BANCPOST SA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014

Prepared in accordance with International
Financial Reporting Standards as adopted by EU

BANCPOST SA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANCPOST SA

Report on the Financial Statements

1 We have audited the accompanying financial statements of Bancpost SA ("the Bank") which comprise the statement of financial position as at 31 December 2014 and the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and National Bank of Romania Order 27/2010, as subsequently amended ("NBR Order 27/2010"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 entity'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

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expressing an opinion on the effectiveness of the 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.

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

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bancpost SA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with IFRS as adopted by the EU and NBR Order 27/2010.

Report on consistency of the Administrators' Report with the financial statements

7 In accordance with the Annex no.1 to the NBR Order 27/2010, article no. 15, point (2), we have read the Administrators' Report attached to these financial statements as presented on pages 1 to 23. The Administrators' Report is not a part of the financial statements. In the 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 financial statements.

PricewaterhouseCoopers Audit SRL

PricewaterhouseCoopers Audit SRL | Bucharest, 28 April 2015

Our report has been prepared in Romanian and in English languages. In all matters of interpretation of information, views or opinions, the Romanian language version of our report takes precedence over the English language version.

BANCPOST SA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

NOTES TO FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in RON thousand unless otherwise stated)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Interest and similar income	5	598,510	703, 332
Interest expense and similar charges	5	(259,235)	(391,661)
Net interest income		339,275	311,671
Fee and commission income	6	142,485	159,411
Fee and commission expense	6	(38,718)	(39,042)
Net fee and commission income		103,767	120,369
Net trading income	7	99,804	146,787
Other operating income	8	69,023	15,854
Other operating expenses	9	(488,701)	(508,696)
Profit from operations before impairment losses		123,168	85,985
Impairment charge for credit losses	10	(388,559)	(230,522)
Loss before income tax		(265,391)	(144,537)
Income tax (expense) credit	11	(3,580)	9,862
Loss for the year		(268,971)	(134,675)

The accompanying notes from 1 to 34 forms an integral part of these financial statements

BANCPOST SA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in RON thousand unless otherwise stated)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Loss for the year		(268,971)	(134,675)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net gains on available-for-sale financial assets	17	2,506	61,954
- Changes in fair value arising during the period, before tax		(27,704)	65,115
- Transfers to profit or loss before tax		30,210	(3,161)
Income tax recorded directly in other comprehensive income	11	(401)	(9,912)
Items that will not be reclassified to profit or loss:			
- Actuarial gain/(losses) on post-employment benefit obligation, before tax	33	(409)	(555)
Income tax recorded directly in other comprehensive income	11	65	89
Other comprehensive income for the year, net of tax		1,761	51,576
Total comprehensive loss for the year		(267,210)	(83,099)

The financial statements on pages 1 to 122 were approved by the Board of Directors and signed on behalf of the Board of Directors on 28 April 2015 by:

MIHAI BOGZA
Chairman of the Board of Directors

IOANA IACOBEANU
Executive Manager
Finance and Accounting

Bancpost S.A.
PREȘEDINTE EXECUTIV
ROMANIA

GEORGIOS GEORGAKOPOULOS
Executive President

The accompanying notes from 1 to 34 forms an integral part of these financial statements

BANCPOST SA

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in RON thousand unless otherwise stated)

	Note	31 December 2014	31 December 2013
Assets			
Cash	28	535,814	443,002
Balances with Central Bank	12, 28	1,015,158	1,905,819
Loans and advances to banks	13, 28	1,624,271	1,025,685
Loans and advances to customers (net)	3, 16	5,999,972	6,433,471
Trading assets	14	111,750	132,678
Derivative financial instruments	15	3,517	6,893
Investment securities, available for sale	17	1,724,283	1,346,832
Intangible assets	18	95,472	112,973
Property plant and equipment	19	331,768	358,466
Other assets	20	49,885	56,030
Deferred income tax assets	11	44,236	48,152
Total assets		11,536,126	11,870,001
Liabilities			
Due to banks	21	742,357	727,234
Due to customers	22	8,601,775	8,527,437
Derivative financial instruments	15	23,860	20,030
Other borrowed funds	23	829,697	1,007,527
Other liabilities	25	150,151	132,277
Total liabilities		10,347,840	10,414,505
Equity			
Share capital	26	1,350,245	1,350,245
Share premium		81,133	81,133
Other reserves	27	224,622	222,861
Accumulated losses		(467,714)	(198,743)
Total equity		1,188,286	1,455,496
Total liabilities and equity		11,536,126	11,870,001

