015	206,620	421,556	29,037	13,545	670,758
Additions	2,948	33,549	4,337	7,958	48,792
Disposals	(4,255)	(12,335)	(1,499)	(11,858)	(29,947)
Balance at 31 December 2015	***205,313***	***442,770***	***31,875***	***9,645***	***689,603***
Depreciation and impairment losses					
Balance at 1 January 2014	145,323	274,972	20,003	-	440,298
Charge for the year	15,434	25,965	4,168	-	45,567
Disposals	(16,334)	(16,161)	(9,782)	-	(42,277)
Balance at 31 December 2014	***144,423***	***284,776***	***14,389***	***-***	***443,588***
Balance at 1 January 2015	144,423	284,776	14,389	-	443,588
Charge for the year	11,140	31,748	5,048	-	47,936
Disposals	(3,399)	(9,876)	(1,341)	-	(14,616)
Balance at 31 December 2015	***152,164***	***306,648***	***18,096***	***-***	***476,908***
Carrying amounts					
At 1 January 2014	***69,112***	***142,496***	***5,359***	***16,875***	***233,842***
At 31 December 2014	***62,197***	***136,780***	***14,648***	***13,545***	***227,170***
At 1 January 2015	***62,197***	***136,780***	***14,648***	***13,545***	***227,170***
At 31 December 2015	***53,149***	***136,122***	***13,779***	***9,645***	***212,695***

Group: Included in additions and disposals are transfers between the groups of fixed assets. Purchases of property, plant and equipment during year 2015 were in amount of RON 37,122 thousand (2014: RON 45,509 thousand).

Bank: Included in additions and disposals are transfers between the groups of fixed assets. Purchases of property, plant and equipment during year 2015 were in amount of RON 36,934 thousand (2014: RON 45,505 thousand).

24. Intangible assets

Group

In RON thousand	**Purchased Software**	**Assets in progress**	**Total**
Cost			
Balance at 1 January 2014	***274,984***	***34,856***	***309,840***
Additions	37,899	8,883	46,782
Disposals	(85)	(22,170)	(22,255)
Balance at 31 December 2014	***312,798***	***21,569***	***334,367***
Balance at 1 January 2015	***312,798***	***21,569***	***334,367***
Additions	15,261	23,152	38,413
Disposals	-	(3,209)	(3,209)
Balance at 31 December 2015	***328,059***	***41,512***	***369,571***
Amortization and impairment losses			
Balance at 1 January 2014	224,397	-	224,397
Charge for the year	28,785	-	28,785
Disposals	(33)	-	(33)
Balance at 31 December 2014	***253,149***	***-***	***253,149***
Balance at 1 January 2015	***253,149***	***-***	***253,149***
Charge for the year	31,271	-	31,271
Disposals	(2,072)	-	(2,072)
Balance at 31 December 2015	***282,348***	***-***	***282,348***
Carrying amounts			
At 1 January 2014	***50,587***	***34,856***	***85,443***
At 31 December 2014	***59,649***	***21,569***	***81,218***
At 1 January 2015	***59,649***	***21,569***	***81,218***
At 31 December 2015	***45,711***	***41,512***	***87,223***

Bank

In RON thousand	Purchased Software	Assets in progress	Total
Cost			
Balance at 1 January 2014	**274,650**	**34,415**	**309,065**
Additions	37,859	8,875	46,734
Disposals	(85)	(22,127)	(22,212)
Balance at 31 December 2014	**312,424**	**21,163**	**333,587**
Balance at 1 January 2015	**312,424**	**21,163**	**333,587**
Additions	15,223	23,152	38,375
Disposals	-	(3,209)	(3,209)
Balance at 31 December 2015	**327,647**	**41,106**	**368,753**
Amortization and impairment losses			
Balance at 1 January 2014	**223,708**	**-**	**223,708**
Charge for the year	28,752	-	28,752
Disposals	(26)	-	(26)
Balance at 31 December 2014	**252,434**	**-**	**252,434**
Balance at 1 January 2015	**252,434**	**-**	**252,434**
Charge for the year	31,234	-	31,234
Disposals	(2,074)	-	(2,074)
Balance at 31 December 2015	**281,594**	**-**	**281,594**
Carrying amounts			
At 1 January 2014	**50,942**	**34,415**	**85,357**
At 31 December 2014	**59,990**	**21,163**	**81,153**
At 1 January 2015	**59,990**	**21,163**	**81,153**
At 31 December 2015	**46,053**	**41,106**	**87,159**

Group: Included in additions and disposals are transfers between the groups of intangible assets. Purchases of intangible assets during year 2015 were in amount of RON 35,204 thousand (2014: RON 24,612 thousand).

Bank: Included in additions and disposals are transfers between the groups of intangible assets. Purchases of intangible assets during year 2015 were in amount of RON 35,166 thousand (2014: RON 24,607 thousand).

25. Receivables, liabilities, expenses and income deferred tax

Deferred tax assets as at December 31, 2015 are attributable to the items detailed in the table below:

Group

In RON thousand	Assets	Liabilities	Net	Deferred tax asset/(liability)
Investment in associates and joint ventures	46,993	1,789	45,204	7,233
Property, plant and equipment and intangible assets	1,632	67,820	(66,188)	(10,591)
Other assets	28,654	-	28,654	4,585
Other liabilities	86,525	37	86,488	13,838
Valuation reserve financial assets (AFS)	119	71,906	(71,787)	(11,486)
Provisions for liabilities and charges	75,741	-	75,741	12,119
Fiscal loss	101	-	101	16
Total	**239,765**	**141,552**	**98,213**	**15,714**

Bank

In RON thousand	Assets	Liabilities	Net	Deferred tax asset/(liability)
Investment in associates and joint ventures	46,993	1,789	45,204	7,233
Property, plant and equipment and intangible assets	1,632	67,820	(66,188)	(10,590)
Other assets	28,654	-	28,654	4,585
Other liabilities	86,525	37	86,488	13,838
Valuation reserve financial assets (AFS)	119	71,906	(71,787)	(11,486)
Provisions for liabilities and charges	75,115	-	75,115	12,018
Total	**239,038**	**141,552**	**97,486**	**15,598**

Deferred tax assets as at December 31, 2014 are attributable to the items detailed in the table below:

Group

In RON thousand	Assets	Liabilities	Net	Deferred tax asset/(liability)
Investment in associates and joint ventures	46,993	-	46,993	7,519
Property, plant and equipment and intangible assets	-	71,770	(71,770)	(11,483)
Other assets	23,728	-	23,728	3,796
Other liabilities	91,599	-	91,599	14,657
Valuation reserve financial assets (AFS)	(3,497)	-	(3,497)	(560)
Provisions for liabilities and charges	86,963	-	86,963	13,914
Total	**245,786**	**71,770**	**174,016**	**27,843**

Bank

In RON thousand	Assets	Liabilities	Net	Deferred tax asset/(liability)
Investment in associates and joint ventures	46,993	-	46,993	7,519
Property, plant and equipment and intangible assets	-	71,770	(71,770)	(11,483)
Other assets	23,728	-	23,728	3,796
Other liabilities	91,599	-	91,599	14,657
Valuation reserve financial assets (AFS)	(3,497)	-	(3,497)	(560)
Provisions for liabilities and charges	85,114	-	85,114	13,618
Total	**243,937**	**71,770**	**172,167**	**27,547**

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Investment in associates and joint ventures	(286)	-	(286)	-
Property, plant and equipment and intangible assets	893	(788)	893	(788)
Other assets	1,634	621	1,634	621
Other liabilities	(818)	493	(818)	493
Provisions for liabilities and charges	(1,796)	(612)	(1,600)	(705)
Fiscal loss	16	(724)	-	(863)
Deferred tax expense	**(357)**	**(1,010)**	**(177)**	**(1,242)**

Deferred tax related to items recognised in Other Comprehensive Income during the year:

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Unrealised gain on Available for sale financial assets	*(11,766)*	*-*	*(11,772)*	*-*
Deferred tax charged to Other Comprehensive Income	***(11,766)***	***-***	***(11,772)***	***-***

26. Other assets

In RON thousand	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Prepayments	*30,276*	*29,918*	*30,217*	*29,860*
Income receivable	*2,420*	*1,880*	*2,420*	*1,880*
Clearing claims from payment transfer business (i)	*61,911*	*83,715*	*61,911*	*83,715*
Receivable from sale of loans	*8,937*	*5,583*	*8,937*	*5,583*
Sundry debtors (ii)	*30,414*	*28,812*	*39,222*	*38,801*
Inventories	*10,487*	*8,624*	*10,487*	*8,624*
Other	*5,246*	*8,070*	*-*	*-*
Total	***149,691***	***166,602***	***153,194***	***168,463***

ii) Clearing claims from payment transfer business include credit cards transactions of RON 37,370 thousand (2014: RON 30,382 thousand), sales and purchase of cash transactions of RON 22,437 thousand (2014: RON 7,447 thousand), Western Union transactions in course of settlement of RON 1,768 thousand (2014: RON 44,682 thousand) and other transactions in course of clarification.

iii) ***Group:*** Sundry debtors balance is presented at net book value, respectively gross book value in amount of 73,897 RON thousand (2014: 66,210 RON thousand) decreased with impairment in amount of RON 43,483 thousand (2014: RON 37,398 thousand).
Bank: Sundry debtors balance is presented at net book value, respectively gross book value in amount of 82,705 RON thousand (2014: 76,199 RON thousand) decreased with impairment in amount of RON 43,483 thousand (2014: RON 37,398 thousand).

27. Deposits from banks

In RON thousand	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Payable on demand	*499,652*	*422,195*	*499,652*	*422,196*
Sight deposits	*96,000*	*38,300*	*96,000*	*38,300*
Term deposits	*31,430*	*72,526*	*31,430*	*72,526*
Total	***627,082***	***533,021***	***627,082***	***533,022***

28. Deposits from customers

In RON thousand	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Payable on demand				
Retail customers	6,692,067	4,833,789	6,692,067	4,833,790
Non-retail customers	5,027,800	1,979,476	5,031,404	1,979,476
	11,719,867	6,813,265	11,723,471	6,813,266
Term deposits				
Retail customers	9,257,098	9,398,593	9,257,098	9,398,593
Non-retail customers	2,761,333	4,854,642	2,761,333	4,860,656
	12,018,431	**14,253,235**	**12,018,431**	**14,259,249**
Savings accounts				
Retail customers	1,294	1,358	1,294	1,357
	1,294	**1,358**	**1,294**	**1,357**
Total	**23,739,592**	**21,067,858**	**23,743,196**	**21,073,872**

29. Loans from banks and other financial institutions and debt securities issued

In RON thousand	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Commercial banks	1,208,073	1,007,326	1,208,073	1,007,326
Development banks	247,569	421,278	247,569	421,278
Other financial institutions	168,833	48,269	168,833	48,269
Total	**1,624,475**	**1,476,873**	**1,624,475**	**1,476,873**

The loans received from banks and other financial institutions are denominated in EUR, CHF and RON with a final maturity, which varies between May 2016 and July 2026.

In RON thousand	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Senior loans from banks and financial institutions	1,624,475	1,476,873	1,624,475	1,476,873
Of which unsecured	1,444,646	1,198,206	1,444,646	1,198,206
Debt securities issued	739,694	740,287	746,285	746,890
Subordinated (Note 32)	950,436	923,655	950,436	923,655
Total long term debt	**3,314,605**	**3,140,815**	**3,321,196**	**3,147,418**

The below table shows the split of total long term debt by contractual maturities as of December 31, 2015:

Group

In RON thousand	**Less than 1 year**	**Over 1 year**	**Total**
Senior loans from banks and financial institutions	624,068	1,000,407	1,624,475
Of which unsecured	574,757	869,889	1,444,646
Debt securities issued	243,452	496,242	739,694
Subordinated (Note 32)	5,745	944,691	950,436
Total long term debt	**873,265**	**2,441,340**	**3,314,605**

Bank

In RON thousand	**Less than 1 year**	**Over 1 year**	**Total**
Senior loans from banks and financial institutions	624,068	1,000,407	1,624,475
Of which unsecured	574,757	869,889	1,444,646
Debt securities issued	246,323	499,962	746,285
Subordinated (Note 32)	5,745	944,691	950,436
Total long term debt	**876,136**	**2,445,060**	**3,321,196**

The below table shows the split of total long term debt by contractual maturities as of December 31, 2014:

Group

In RON thousand	**Less than 1 year**	**Over 1 year**	**Total**
Senior loans from banks and financial institutions	601,450	875,423	1,476,873
Of which unsecured	567,608	630,598	1,198,206
Debt securities issued	21,966	718,321	740,287
Subordinated (Note 32)	5,185	918,470	923,655
Total long term debt	**628,601**	**2,512,214**	**3,140,815**

Bank

In RON thousand	**Less than 1 year**	**Over 1 year**	**Total**
Senior loans from banks and financial institutions	601,450	875,423	1,476,873
Of which unsecured	567,608	630,598	1,198,206
Debt securities issued	21,966	724,924	746,890
Subordinated (Note 32)	5,185	918,470	923,655
Total long term debt	**628,601**	**2,518,817**	**3,147,418**

Long term debt includes senior debt issued, senior loans and subordinated loans from banks. Senior debt has greater seniority in the bank's liabilities structure than subordinated debt and regulatory capital instruments as regulated by applicable insolvency law.

As of December 31, 2015, the Group has outstanding long term debt in the form of debt securities issued, the two issues from 2013 and 2014, which are tradeable on Bucharest Stock Exchange (BSE). As of December 31, 2015, the Bank has outstanding long term debt in the form of debt securities issued, the two issues from 2013 and 2014, which are tradeable on Bucharest Stock Exchange (BSE).

Group: The balance of debt securities issued as at December 31, 2015, including accrued interest, is in amount of RON 739,694 thousand (December 31, 2014: RON 740,287 thousand).

Bank: The balance of debt securities issued as at December 31, 2015, including accrued interest, is in amount of RON 746,285 thousand (December 31, 2014: RON 746,890 thousand).

The Group makes sure that all the necessary measures are taken in order to ensure the compliance with the financial covenants that may be attached to the loans from banks and other financial institutions. Consequently, there have been no breaches in the financial covenants of any loans from banks and other financial institutions in the analyzed period.