The financial statements on pages 1 to 122 were approved by the Board of Directors and signed on behalf of the Board of Directors on 28 April 2015 by:

MIHAI BOGZA
Chairman of the Board of Directors

GEORGIOS GEORGAKOPOULOS
Executive President

IOANA IACOBEANU
Executive Manager
Finance and Accounting

Bancpost S.A.
PREȘEDINTE EXECUTIV
ROMANIA

The accompanying notes from 1 to 34 forms an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in RON thousand unless otherwise stated)

	Share capital	Share premium	Other reserves	Accumulated losses	Total
Balance as at 1 January 2013	1,350,245	81,133	171,285	(64,068)	1,538,595
Other comprehensive income/ (loss) for the year	-	-	51,576	-	51,576
Profit/ (Loss) for the year	-	-	-	(134,675)	(134,675)
Total comprehensive income for the year	-	-	51,576	(134,675)	(83,099)
Balance as at 31 December 2013	1,350,245	81,133	222,861	(198,743)	1,455,496

The accompanying notes from 1 to 34 forms an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in RON thousand unless otherwise stated)

	Share capital	Share premium	Other reserves	Accumulated losses	Total
Balance as at 1 January 2014	1,350,245	81,133	222,861	(198,743)	1,455,496
Other comprehensive income/ (loss) for the year	-	-	1,761	-	1,761
Profit/ (Loss) for the year	-	-	-	(268,971)	(268,971)
Total comprehensive income for the year	-	-	1,761	(268,971)	(267,210)
Balance as at 31 December 2014	1,350,245	81,133	224,622	(467,714)	1,188,286

The accompanying notes from 1 to 34 forms an integral part of these financial statements

BANCPOST SA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in RON thousand unless otherwise stated)

	Note	2014	2013
Cash flows from operating activities			
Interest receipts		527,669	768,456
Interest paid		(267,869)	(396,408)
Fees and commissions received		142,485	159,411
Fees and commissions paid		(38,718)	(39,042)
Net trading and other income received		91,085	105,399
Income from loans previously written off		802	(428)
Cash payments to employees and suppliers		(405,691)	(440,441)
Income taxes paid		(1,260)	(1,498)
Net cash flows from operating activities before changes in operating assets and liabilities		48,503	155,449
Net change in operating assets			
Net decrease/(increase) in trading assets		20,928	413,754
Net decrease/(increase) in balances with Central Bank and other banks over 90 days		-	176
Net decrease/(increase) in loans and advances to customers		227,345	449,235
Net decrease/(increase) in other assets		9,203	(179)
Total net changes in operating assets		257,476	862,986
Net change in operating liabilities			
Net (decrease)/increase in due to banks		15,275	(348,847)
Net (decrease)/increase in due to customers		(60,734)	482,939
Net (decrease)/increase in other liabilities		7,725	(22,405)
Total net changes in operating liabilities		(37,734)	111,687
Net cash from /(used in) operating activities		268,245	1,130,122
Cash flows from investing activities			
Purchase of investment securities		(1,972,721)	(1,169,536)
Proceeds from sale of investment securities		1,597,779	1,018,741
Proceeds from sale of equity investments		49,698	76
Dividends received		615	575
Purchase of property, equipment and intangible assets		(22,852)	(22,716)
Net cash used in investing activities		(347,481)	(172,860)

The accompanying notes from 1 to 34 forms an integral part of these financial statements

(All amounts in RON thousand unless otherwise stated)

	Note	2014	2013
Cash flows from financing activities			
Proceeds from borrowed funds and debt securities		2,021,852	931,004
Repayments borrowed funds and debt securities		(2,200,267)	(1,222,064)
Net cash used in financing activities		(178,415)	(291,060)
Effect of exchange rate movements on cash and cash equivalents		58,388	20,883
Increase/(Decrease) in cash and cash equivalents		(199,263)	687,085
Cash and cash equivalents at 1 January		3,374,506	2,687,421
Cash and cash equivalents at 31 December	28	3,175,243	3,374,506

(All amounts in RON thousand unless otherwise stated)

1 THE BANK AND ITS OPERATIONS

Bancpost SA ("Bancpost" or the "Bank") was incorporated in Romania in 1991 as a Joint Stock Company and it is licensed by the National Bank of Romania to conduct banking activities. The Bank is principally engaged in wholesale and retail banking operations in Romania and employed 2,453 people at 31 December 2014 (31 December 2013: 2,829). The Bank operates through its head office located in Bucharest and 176 branches and offices (31 December 2013: 207) located in Romania.