30. Provisions

	Group		Bank	
In RON thousand	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Provisions for litigations and potential risks	*45,125*	*6,166*	*45,125*	*6,166*
Provision for un-drawn commitments	*30,030*	*35,353*	*30,030*	*35,353*
Provision for employee benefits	*4,724*	*4,911*	*4,724*	*4,911*
Provisions for overdue vacations	*8,112*	*8,112*	*8,112*	*8,112*
Provisions for share incentive plan	*2,816*	*2,044*	*2,816*	*2,044*
Provisions for severance payments and similar obligations	*490*	*780*	*490*	*780*
Sundry provisions	*2,100*	*3,143*	*2,100*	*3,143*
Total	***93,397***	***60,509***	***93,397***	***60,509***

Group

During 2015 the provisions can be further analyzed as follows:

In RON thousand	**Opening balance**	**Allocation**	**Release**	**Usage**	**FX**	**Total**
Provisions for litigations and potential risks	*6,166*	*42,393*	*-*	*(4,316)*	*882*	*45,125*
Provision for un-drawn commitments	*35,353*	*11,534*	*(16,926)*	*-*	*69*	*30,030*
Provisions for employee benefits	*4,911*	*-*	*(187)*	*-*	*-*	*4,724*
Provisions for overdue vacations	*8,112*	*-*	*-*	*-*	*-*	*8,112*
Provisions for share incentive plan	*2,044*	*772*	*-*	*-*	*-*	*2,816*
Provisions for severance payments and similar obligations	*780*	*-*	*(38)*	*(252)*	*-*	*490*
Sundry provisions	*3,143*	*5,570*	*(1,519)*	*(5,094)*	*-*	*2,100*
TOTAL	***60,509***	***60,269***	***(18,670)***	***(9,662)***	***951***	***93,397***

During 2014 the provisions can be further analyzed as follows:

In RON thousand	**Opening balance**	**Allocation**	**Release**	**Usage**	**FX**	**Reclassifications**	**Total**
Provisions for litigations and potential risks	*6,377*	*6,379*	*(5,654)*	*-*	*-*	*(936)*	*6,166*
Provision for un-drawn commitments	*23,530*	*24,235*	*(12,408)*	*-*	*(4)*	*-*	*35,353*
Provisions for employee benefits	*6,206*	*-*	*(1,295)*	*-*	*-*	*-*	*4,911*
Provisions for overdue vacations	*5,679*	*2,433*	*-*	*-*	*-*	*-*	*8,112*
Provisions for share incentive plan	*1,255*	*1,811*	*(1,021)*	*-*	*(1)*	*-*	*2,044*
Provisions for severance payments and similar obligations	*1,222*	*-*	*(61)*	*(381)*	*-*	*-*	*780*
Sundry provisions	*788*	*7,869*	*(120)*	*(6,330)*	*-*	*936*	*3,143*
TOTAL	***45,057***	***42,727***	***(20,559)***	***(6,711)***	***(5)***	***-***	***60,509***

Bank

During 2015 the provisions can be further analyzed as follows:

In RON thousand	***Opening balance***	***Allocation***	***Release***	***Usage***	***FX***	***Total***
Provisions for litigations and potential risks	*6,166*	*42, 393*	*-*	*(4,316)*	*882*	*45,125*
Provision for un-drawn commitments	*35,353*	*11,534*	*(16,926)*	*-*	*69*	*30,030*
Provisions for employee benefits	*4,911*	*-*	*(187)*	*-*	*-*	*4,724*
Provisions for overdue vacations	*8,112*	*-*	*-*	*-*	*-*	*8,112*
Provisions for share incentive plan	*2,044*	*772*	*-*	*-*	*-*	*2,816*
Provisions for severance payments and similar obligations	*780*	*-*	*(38)*	*(252)*	*-*	*490*
Sundry provisions	*3,143*	*5,570*	*(1,519)*	*(5,094)*	*-*	*2,100*
TOTAL	***60,509***	***60,269***	***(18,670)***	***(9,662)***	***951***	***93,397***

During 2014 the provisions can be further analyzed as follows:

In RON thousand	***Opening balance***	***Allocation***	***Release***	***Usage***	***FX***	***Reclassifications***	***Total***
Provisions for litigations and potential risks	*6,377*	*6,379*	*(5,654)*	*-*	*-*	*(936)*	*6,166*
Provision for un-drawn commitments	*23,530*	*24,235*	*(12,408)*	*-*	*(4)*	*-*	*35,353*
Provisions for employee benefits	*6,206*	*-*	*(1,295)*	*-*	*-*	*-*	*4,911*
Provisions for overdue vacations	*5,679*	*2,433*	*-*	*-*	*-*	*-*	*8,112*
Provisions for share incentive plan	*1,255*	*1,811*	*(1,021)*	*-*	*(1)*	*-*	*2,044*
Provisions for severance payments and similar obligations	*1,222*	*-*	*(61)*	*(381)*	*-*	*-*	*780*
Sundry provisions	*788*	*7,869*	*(120)*	*(6,330)*	*-*	*936*	*3,143*
TOTAL	***45,057***	***42,727***	***(20,559)***	***(6,711)***	***(5)***	***-***	***60,509***

The provision for employee benefits is the Group's one off obligation to offer a number of salaries depending on the service period. The Group has calculated provision for contributions granted to employees on retirment as at year end 2015 using indicators such as: remaining number of years with the company up to retirement, probability that employee will stay with the company up to retirement, current salary, average number of salaries paid as benefit at retirement, age, sex, expected age of retirement as per current legislation.

The nature of provisions for litigation represents legal disputes. Expected timing of outflows for litigations represents the completion of the dispute and it cannot be appreciated, any assesment being slightest, depending on various factors. Given the complexity and inherent uncertainties related to the outcome of possible scenario regarding the provision for litigation, the Group's estimates needed may differ from actual obligation resulting from the completion of such legal disputes in future periods.

As of December 31, 2015, the Bank booked provisions for litigations generated by consumer loans. Those litigations are due to contractual clauses that may generate losses because they are considered unfair by customers. The existing provisions are both for ongoing litigations and for potential litigations that are not ongoing as of December 31, 2015, but might result in a litigation in the future and may generate losses as a result of potential unfavourable court decisions in class actions. The total amount of the provision for litigations with consumers as of December 31, 2015 is RON 41,460 thousands (2014: RON 4,364 thousands).

For off balance sheet commitments, provisions are calculated by multiplying net exposure (gross exposure minus allocate collateral value) with historical loss rates specific for each risk category, further adjusted with a standard Credit Conversion Factor (as defined under Basel) and with loss given default related to exposure not covered by collaterals.

Statistical assumptions used in provision computation in 2015 are consistent with those at year end 2014, revised as per current year available information.

31. Other liabilities

In RON thousand	Group 31 December 2015	Group 31 December 2014	Bank 31 December 2015	Bank 31 December 2014
Amounts due to state budget for social security	13,814	8,102	13,628	7,990
Short-term employee benefits	56,100	59,052	55,474	57,203
Accrual for suppliers	102,585	103,766	102,274	103,314
Cash in transit (i)	170,605	313,193	170,605	313,193
Deferred income	37,769	27,752	37,769	27,752
Other liabilities(ii)	60,988	51,632	60,990	51,632
Total	**441,861**	**563,497**	**440,740**	**561,084**

i) Cash in transit includes settlement amounts arising from transactions with debit instruments of RON 29,154 thousand (2014: RON 25,029 thousand), receipts which should be settled with other banks RON 563 thousand (2014: RON 103,442 thousand), payment orders of RON 69,279 thousand (2014 RON 78,611 thousand), payments which should be settled with other banks RON 15,497 thousand (2014: RON 52,376 thousand), receipts which should be settled with cash RON 39,640 thousand (2014: RON 41,111 thousand).

ii) Other liabilities include credit cards of RON 13,307 thousand (2014: RON 11,534 thousand), deposits representing the share capital at companies in course of set-up of RON 12,385 thousand (2014: RON 11,834 thousand), receivable from guarantees received of RON 5,533 thousand (2014: RON 4,565 thousand), VAT and other contributions to be paid to state budget of RON 2,762 thousand (2014: RON 1,487 thousand).

32. Subordinated liabilities

The subordinated loans in balance as of December 31, 2015 were in amount of EUR 170,000 thousand and CHF 42,000 thousand (December 31, 2014: EUR 170,000 thousand; CHF 42,000). The balance of subordinated liabilities as at December 31, 2015, in RON equivalents, including accrued interest is RON 950,436 thousand (December 31, 2014: RON 923,655 thousand). During 2015 the Group had no new subordinated liabilities drawn (2014: EUR 20,000 thousand).

33. Share capital and treasury shares

Share capital

As of December 31, 2015 the number of shares is 12,000 and in 2015 there were no changes in shares structure.

	Shares Issued	Treasury Shares	Shares outstanding
Balance at 1 January 2014	12,000,000,000	(30,502,026)	11,969,497,974
Purchase treasury shares for cash	-	(22,497,974)	(22,497,974)
Sale treasury shares for cash	-	53,000,000	53,000,000
Balance at 31 December 2014 (consolidated) *	**12,000**	**-**	**12,000**

*consolidated shares represents number of shares after the increase of nominal value to RON 100,000 per share (1:1,000,000)

On December 12, 2013 the General Meeting of Shareholders approved the increase of the nominal value of the shares issued by the bank from RON 0.1 (unconsolidated) per share to RON 100,000 for each consolidated share, the decision being effective starting with March 31, 2014. Therefore, starting with March 31, 2014 the share capital of the bank amounting to RON 12,000,000,000 is divided into 12,000 consolidated shares with a nominal value of RON 100,000 per share.

During the process of increase the nominal value of the shares issued by the Bank from RON 0.1 per share (unconsolidated) to RON 100,000 for each share (consolidated), the Bank has purchased a number of 22,497,974 shares (unconsolidated), both from individuals and corporate.

On November 24th, 2014 the share transfer of 53 shares (consolidated), meaning the equivalent of 53,000,000 unconsolidated shares held by Raiffeisen SEE Region Holding GmbH were registered in the shareholders' registry of the bank.

The dividends paid by Raiffeisen Bank S.A during 2015 were amounted to RON 606,000,000 out of which RON 471,579,516 from 2014 result and RON 134,420,484 from retained earnings.

The Group put forward for consideration to the General Meeting of Shareholders the distribution of dividends for the financial year of 2015 in total gross amount of RON 240,000,000.

The shareholders of the Group are as follows:

	31 December 2015 %	**31 December 2014 %**
Raiffeisen SEE Region Holding GmbH	99.925	99.925
Other shareholders:	0.075	0.075
Total	***100***	***100***

Treasury shares

In RON thousand	**2015**	**2014**
As at 1 January	**-**	***(8,234)***
Repurchased treasury shares	-	(2,250)
Difference between nominal value and redemption value	-	(3,824)
Sale of treasury shares	-	5,300
Difference between nominal value and redemption value	-	9,008
As at 31 December	**-**	**-**

34. Other reserves

	Group		***Bank***	
In RON thousand	***31 December 2015***	***31 December 2014***	***31 December 2015***	***31 December 2014***
Statutory reserve (i)	220,995	195,074	218,865	192,943
Fair value loss taken to equity (net of tax), available for sale investments	60,220	441	61,804	1,993
Total	***281,215***	***195,515***	***280,669***	***194,936***

Statutory reserves

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
At 1 January	**195,074**	**165,287**	**192,943**	**162,836**
Changes in consolidation group	-	-	-	320
Appropriations of profit	25,921	29,787	25,922	29,787
At 31 December	**220,995**	**195,074**	**218,865**	**192,943**

(i) Statutory reserves represent accumulated transfers from retained earnings in accordance with local banking regulations that require 5% of the Group's gross profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Group's share capital.

The statutory reserves are not distributable to shareholders.

Fair value reserve for financial assets available for sale

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
At 1 January	**441**	**1**	**1,993**	**1,670**
Change in fair value reserve (for available for sale financial assets)	59,779	440	59,812	323
At 31 December	**60,220**	**441**	**61,805**	**1,993**

35. Related party transactions

The Group entered into a number of banking transactions with Raiffeisen Bank International AG, the ultimate controlling party, and its subsidiaries in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.

The transactions and balances with related parties are presented in tables below:

Group

In RON thousand	Total 2015	Parent	Associates	Joint ventures	Key Personnel	Other interest
Trading assets	17,039	16,759	-	280	-	-
Derivative assets held for risk management	1,956	1,956	-	-	-	-
Deposits to banks	24,766	24,561	-	-	-	205
Loans and advances to customers	233,721	-	-	55,943	8,887	168,891
Investment securities	2,233	-	-	-	-	2,233
Other assets	8,962	315	595	2,624	21	5,407
Outstanding receivables	**288,677**	**43,591**	**595**	**58,847**	**8,908**	**176,736**
Derivative liabilities held for risk management	5,276	5,276	-	-	-	-
Trading liabilities	27,290	27,290	-	-	-	-
Deposits from banks	72,375	35,149	-	641	-	36,585
Deposits from customers	129,789	-	27	37,878	10,055	81,829
Loans from banks and other financial institutions	1,208,073	1,117,684	-	-	-	90,389
Debt securities issued	4,574	-	-	-	-	4,574
Subordinated liabilities	950,436	950,436	-	-	-	-
Other liabilities	16,435	12,148	-	-	-	4,287
Outstanding payables	**2,414,248**	**2,147,983**	**27**	**38,519**	**10,055**	**217,664**
Commitments given	263,727	87,755	-	28,644	810	146,518
Guarantees issued	141,042	122,906	-	2,779	-	15,357
Commitments received	678,675	678,675	-	-	-	-
Guarantees received	213,202	190,956	-	-	-	22,246
Notional amount of derivative instruments	3,137,095	3,121,181	-	15,914	-	-

In RON thousand	Total 2014	Parent	Associates	Joint ventures	Key Personnel	Other interest
Trading assets	50,059	49,505	-	547	-	7
Derivative assets held for risk management	3,414	3,414	-	-	-	-
Deposits to banks	94,637	93,702	-	-	-	935
Loans and advances to customers	275,304	-	-	88,900	7,547	178,857
Investment securities	2,179	-	-	-	-	2,179
Other assets	4,688	122	-	1,698	46	2,822
Outstanding receivables	**430,281**	**146,743**	**-**	**91,145**	**7,593**	**184,800**
Derivative liabilities held for risk management	7,046	7,046	-	-	-	-
Trading liabilities	18,381	18,380	-	1	-	-
Deposits from banks	121,222	76,479	-	40	-	44,703
Deposits from customers	194,615	-	28	25,887	7,713	160,987
Loans from banks and other financial institutions	1,007,327	828,437	-	-	-	178,890
Debt securities issued	10,461	-	-	-	-	10,461
Subordinated liabilities	923,655	923,655	-	-	-	-
Other liabilities	8,020	3,643	-	-	-	4,377
Outstanding payables	**2,290,727**	**1,857,640**	**28**	**25,928**	**7,713**	**399,418**
Commitments given	281,326	63,829	-	30,257	833	186,407
Guarantees issued	118,688	90,532	-	5,804	-	22,352
Commitments received	672,315	672,315	-	-	-	-
Guarantees received	178,015	157,518	-	-	-	20,497
Notional amount of derivative instruments	3,569,240	3,521,026	-	45,717	-	2,497