Eurobank Ergasias S.A., the Parent Bank, is active in retail, corporate and private banking, assets management, insurance, treasury, capital markets and other services. The Parent Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece and in Central, Eastern and Southeastern Europe.

As at 31 December 2014, the registered office of the Bank was 6A Dimitrie Pompeiu Avenue, Bucharest, Sector 2, Romania.

The **Board of Directors** composition (9 members) as at 31 December 2014 was:

Mihai Bogza	Chairman
Theodoros Karakasis	Deputy Chairman
Georgios Georgakopoulos *	Member
Iasmi Ralli	Member
Lambros Yiannis Demosthenous	Member
Codin-Radu Nastase	Member
Christos Adam	Member
Konstantinos Vousvounis	Member
Michalakis Louis *	Member

*Notes: * Mr. Georgakopoulos and Mr. Louis were, as at 31 December 2014, members of Bancpost SA Board of Directors, subject to NBR authorization.*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the standalone financial statements are set out below:

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU), and in particular with those IFRSs and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The policies set out below have been consistently applied to the years 2014 and 2013, except as described below. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

a) The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), applied from 1 January 2014:

IAS 27, Amendment - Separate Financial Statements

The amendment is issued concurrently with IFRS 10 'Consolidated Financial Statements' and together they supersede IAS 27 'Consolidated and Separate Financial Statements'. The amendment prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
The adoption of the amendment does not have an impact on the Bank financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 28, Amendment - Investments in Associates and Joint Ventures
The amendment replaces IAS 28 'Investments in Associates'. The objective of the amendment is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures following the publication of IFRS 11. An exemption from applying the equity method is provided, when the investment in associate or joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment –linked insurance funds. In this case, investments in those associates and joint ventures may be measured at fair value through profit or loss.
The adoption of the amendment does not have an impact on the Bank financial statements.

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities
The amendment clarifies the requirements for offsetting financial assets and financial liabilities. The adoption of the amendment does not have an impact on the Bank financial statements.

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets
The amendment restricts the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reversed.
It also includes detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal and an impairment loss has been recognized or reversed during the period.
The adoption of the amendment does not have an impact on the Bank financial statements.

IAS 39, Amendment - Novation of derivatives and continuation of hedge accounting
The amendment provides relief from discontinuing hedge accounting when, as a result of laws and regulations, a derivative designated as a hedging instrument is novated to effect clearing with a central counterparty and specific criteria are met.
The adoption of the amendment does not have an impact on the Bank financial statements.

IFRS 10, Consolidated Financial Statements
IFRS 10 replaces the part of IAS 27 'Consolidated and Separate Financial Statements' that deals with consolidated financial statements and SIC 12 'Consolidation-Special Purpose Entities'. Under IFRS 10, there is a new definition of control, providing a single basis for consolidation for all entities. This basis is built on the concept of power over the investee, variability of returns from the involvement with the investee and their linkage, replacing thus focus on legal control or exposure to risks and rewards, depending on the nature of the entity.
The adoption of IFRS 10 had no impact on the Bank financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 11, Joint Arrangements

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities- Non – monetary Contributions by Ventures' and establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.

Under IFRS 11, there are only two types of joint arrangements, joint operations and joint ventures and their classification is based on the parties' rights and obligations arising from the arrangement, rather than its legal form.

The equity method of accounting is now mandatory for joint ventures. The option to use the proportionate consolidation method to account for joint ventures, which was not applied by the Bank, is no longer allowed. In joint operations, each party that has joint control of the arrangement recognizes in its financial statements, in relation to its involvement in the joint operation, its assets, liabilities and transactions, including its share in those arising jointly.

The adoption of IFRS 11 had no impact on the Bank financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 specifies the disclosures required in annual financial statements to enable users of financial statements to evaluate the nature of and risks associated with the reporting entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Accordingly, the Bank has applied the aforementioned disclosures in note 17 'Investment Securities Available for Sale' in the Financial Statements for the year ending 31 December 2014.

IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, 11 and 12, requiring adjusted comparative information to be limited only to the preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the requirement to present comparative information for periods before IFRS 12 is first applied, is removed.

The adoption of the amendment does not have an impact on the Bank financial statements.

IFRS 10, 12 and IAS 27 Amendments - Investment Entities

The amendments require that 'investment entities', as defined below, account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. Under the amendments an 'Investment entity' is an entity that:

(a) obtains funds from one or more investors for the purpose of providing those investors with investment management services;

(b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities.

The adoption of the amendment does not have an impact on the Bank financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) The following new standards and interpretations, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), effective from 1 January 2015 or later:

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2016)

The amendment clarifies the accounting for post- employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service.