Bank

In RON thousand	Total 2015	Parent	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest
Trading assets	17,125	16,759	86	-	280	-	-
Derivative assets held for risk management	1,956	1,956	-	-	-	-	-
Deposits to banks	24,766	24,561	-	-	-	-	205
Loans and advances to customers	233,721	-	-	-	55,943	8,887	168,891
Investment securities	2,233	-	-	-	-	-	2,233
Investment in associates and joint ventures	76,761	-	10,686	6,069	60,006	-	-
Other assets	17,667	315	8,705	595	2,624	21	5,407
Outstanding receivables	**374,229**	**43,591**	**19,477**	**6,664**	**118,853**	**8,908**	**176,736**
Derivative liabilities held for risk management	5,276	5,276	-	-	-	-	-
Trading liabilities	27,290	27,290	-	-	-	-	-
Deposits from banks	72,375	35,149	-	-	641	-	36,585
Deposits from customers	133,393	-	3,604	27	37,878	10,055	81,829
Loans from banks and other financial institutions	1,208,073	1,117,684	-	-	-	-	90,389
Debt securities issued	11,171	-	6,597	-	-	-	4,574
Subordinated liabilities	950,436	950,436	-	-	-	-	-
Other liabilities	16,435	12,148	-	-	-	-	4,287
Outstanding payables	**2,424,449**	**2,147,983**	**10,201**	**27**	**38,519**	**10,055**	**217,664**
Commitments given	263,727	87,755	-	-	28,644	810	146,518
Guarantees issued	141,042	122,906	-	-	2,779	-	15,357
Commitments received	678,675	678,675	-	-	-	-	-
Guarantees received	213,202	190,956	-	-	-	-	22,246
Notional amount of derivative instruments	3,145,619	3,121,181	8,524	-	15,914	-	-

In RON thousand	Total 2014	Parent	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest
Trading assets	50,059	49,505	5	-	542	-	7
Derivative assets held for risk management	3,414	3,414	-	-	-	-	-
Deposits to banks	94,637	93,702	-	-	-	-	935
Loans and advances to customers	275,304	-	-	-	88,900	7,547	178,857
Investment securities	2,179	-	-	-	-	-	2,179
Investment in associates and joint ventures	76,761	-	10,686	6,069	60,006	-	-
Other assets	14,677	122	9,990	-	1,697	46	2,822
Outstanding receivables	**517,031**	**146,743**	**20,681**	**6,069**	**151,145**	**7,593**	**184,800**
Derivative liabilities held for risk management	7,046	7,046	-	-	-	-	-
Trading liabilities	18,641	18,380	260	-	1	-	-
Deposits from banks	121,222	76,479	-	-	40	-	44,703
Deposits from customers	200,629	-	6,014	28	25,887	7,713	160,987
Loans from banks and other financial institutions	1,007,327	828,437	-	-	-	-	178,890
Debt securities issued	17,064	-	6,603	-	-	-	10,461
Subordinated liabilities	923,655	923,655	-	-	-	-	-
Other liabilities	8,020	3,643	-	-	-	-	4,377
Oustanding payables	**2,303,604**	**1,857,640**	**12,877**	**28**	**25,928**	**7,713**	**399,418**
Commitments given	281,326	63,829	-	-	30,257	833	186,407
Guarantees issued	118,688	90,532	-	-	5,804	-	22,352
Commitments received	672,315	672,315	-	-	-	-	-
Guarantees received	178,015	157,518	-	-	-	-	20,497
Notional amount of derivative instruments	3,590,454	3,521,026	21,214	-	45,717	-	2,497

Group

In RON thousand	Total 2015	Parent	Associates	Joint ventures	Key Personnel	Other interest
Interest income	10,822	806	-	2,489	238	7,289
Interest expenses	(71,349)	(68,734)	-	(55)	(63)	(2,497)
Fees and commissions income	24,013	440	129	7,253	3	16,188
Fees and commissions expenses	(15,120)	(810)	-	-	-	(14,310)
Net trading income	(2,947)	(3,129)	-	182	-	-
Operating expenses	(55,446)	(37,324)	-	(1,227)	-	(16,895)
Personnel expenses	(33,117)	-	-	-	(33,117)	-
Other operating income	8,971	-	1,845	4,364	-	2,762

In RON thousand	Total 2014	Parent	Associates	Joint ventures	Key Personnel	Other interest
Interest income	17,584	5,522	-	3,521	279	8,262
Interest expenses	(74,987)	(69,427)	(3)	(266)	(75)	(5,216)
Fees and commissions income	52,284	491	1	4,190	3	47,599
Fees and commissions expenses	(12,942)	(6)	-	-	-	(12,936)
Net trading income	55,200	54,836	-	368	-	(4)
Operating expenses	(59,177)	(32,911)	-	-	-	(26,266)
Personnel expenses	(21,559)	-	-	-	(21,559)	-
Other operating income	6,449	-	-	4,220	-	2,229

Operating expenses include mostly IT costs, legal, advisory and consulting expenses and office space expenses such as rental, maintenance and others.

Bank

In RON thousand	Total 2015	Parent	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest
Interest income	10,822	806	-	-	2,489	238	7,289
Interest expenses	(71,700)	(68,734)	(351)	-	(55)	(63)	(2,497)
Fees and commissions income	78,972	440	54,959	129	7,253	3	16,188
Fees and commissions expenses	(15,120)	(810)	-	-	-	-	(14,310)
Net trading income	(2,862)	(3,129)	85	-	182	-	-
Operating expenses	(55,809)	(37,324)	(363)	-	(1,227)	-	(16,895)
Personnel expenses	(33,117)	-	-	-	-	(33,117)	-
Other operating income	34,008	-	25,037	1,845	4,364	-	2,762

In RON thousand	Total 2014	Parent	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest
Interest income	17,584	5,522	-	-	3,521	279	8,262
Interest expenses	(75,345)	(69,427)	(315)	(3)	(309)	(75)	(5,216)
Fees and commissions income	88,672	491	36,338	1	4,240	3	47,599
Fees and commissions expenses	(12,942)	(6)	-	-	-	-	(12,936)
Net trading income	55,200	54,836	-	-	368	-	(4)
Operating expenses	(59,808)	(32,911)	(313)	-	(318)	-	(26,266)
Personnel expenses	(21,559)	-	-	-	-	(21,559)	-
Other operating income	24,213	-	17,674	-	4,310	-	2,229

The Group has concluded a number of selling contracts with RIEEF, an entity held in proportion of 100% by Raiffeisen Bank International, through which, loan contracts concluded by the Group with legal entities and individuals have been sold to the above mentioned entity. The accounting value of the loans sold during the financial year 2015 is of RON 1,882 thousand (2014: RON 3,083 thousand). In May 2015 the Group purchased from RIEEF the individuals loan portfolio in amount of RON 1.1 billion. In order to finance the purchased assets the group also took two financing facilities granted by Raiffeisen International Bank in total amount of EUR 205 million, one new financing facility of EUR 100mn and an existing one transferred from RIEEF in amount of EUR 105mn.