The adoption of the amendment is not expected to have an impact on the Bank financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)

The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations;
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 'Intangible Assets'.

The adoption of the amendment is not expected to have an impact on the Bank financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Scope exceptions for joint ventures in IFRS 3 "Business Combinations";
- Scope of portfolio exception in IFRS 13 "Fair Value Measurement";

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Clarifying the interrelationship between IFRS 3 "Business Combinations" and IAS 40 "Investment Property" when classifying property as investment property or owner-occupied property in IAS 40; and
- Meaning of "effective IFRSs" in IFRS 1 First-time Adoption of International Financial Reporting Standards.

The adoption of the amendment is not expected to have an impact on the Bank financial statements.

IFRIC 21, Levies (effective 1 January 2015)

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of the interpretation is not expected to have an impact on the Bank financial statements.

c) The following new standards and interpretations, as issued by the International Accounting Standards Board (IASB) but not yet endorsed by the European Union (EU)

IFRS 9, Financial Instruments (effective 1 January 2018, not yet endorsed by EU)

In July 2014, the IASB published the final version of IFRS 9 which replaces IAS 39 'Financial Instruments'. IFRS 9 sets out revised requirements on the classification and measurements of financial assets, addresses the reporting of fair value changes in own debt when designated at fair value, replaces the existing incurred loss model used for the impairment of financial assets with an expected credit loss model and incorporates changes to hedge accounting.

The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement

IFRS 9 applies one classification approach for all types of financial assets, according to which the classification and measurement of financial assets is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A business model refers to how an entity manages its financial assets so as to generate cash flows, by collecting contractual cash flows, or selling financial assets or both. Upon assessment, each financial asset will be classified in one of the three categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

With regard to financial liabilities, the treatment followed in IAS 39 is carried forward to IFRS 9 essentially unchanged. However, IFRS 9 requires fair value changes of liabilities designated at fair value under the fair value option which are attributable to the change in the entity's own credit risk to be presented in other comprehensive income rather than in profit or loss, unless this would result in an accounting mismatch.

Impairment of financial assets

Under IFRS 9 the same impairment model applies to all financial instruments which are subject to impairment accounting.

The new impairment model is forward -looking and requires, the recognition of expected credit losses, in contradiction with IAS 39, that required a trigger event to have occurred before credit losses were recognized. IFRS 9 includes a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Accordingly, upon initial application of IFRS 9, for financial assets that are not credit-impaired and for which no significant increase in credit risk since initial recognition is observed, the respective credit losses will be recognized in profit or loss and will be based on the 12-month expected credit losses. However, if the credit risk of the financial assets increases significantly since initial recognition, a provision is required to be recognized for credit losses expected over their remaining lifetime ('lifetime expected losses').

For financial assets that are credit-impaired on origination, the expected life time credit losses will be applied.

In measuring expected credit losses information about past events, current conditions and forecasts of future conditions should be considered.

Hedge accounting

IFRS 9 introduces a reformed model for hedge accounting, seeking to more closely align hedge accounting with risk management activities so as to better reflect these activities in the entities' financial statements. Under the new model, new hedge effectiveness requirements apply, discontinuation of hedge accounting is allowed only under specific circumstances, and a number of items that were not eligible under IAS 39 as hedging instruments or hedged items are now eligible. The Bank is currently assessing the impact of IFRS 9 on its financial statements.

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016, not yet endorsed by EU)
This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.
The adoption of the amendment is not expected to have an impact on the Bank financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016, not yet endorsed by EU)
The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
The adoption of the amendment is not expected to have an impact on the Bank financial statements.

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2017, not yet endorsed by EU)
IFRS 15 establishes a single, comprehensive revenue recognition model to be applied consistently to all contracts with customers, determining when and how much revenue to recognize, but has no impact on income recognition related to financial instruments which is under the scope of IFRS 9 and IAS 39. In addition, IFRS 15 replaces the previous revenue standards IAS 18 Revenue and IAS 11 Construction contracts and the related Interpretations on revenue recognition.
The Bank is currently assessing the impact of IFRS 15 on its financial statements.

IAS 27, Amendment –Equity Method in Separate Financial Statements (effective 1 January 2016, not yet endorsed by EU)
This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method.
The adoption of the amendment is not expected to have an impact on the Bank financial statements.

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016, not yet endorsed by EU)
These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
The adoption of the amendment is not expected to have an impact on the Bank financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 10 and IAS 28, Amendments- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by IASB, not yet endorsed by EU)

These amendments address an 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, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary. In January 2015, the IASB tentatively decided to include necessary changes to IFRS 10 and IAS 28 within a forthcoming Exposure Draft and accordingly postponed the effective date of the amendments (previously 1 January 2016).