Transactions with key management personnel

Key management personnel is comprised of the members of the Supervisory Board, Management Board and other senior management as defined by the National Bank of Romania Regulation no.5/20.12.2013 related to the prudential requirements for credit institutions and amended by the Regulation no.5/17.12.2014. The transactions between the Group and key management personnel are in the normal course of business, representing: loans granted, deposits placed, foreign currency transactions and guarantees issued.

The volumes of related-party transactions as at year-ends and expense and income for the year are presented in the below tables.

In RON thousand	Group		Bank	
	2015	2014	2015	2014
Loans	8,887	7,547	8,887	7,547
Interest income and fees and commission income	241	283	241	283
Deposits	10,055	7,713	10,055	7,713
Interest expense paid	(63)	75	(63)	75

No impairment losses have been recognized in respect of loans given to key management personnel of the Group (31 December 2014: RON nil).

The following table shows total remuneration of the members of the Key management personnel according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards, respectively IAS 19 and IFRS 2:

Key management personnel compensation

	Group		Bank	
In RON thousand	**2015**	**2014**	**2015**	**2014**
Short-term employee benefits	29,830	20,777	29,830	20,777
Other long term benefits	2,534	-	2,534	-
Share-based payment	753	782	753	782
Total compensation	***33,117***	***21,559***	***33,117***	***21,559***

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits and those parts of the bonuses which become due for the short term. Furthermore, changes possibly arising from the difference between the bonus provision and the later awarded bonus are also contained. Other long-term benefits contains portions of the provision for bonus payments regarding deferred bonus portions in cash and retained portion payable in instruments. For the latter, valuation changes due to currency fluctuations are taken into account.

The increase in key management personnel compensation in 2015 compared to 2014 is due to the fact that in 2014, according to Group policy, no performance bonus was granted. Another factor generating the variance is the increase in number of personnel included in the category of key management.

36. Transfer of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets to third parties. The information below sets out the extent of such transfers, and the Group's retained interest in transferred assets.

RI Eastern European Finance B.V. (RIEEF)
The Group has sold retail and non-retail loans and advances to customer's portfolios to RIEEF, a related party (Note 35). The Group provides asset management services related to the respective transferred loan portfolios on an arm's length basis. The Group has transferred substantially all risks and rewards related to the transferred assets; as such the transferred assets are not included in these financial statements. The management fees are included in fees and commission income the value for 2015 being of RON 3,129 thousand (2014: RON 5,386 thousands).

37. Commitments and contingencies

*i) Contingent assets*In 2015, the Group sold corporate loans to RIEEF amounting RON 1,882 thousand (the equivalent of EUR 424 thousand). In 2014, the sale of corporate loans to RIEEF amounted to RON 3,083 thousand (the equivalent of EUR 694 thousand).

The price received by the Group had the following two components:

i) a fixed component set and cashed in at the transaction date;
ii) a variable component – betterment payment - set and cashed in on a monthly basis for the remaining period until maturity.

For non-retail customers the price includes only fixed component and for retail customers the price includes fixed or variable component.

The variable component of the price represents a financial instrument for which there is no active market or recent transactions. Furthermore, the measurement technique using the present value of future cash flows leads to a series of fair values, framed in a wide interval of values due to the uncertainty related to the future cash flows.

The variable component of the price is computed as the net interest rate margin of the loan portfolio and depends on the variable factors such as: EURIBOR rates, financing costs, cash collected from customers, portfolio non-payment rate and anticipated payments rate. The accurate expectation of the evolution of these elements, which sets the variable component of the selling price, has a high level of volatility and, thus, the measurement technique using the present value of the future cash flows does not represent a measurement model which may be used for recording a financial asset.

The cashed in variable component of the selling price during the year 2015 amounts to RON 12,159 thousand (2014: RON 56,689 thousand) and was recorded as commission income (please refer to note 8).

ii) Credit related commitments

Guarantees and letters of credit
The Group issues guarantees and letters of credit for its customers. Guarantees and letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. The primary purpose of letters of credit is to ensure that funds are available to a customer as required.

Credit related commitments
Loan commitments represent unused amounts of approved credit facilities. The total outstanding contractual amount of commitments does not necessarily need future cash fundings, since many of these commitments will be closed without being used.

Off-balance sheet contractual amounts of commitments, guarantees and letters of credit issued are presented in the following table:

	Group		Bank	
In RON thousand	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Loan commitments	6,732,669	6,401,128	6,732,669	6,401,128
Guarantees issued	1,479,072	1,776,918	1,479,072	1,776,918
Letters of credit	309,734	399,721	309,734	399,721
Total	**8,521,475**	**8,577,767**	**8,521,475**	**8,577,767**

iii) Contingencies from Operating lease
Contingencies from operating lease rentals are as follows:

	Group		Bank	
In RON thousand	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Less than 1 year	110,228	114,537	110,011	113,703
1 – 5 year	274,087	320,711	273,222	317,377
More than 5 years	172,853	245,626	171,274	238,700
Total	**557,168**	**680,874**	**554,507**	**669,780**

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

Group

In RON thousand	***Within 12 months 2015***	***After 12 months 2015***	***Total 2015***	***Within 12 months 2014***	***After 12 months 2014***	***Total 2014***
Cash and cash with Central Bank	*6,981,390*	*-*	*6,981,390*	*7,853,134*	*-*	*7,853,134*
Trading assets	*527,133*	*-*	*527,133*	*83,636*	*-*	*83,636*
Derivative assets held for risk management	*1,956*	*-*	*1,956*	*3,417*	*-*	*3,417*
Loans and advances to banks	*1,138,893*	*-*	*1,138,893*	*904,144*	*-*	*904,144*
Loans and advances to customers	*6,843,183*	*11,310,403*	*18,153,586*	*6,292,463*	*9,817,612*	*16,110,075*
Investment securities	*2,488,334*	*1,627,463*	*4,115,797*	*1,829,393*	*1,389,861*	*3,219,254*
Investment in associates and joint ventures	*-*	*102,192*	*102,192*	*-*	*112,103*	*112,103*
Property, plant and equipment	*-*	*212,958*	*212,958*	*-*	*227,347*	*227,347*
Intangible assets	*-*	*87,223*	*87,223*	*-*	*81,218*	*81,218*
Deferred tax assets	*-*	*15,714*	*15,714*	*-*	*27,843*	*27,843*
Other assets	*140,040*	*9,651*	*149,691*	*157,434*	*9,168*	*166,602*
Total	***18,120,929***	***13,365,604***	***31,486,533***	***17,123,621***	***11,665,152***	***28,788,773***
Trading liabilities	*37,902*	*-*	*37,902*	*54,055*	*-*	*54,055*
Derivative liabilities held for risk management	*5,332*	*-*	*5,332*	*7,047*	*-*	*7,047*
Deposits from banks	*600,751*	*26,331*	*627,082*	*491,642*	*41,379*	*533,021*
Deposits from customers	*23,529,419*	*210,173*	*23,739,592*	*20,740,935*	*326,923*	*21,067,858*
Current tax liabilities	*16,167*	*-*	*16,167*	*31,586*	*-*	*31,586*
Loans from banks and other financial institutions	*624,068*	*1,000,407*	*1,624,475*	*601,449*	*875,424*	*1,476,873*
Debt securities issued	*243,452*	*496,242*	*739,694*	*21,966*	*718,321*	*740,287*
Subordinated liabilities	*5,745*	*944,691*	*950,436*	*5,185*	*918,470*	*923,655*
Provisions	*44,684*	*48,713*	*93,397*	*52,840*	*7,669*	*60,509*
Other liabilities	*428,199*	*13,662*	*441,861*	*546,401*	*17,096*	*563,497*
Total	***25,535,719***	***2,740,219***	***28,275,938***	***22,553,106***	***2,905,282***	***25,458,388***