The adoption of the amendment is not expected to have an impact on the Bank financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016, not yet endorsed by EU)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2012-14 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Clarifying in IFRS 5 'Non-current assets held for sale and discontinued operations' that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- Adding in IFRS 7 'Financial instruments: Disclosures' specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- Clarifying in IAS 19 'Employee benefits' that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- Clarifying in *IAS 34* 'Interim financial reporting' what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

The adoption of the amendment is not expected to have an impact on the Bank financial statements.

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016, not yet endorsed by EU)

The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The adoption of the amendment is not expected to have an impact on the Bank financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Position of the Group

Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through a programme agreed with the EU, the ECB and the IMF ("the Institutions"). This had led to primary fiscal surpluses in 2013 and 2014, but also to reform fatigue and social unrest. Following the recent parliamentary elections of 25 January, the new government negotiated a four-month extension of the Master Financial Assistance Facility Agreement (MFFA), the purpose of which is the successful completion of the review on the basis of the conditions in the current arrangement, making best use of the given flexibility which will be considered jointly with the Greek authorities and the Institutions. This extension would also serve to bridge the time for discussions on a possible follow-up arrangement between the Euro Group, the Institutions and Greece. On 23 February, the Greek government presented to the Institutions, a first list of reform measures to be further specified and agreed by the end of April 2015. Greece's access to the last instalment of the previous arrangement and/or to further Eurozone funding is conditional, inter alia, to the Institutions approving the conclusion of the review of the extended arrangement. Until such review is satisfactorily completed, any securities issued or guaranteed by the Hellenic Republic are deemed not eligible for ECB MRO (Main Refinancing Operations) funding. These conditions create material uncertainties on the Greek macroeconomic environment, with potentially adverse effects on the liquidity and solvency of the Greek Banking sector.

Liquidity, of the whole Greek banking sector, was negatively affected in the beginning of 2015 due to the combined effect of deposit withdrawals, reduction of wholesale secured funding and the decision of ECB to lift the waiver of minimum credit rating requirements for marketable instruments issued or guaranteed by Hellenic Republic (i.e. Greek government bonds and Pillar 2 & 3 of the Law 3723/2009). As a result Greek banks reverted to the fall back funding source, the Emergency Liquidity Assistance (ELA) mechanism to cover their short term liquidity needs. In this context, the Greek banking system and Eurobank specifically, still maintain ample liquidity buffers to correspond to persevering adverse liquidity conditions and the Eurosystem has demonstrated its commitment to support Greek banks as long as Greece remains within the EU support program.

Notwithstanding, the above liquidity pressures and increase of Greek sovereign risks, the capital adequacy position of Eurobank currently stands strong, following April's 2014 Share Capital Increase of € 2.86 billion. More specifically, the CET 1 ratio of the Group as of 31 December 2014 stood at 16.2%. Furthermore, the ECB comprehensive assessment results, as published in October 2014, reaffirmed the solid capital position of the Group stating the lack of any capital shortfall, in both the base and the adverse scenarios.

(All amounts in RON thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Position of the Bank

The economy of Romania continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country and a moderate inflation. The prospects for future economic stability in Romania are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal and regulatory developments.

Management closely monitors the evolution of the portfolio and the cash flow forecast such to ensure it reflects the revised estimates of expected future cash flows in the impairment assessments. The Bank adopted an efficient liquidity management and planned to attract deposits by developing its relationships with customers and by engaging the network which at the end of 2014 had 176 branches, by cross-selling activities and by new savings products.

As at 31 December 2014, Bancpost does not rely on funding from the Parent bank but predominantly on locally collected deposits, its own capital base and international financial institutions.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Banks operates ('the functional currency'). The financial statements are presented in RON, which is the Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the income statement.

The exchange rates of the currencies with the most significant impact on the Bank's financial statements as of 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
RON / EUR	4.4821	4.4847
RON / USD	3.6868	3.2551

(All amounts in RON thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement.

Both foreign exchange differences arising from transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognized in the net trading income.

Non-monetary assets and liabilities have been translated into the functional currency at the exchange rates ruling at initial recognition, except for non-monetary items denominated in foreign currencies that are stated at fair value which have been translated using the rate of exchange at the date the fair value was determined. The exchange differences relating to these items are treated as part of the change in fair value and they are recognized in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

2.3 Accounting for the effect of hyperinflation

Prior to 1 January 2004 the adjustments and reclassifications made to the statutory records for the purpose of IFRS presentation included the restatement of balances and transactions for the changes in the general purchasing power of the RON in accordance with IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment in Romania indicate that hyperinflation has ceased, effective from 1 January 2004 the Bank no longer applies the provisions of IAS 29.

Accordingly, the amounts expressed in the measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these financial statements.

The restatement was calculated using the conversion factors derived from the Romanian Consumer Price Index ("CPI"), published by the National Institute of Statistics. The indices used to restate corresponding figures, based on 1998 prices (1998 = 100) for the five years ended 31 December 2003, and the respective conversion factors are:

Year	Movement in CPI	Indices	Conversion Factor
1999	54.8%	1.548	2.46
2000	40.7%	2.178	1.75
2001	30.3%	2.838	1.35
2002	17.8%	3.343	1.14
2003	14.1%	3.815	1.00

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The main guidelines followed in restating the corresponding figures were the following:

- All corresponding amounts were stated in terms of the measuring unit current at 31 December 2003;
- Non-monetary assets and liabilities (those balance sheet items that were not expressed in terms of the monetary unit current at 31 December 2003) and components of shareholders' equity were restated from their historical cost by applying the change in the general price index from the date the non-monetary item originated to 31 December 2003.

The balance sheet items affected by the restatements are "Property, Plant and Equipment" and the Equity.

2.4 Financial instruments

(a) Classification of financial assets

The Bank classifies its financial assets into the following IAS 39 categories: financial assets held at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its instruments at initial recognition.

(i) Financial assets at fair value through profit or loss ("FVTPL")

This category has two sub-categories: financial assets held for trading ("HFT") and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. As at 31 December 2014, the Bank had classified as financial assets held for trading, government bond bought for trading purposes (See Note 14). The Bank currently does not have any financial assets designated at fair value through profit or loss upon initial recognition. Derivatives are also categorized as held for trading unless they are hedging instruments.

(ii) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Available-for-sale ("AFS")

AFS investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The gain / loss from disposals of AFS investments are presented under "other income" line in the Income Statement.

(b) Recognition, de-recognition and initial measurement of financial liabilities

The Bank classifies its financial liabilities in the following categories: financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss have two sub categories: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition.

Financial liabilities are initially recognised at amortised cost and at fair value through profit or loss for financial liabilities held for trading.

The Bank designates financial liabilities at fair value through profit or loss when any of the following apply:

(i) it eliminates or significantly reduces measurement or recognition inconsistencies;
(ii) financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis; or
(iii) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability of the Bank is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

The Bank considers the terms to be substantially different, if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Similarly, when the Bank repurchases any debt instruments issued by the Bank, it accounts for such transactions as an extinguishment of debt.

(c) *Recognition, de-recognition and initial measurement of financial assets*

Purchases and sales of financial assets FVTPL and AFS are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset. Loans and receivables are recognized when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

(d) *Subsequent measurement*

AFS financial assets and financial assets FVTPL are subsequently carried at fair value. Loans and advances, HTM investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the FVTPL category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of AFS financial assets are recognized directly in other comprehensive income, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in other comprehensive income should be recognized in profit or loss. However, interest calculated using the effective interest method is recognized in the income statement. Dividends on AFS equity instruments are recognized in the income statement when the entity's right to receive payment is established.

Financial liabilities are subsequently carried at amortised cost and financial liabilities held for trading that are carried at fair value.

(e) *Fair value measurement of financial instruments*

The policy applied by the Bank on the fair value measurement of financial instruments both before and after the adoption of IFRS 13 "Fair Value Measurement", is set out below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policy applicable from 1 January 2013

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 Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Bank has elected to use mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price- i.e. the fair value of the consideration given or received unless the Bank determines that the fair value at initial recognition is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole (see note 3.5).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank recognises transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The principles of fair value measurement of financial instruments, including derivative financial instruments are described in notes 2.4 (e) and 3.5.

Included in derivatives are instruments purchased from the Parent Bank and contracts entered into with third parties. The derivatives are recognized and subsequently measured at fair value.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement. The Bank did not identify any embedded derivatives that required separation during the reporting period.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank did not designate any derivative transaction as a hedging instrument during the years 2014 and 2013 and did not use hedge accounting. Consequently all the fair value gains or losses have been recognized by the Bank through profit or loss.

2.7 Interest income and expense

Interest income and expense are recognized in the income statement for all instruments measured at amortized cost using the effective interest method. Interest income includes coupons earned on fixed income investment securities and accrued discount and premium on treasury securities.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest.