Bank

In RON thousand	Within 12 months 2015	After 12 months 2015	Total 2015	Within 12 months 2014	After 12 months 2014	Total 2014
Cash and cash with Central Bank	6,981,376	-	6,981,376	7,853,128	-	7,853,128
Trading assets	527,218	-	527,218	83,636	-	83,636
Derivative assets held for risk management	1,956	-	1,956	3,367	47	3,414
Loans and advances to banks	1,138,893	-	1,138,893	904,128	-	904,128
Loans and advances to customers	6,843,183	11,310,403	18,153,586	6,292,463	9,817,612	16,110,075
Investment securities	2,487,564	1,607,125	4,094,689	1,827,794	1,371,316	3,199,110
Investment in associates and joint ventures	-	76,761	76,761	-	76,761	76,761
Property, plant and equipment	-	212,695	212,695	-	227,170	227,170
Intangible assets	-	87,159	87,159	-	81,153	81,153
Deferred tax assets	-	15,598	15,598	-	27,547	27,547
Other assets	143,543	9,651	153,194	159,295	9,168	168,463
Total	**18,123,733**	**13,319,392**	**31,443,125**	**17,123,811**	**11,610,774**	**28,734,585**
Trading liabilities	37,902	-	37,902	54,314	-	54,314
Derivative liabilities held for risk management	5,276	-	5,276	7,046	-	7,046
Deposits from banks	600,751	26,331	627,082	491,643	41,379	533,022
Deposits from customers	23,533,023	210,173	23,743,196	20,746,949	326,923	21,073,872
Current tax liabilities	16,095	-	16,095	30,454	-	30,454
Loans from banks and other financial institutions	624,068	1,000,407	1,624,475	601,449	875,424	1,476,873
Debt securities issued	246,323	499,962	746,285	21,966	724,924	746,890
Subordinated liabilities	5,745	944,691	950,436	5,185	918,470	923,655
Provisions	44,684	48,713	93,397	52,840	7,669	60,509
Other liabilities	427,078	13,662	440,740	543,988	17,096	561,084
Total	**25,540,945**	**2,743,939**	**28,284,884**	**22,555,834**	**2,911,885**	**25,467,719**

39. Capital

The Capital management of the Group is defined through the capital strategy approved by the Management Board and is reviewed at least once every year. The primary objective of the Group's capital management is to ensure an adequate level of capital which meets not only the regulatory requirements, but also the limits set in the capital strategy. The Management Board of the Group actively manages the capital structure and seeks to maintain at all times a higher level of capital than the regulatory one in order to ensure a comfortable position in achieving the Group's business objectives. No major changes have been made to the objectives and policies regarding capital management compared to the previous year.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012 requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5 %, a minimum Tier 1 capital ratio of 6 % and a minimum total capital ratio of 8 % and the Group is compliant with these requirements.

In RON thousand	Group 2015	Group 2014	Bank 2015	Bank 2014
Tier 1 Capital	2,604,026	2,639,844	2,531,344	2,588,458
Tier 2 Capital	854,982	889,557	844,591	882,879
Total capital	**3,459.008**	**3,529,401**	**3,375,935**	**3,471,337**
Risk weighted assets	**18,735,484**	**17,518,204**	**18,168,762**	**17,004,645**
Common Equity Tier 1 Capital ratio	13.90%	15.07%	13.93%	15.22%
Tier 1 Capital ratio	13.90%	15.07%	13.93%	15.22%
Total Capital ratio	18.46%	20.15%	18.58%	20.41%

Regulatory capital consists of Tier 1 and Tier 2 layers of capital. Tier 1 is made of equity (excluding current year profit) and deductions according to legislation in force. Tier 2 capital includes subordinated long term debt and deductions according to legislation in force.

40. Segments Consolidation

Key decisions are made by chief operating decision makers determining the resources allocated to each segment based on its financial strength and profitability.

The Group follows financial performance and steers the business by segments and products, namely customer business consists of Corporate, Retail, Financial Institutions and Own employees. Corporate comprises legal entities with an annual turnover exceeding EUR 5 million. Retail contains individual clients and legal entities with an annual turnover below the EUR 5 million threshold (small and medium entities), while Financial Institutions (part of Treasury Division) deals with brokers, banks, insurance companies, leasing firms, investment and pension funds, as well as asset management companies.

The Group offers a wide array of banking services to its customers, adapted to the ever changing needs of our clients, but with maintained focus on the basics of banking. Customer business lines bring in more than 85% of the Group's operating income, with following specifics worth mentioning: corporate clients chiefly draw their revenue streams from lending business, followed by fees from cash management, account services, foreign currency deals and investment banking activity. Small clients also share these characteristics, while their unique business traits are visible through more intense payment and account activity, thus generating visibly greater proportion of the revenues as fees. Private individual customers provide a highly diversified revenue source for the Group, mainly from unsecured loans, credit card and overdraft facilities, but also from mortgage loans, saving products and transactional business, FX deals and asset management services, as well as from the activity of intermediating transactions on the stock exchange; the Group continues to focus its attention on promoting alternative channels usage and thus provide improved services with advantages for both sides. Revenues are also brought in from loans and deposits granted to own employees, reported below as part of segment "Others".

Proprietary business consists of Treasury Division (less Financial Institutions) and "Others" segment (less Own employees). The first mainly provides income streams from treasury activities, namely trading revenues, net income from financial assets held at fair value through profit and loss, as well as from interest contribution. The latter shows revenues mainly obtained as a result of transfers among segments, capital benefit, income generated by participations.

Regarding the segmentation by geographical area, the Group is performing it's activity mainly under geographical area of Romania.

Group

In RON thousand	***Corporate Customers 2015***	***Private Individuals 2015***	***SME 2015***	***Treasury Division 2015***	***Others 2015***	***Total unit 2015***
Total Assets before impairment losses on loans and advances	*6,280,854*	*10,827,494*	*1,594,781*	*11,318,675*	*2,499,615*	*32,521,419*
Impairment losses on loans and advances	*(341,895)*	*(577,744)*	*(105,917)*	*-*	*(9,330)*	*(1,034,886)*
Total Assets	***5,938,959***	***10,249,750***	***1,488,864***	***11,318,675***	***2,490,285***	***31,486,533***
Total Liabilities	***6,001,488***	***12,433,992***	***4,351,550***	***3,712,160***	***1,776,748***	***28,275,938***
Equity	***-***	***-***	***-***	***-***	***3,210,595***	***3,210,595***
Net interest income	*206,468*	*621,811*	*166,369*	*2,686*	*57,313*	*1,054,647*
Net commission income	*101,283*	*340,165*	*171,304*	*16,153*	*1,101*	*630,006*
Net Trading income	*47,419*	*103,790*	*54,810*	*81,605*	*893*	*288,517*
Net income from financial instruments carried at fair value	*396*	*7,130*	*3,550*	*(6,244)*	*3*	*4,835*
Other net operating income	*(11)*	*(1)*	*-*	*(1)*	*27,054*	*27,041*
Total Operating income	***355,555***	***1,072,895***	***396,033***	***94,199***	***86,364***	***2,005,046***
Operating expenses	*(84,714)*	*(366,880)*	*(116,267)*	*(24,190)*	*(89,107)*	*(681,158)*
Personnel expenses	*(76,311)*	*(322,222)*	*(101,075)*	*(21,941)*	*(6,809)*	*(528,358)*
Net provisioning for impairment losses	*(73,487)*	*(184,770)*	*(26,936)*	*-*	*(3,819)*	*(289,012)*
Share of loss of associates	*69*	*1,687*	*198*	*-*	*1,291*	*3,245*
Profit before tax	***121,112***	***200,710***	***151,953***	***48,068***	***(12,080)***	***509,763***
Income taxes	*-*	*-*	*-*	*-*	*(83,332)*	*(83,332)*
Profit after tax	***121,112***	***200,710***	***151,953***	***48,068***	***(95,412)***	***426,431***

In RON thousand	***Corporate Customers 2014***	***Private Individuals 2014***	***SME 2014***	***Treasury Division 2014***	***Others 2014***	***Total unit 2014***
Total Assets before impairment losses on loans and advances	*5,977,879*	*9,061,132*	*1,541,545*	*10,673,642*	*2,501,398*	*29,755,596*
Impairment losses on loans and advances	*(343,978)*	*(509,440)*	*(107,807)*	*-*	*(5,598)*	*(966,823)*
Total Assets	***5,633,901***	***8,551,692***	***1,433,738***	***10,673,642***	***2,495,800***	***28,788,773***
Total Liabilities	***5,329,435***	***11,212,417***	***3,802,211***	***3,263,059***	***1,851,266***	***25,458,388***
Equity	***-***	***-***	***-***	***-***	***3,330,385***	***3,330,385***
Net interest income	*214,581*	*568,917*	*173,158*	*(26,199)*	*114,621*	*1,045,078*
Net commission income	*120,648*	*366,878*	*169,792*	*21,644*	*1,061*	*680,023*
Net Trading income	*49,715*	*83,087*	*46,305*	*100,824*	*814*	*280,745*
Net income from financial instruments carried at fair value	*551*	*1,293*	*162*	*31,706*	*60*	*33,772*
Other net operating income	*-*	*-*	*-*	*-*	*28,210*	*28,210*
Total Operating income	***385,495***	***1,020,175***	***389,417***	***127,975***	***144,766***	***2,067,828***
Operating expenses	*(77,978)*	*(381,162)*	*(119,111)*	*(22,548)*	*(65,601)*	*(666,400)*
Personnel expenses	*(66,256)*	*(292,919)*	*(93,029)*	*(21,177)*	*(7,845)*	*(481,226)*
Net provisioning for impairment losses	*(119,712)*	*(156,358)*	*(36,761)*	*-*	*(1,155)*	*(313,986)*
Share of loss of associates	*439*	*2,223*	*398*	*(153)*	*1,991*	*4,898*
Profit before tax	***121,988***	***191,959***	***140,914***	***84,097***	***72,156***	***611,114***
Income taxes	*-*	*-*	*-*	*-*	*(98,621)*	*(98,621)*
Profit after tax	***121,988***	***191,959***	***140,914***	***84,097***	***(26,465)***	***512,493***

Bank

In RON thousand	Corporate Customers 2015	Private Individuals 2015	SME 2015	Treasury Division 2015	Others 2015	Total unit 2015
Total Assets before impairment losses on loans and advances	6,280,854	10,827,494	1,594,781	11,273,432	2,501,450	32,478,011
Impairment losses on loans and advances	(341,895)	(577,744)	(105,917)	-	(9,330)	(1,034,886)
Total Assets	**5,938,959**	**10,249,750**	**1,488,864**	**11,273,432**	**2,492,120**	**31,443,125**
Total Liabilities	**6,001,488**	**12,433,992**	**4,351,550**	**3,712,160**	**1,785,694**	**28,284,884**
Equity	**-**	**-**	**-**	**-**	**3,158,241**	**3,158,241**
Net interest income	206,468	621,811	166,369	1,559	57,313	1,053,520
Net commission income	100,411	322,761	168,782	16,153	1,099	609,206
Net Trading income	47,419	103,790	54,810	81,349	893	288,261
Net income from financial instruments carried at fair value	396	7,130	3,550	(6,244)	3	4,835
Other net operating income	-	-	-	-	54,120	54,120
Total Operating income	**354,694**	**1,055,492**	**393,511**	**92,817**	**113,428**	**2,009,942**
Operating expenses	(84,587)	(364,349)	(115,900)	(24,190)	(89,106)	(678,132)
Personnel expenses	(76,142)	(318,873)	(100,589)	(21,941)	(6,810)	(524,355)
Net provisioning for impairment losses	(73,487)	(184,770)	(26,936)	-	(3,819)	(289,012)
Profit before tax	**120,478**	**187,500**	**150,086**	**46,686**	**13,693**	**518,443**
Income taxes	-	-	-	-	(80,879)	(80,879)
Profit after tax	**120,478**	**187,500**	**150,086**	**46,686**	**(67,186)**	**437,564**

In RON thousand	Corporate Customers 2014	Private Individuals 2014	SME 2014	Treasury Division 2014	Others 2014	Total unit 2014
Total Assets before impairment losses on loans and advances	5,977,879	9,061,132	1,541,545	10,619,695	2,501,157	29,701,408
Impairment losses on loans and advances	(343,978)	(509,438)	(107,807)	-	(5,600)	(966,823)
Total Assets	**5,633,901**	**8,551,694**	**1,433,738**	**10,619,695**	**2,495,557**	**28,734,585**
Total Liabilities	**5,329,435**	**11,212,417**	**3,802,211**	**3,263,059**	**1,860,597**	**25,467,719**
Equity	**-**	**-**	**-**	**-**	**3,266,866**	**3,266,866**
Net interest income	214,658	568,979	173,298	(10,161)	97,265	1,044,039
Net commission income	119,179	338,401	165,581	21,730	1,061	645,952
Net Trading income	49,715	82,194	46,305	98,881	814	277,909
Net income from financial instruments carried at fair value	551	1,415	162	31,905	1	34,034
Other net operating income	-	-	-	-	45,449	45,449
Total Operating income	**384,103**	**990,989**	**385,346**	**142,355**	**144,590**	**2,047,383**
Operating expenses	(77,848)	(378,072)	(118,739)	(21,489)	(65,600)	(661,748)
Personnel expenses	(66,061)	(288,859)	(92,471)	(20,665)	(7,845)	(475,901)
Net provisioning for impairment losses	(119,712)	(156,358)	(36,761)	-	(1,155)	(313,986)
Profit before tax	**120,482**	**167,700**	**137,375**	**100,201**	**69,990**	**595,748**
Income taxes	-	-	-	-	(94,380)	(94,380)
Profit after tax	**120,482**	**167,700**	**137,375**	**100,201**	**(24,390)**	**501,368**

41. Subsequent events

At the end of November 2015, the Romanian Parliament has adopted the law which allows the consumers to settle an outstanding mortgage loan by returning the related pledged property („datum in solutum law"). The law has not been approved by the Romanian President, who sent it, in mid December 2015, to the Parliament for re-examination. At the date of these financial statements, the „datum in solutum law" is being reanalysed by the Parliament. Important institutions, with proved technical expertise, have already presented their views related to the negative impact of the current version of the law and proposed significant changes – National Bank of Romania, European Central Bank, European Commission, Government, Ministry of Justice, Magistrates Superior Council.

Should the law be enacted until the publication of these financial statements, this will be an un-adjusting subsequent event for financial year 2015.

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