Once a financial asset is identified as impaired, the increase in net present value of the written down amount due to the passage of time (unwinding), is recognized as interest income using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

2.8 Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan origination fees for loans which are probable of being drawn down, are deferred and recognized as adjustments to the effective interest on the loan.

Fee and commission income consists mainly of fees and commissions received for the transfers of money for customers, trading of securities and foreign exchange, and issuance of guarantees and letters of credit.

The bank operations relate to core activity regarding the granting of loans and payment services. The other fees and commission income refer mainly to issuance of letter of guarantees, fees for deposits closed before maturity and other services.

2.9 Net trading income

Net trading income comprises of gains less losses related to trading assets and liabilities, derivatives held for risk management purposes and financial assets and liabilities designated at fair value through profit or loss account and include all realized and unrealized fair value changes, interest and foreign exchange differences on these instruments and other elements.

2.10 Dividends

Dividend income is recognized in the income statement when the Bank's right to receive payment is established and inflow is probable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to banks or due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

2.12 Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is 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.

In determining whether a loan is individually significant for the purposes of assessing impairment, the Bank considers a number of factors, including importance of the individual loan relationship and how it is managed, the size of the loan, and the product line. Consequently, loans to corporate clients and financial institutions as well as investment securities, are generally considered as individually significant. Retail lending portfolios are generally assessed for impairment on a collective basis as they consist of large homogenous portfolios, while exposures that are managed on an individual basis are assessed individually for impairment.

The Bank assesses at each balance sheet date whether there is an objective evidence of impairment.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable 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)* national or local economic conditions that correlate with defaults on the assets in the group.

(a) Assets carried at amortized cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets 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.

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, pass-due status and other relevant factors). Those characteristics 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.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

Reversals of impairment

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account or the asset's carrying amount as appropriate. The amount of the reversal is recognised in the income statement.

Write-off of loans and advances

A loan and the associated provision are written off when there is no realistic prospect of recovery. The Bank considers all relevant information including the occurrence of a significant change in the borrower's financial position such that the borrower can no longer pay the obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The timing of write-off is mainly dependent on whether there is any underlying collateral as well as the Bank's estimate of the amount collectible. The number of days past due is considered by the Bank as an indicator, however it is not regarded as a determining factor. Especially for collateralized exposures, the timing of write-offs is mainly dependent on local jurisdictions and consequently maybe delayed due to various legal impediments.
Unpaid debt continues to be subject to enforcement activity even after it is written-off, except for limited cases where debt is forgiven by the Bank as an expression of its social responsibility.

Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

(b) Assets classified as available for sale

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If any such evidence exists for available-for- sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. 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 is reversed through the income statement.

2.13 Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

(All amounts in RON thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets are amortized using the straight-line method over their useful lives as follows:

	Useful lives in years	
	2014	2013
Major core-banking software	7 - 10	7 - 10
Other software	5	5
Licenses	3	3

2.14 Property and equipment

Cost

Property and equipment are stated at cost, restated to the equivalent purchasing power of the Romanian Leu at 31 December 2003 for assets acquired prior to 1 January 2004, less accumulated depreciation and provision for impairment, where required (recognized in 2003).

Costs of repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property and equipment items are capitalized and the replaced part is retired.

Gains and losses on disposals of fixed assets are determined by comparing proceeds with carrying amount at the date of disposal and are recognized in profit or loss.

Depreciation

Land is not depreciated. Depreciation on other items of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

	Useful lives in years	
	2014	2013
Property	50	50
Office equipment, fixtures and fittings	3 – 20	3 – 20
Vehicles	5 - 10	5 - 10

Leasehold improvements are depreciated over the term of the underlying lease or useful life if shorter.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The hardware and related software that are integral part of the equipment are included in the line office equipment, fixtures and fittings.

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.15 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.16 Finance and operating lease liabilities

Accounting for leases as lessee

Where the Bank is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Bank, the assets leased are capitalized in property and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding lease obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.17 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition: cash; non-restricted balances with central banks, including minimum mandatory reserves; loans and advances to banks and their accrued interest and short-term government securities.
Cash and cash equivalents are measured at amortised cost.

2.18 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Financial guarantees contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

2.20 Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments and letters of credit. Specific provisions are raised against other credit related commitments when the Bank has a present obligation as a result of a past event, when it is probable that there will be an outflow of resources and when the outflow can be reliably measured.

2.21 Pension obligations and other post-retirement benefits

The Bank, in the normal course of business, is required to make payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. Substantially all employees of the Bank are members of the State pension plan. The Bank operates a post retirement benefit scheme, standard legal staff retirement indemnity (SLSRI) by which each employee receives two month' salaries if the employee achieves the pension time in the Bank service. The Bank has no other obligation to provide further services to current or former employees.

Provision has been made for the actuarial value of the lump sum payable on retirement using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

The SLSRI obligation is calculated as the present value of the estimated future cash outflows using the yield on long-term fixed interest bonds of the appropriate term issued by the Romanian Government. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a result of the Banks's adoption of IAS 19 Amendment, actuarial gains/losses are recognized directly in other comprehensive income in the period in which they occur and not to the profit or loss.

Past service costs and interest expense are recognised immediately in the income statement. In calculating the standard legal staff retirement obligation, the Bank also considers potential separations before normal retirement based on the terms of previous voluntary separation schemes.

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits provided the recognition criteria are met. The bank recognises termination benefits at the earlier of the following dates:

(a) when the bank can no longer withdraw the offer of those benefits; and
(b) when the entity recognises costs for a restructuring and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.22 Income taxes

(i) Current income tax

The Bank records profit tax upon net income from the financial statements prepared in accordance with Romanian Accounting Regulations and profit tax legislation. Romanian profits tax legislation is based on a fiscal year ending on 31 December. In recording both the current and deferred income tax charge for the year ended, the Bank has computed the annual income tax charge based on Romanian profits tax legislation enacted (or substantially enacted) at the statement of financial position date.

(ii) Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal temporary differences arise from depreciation of property and equipment, loan provision, revaluation of certain financial assets and liabilities including derivative contracts, provisions for post-retirement benefits and tax losses carried forward.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently recognized in the income statement together with the deferred gain or loss.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.23 Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the amount at initial recognition and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

2.24 Fiduciary activities

The Bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions.

3 FINANCIAL RISK MANAGEMENT

3.1 Management of financial risk

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by a central treasury department (Bank Treasury) under policies approved by the Board of Directors. Bank Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances; the Bank also enters into guarantees and other commitments such as letters of credit and other bonds.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk

a) Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

The Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided where there is objective evidence that the Bank will not be able to collect all amounts due. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in evidence that is different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical, client and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by industry sector are approved by the Board.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The split of portfolio of Loans and advances to customers of the Bank by industry is detailed in Note 16. The Bank's exposure to Central Bank is shown in Note 30 (see "Balances with Central Bank").

The Bank has no geographical exposure to a market other than Romania which exceeds 10% of its total assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Following the Asset Quality Review process and the recommendations of the National Bank of Romania the Bank increased its impairment provisions during 2014 by EUR 25.8 million.

b) *Debt securities and other treasury bills*

For debt securities and other treasury bills, external ratings such as Standard & Poor's rating or their equivalents are used by Bank Treasury for management of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better quality of credit portfolio and maintain a readily available source to meet funding requirements at the same time.

Some other specific control and mitigation measures on credit risk are outlined below:

(i) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential and non-residential properties;
- Charges over business assets such as premises, inventory and accounts receivable and;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving credit facilities granted to natural persons are generally unsecured. In addition, in order to minimize potential credit losses the Bank will seek to obtain additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Derivatives and settlement risk

The Bank maintains strict control limits on net open derivative positions, i.e., the difference between purchase and sale contracts, by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e., derivatives whose fair value is positive), which in relation to derivatives is only a small fraction of the contract, notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

(iii) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit – which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties - carry the same credit risk as loans. Documentary and commercial letters of credit - which are written by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments diminished by the value of the collateral. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2.1 Maximum exposure to credit risk before collateral held

Credit risk exposures relating to assets are as follows:

	31 December 2014	31 December 2013
Balance sheet exposure		
Balance with Central Bank	1,015,158	1,905,819
Loans and advances to banks	1,624,271	1,025,685
Loans and advances to customers (net)	5,999,972	6,433,471
- Lending to medium size and large corporate entities (wholesale)		
Gross book value (GBV)	1,917,764	1,832,444
Less Provisions for impairment Losses	(187,521)	(81,600)
- Consumer lending		
Gross book value (GBV)	1,627,797	1,742,566
Less Provisions for impairment Losses	(245,388)	(232,749)
- Mortgage lending		
Gross book value (GBV)	2,483,923	2,566,749
Less Provisions for impairment Losses	(146,998)	(93,154)
- Small business lending		
Gross book value (GBV)	871,603	967,757
Less Provisions for impairment Losses	(321,208)	(268,542)
Trading assets:		
- Debt securities	111,750	132,678
Derivative financial instruments	3,517	6,893
Investment securities available for sale		
- Debt securities	1,724,283	1,346,832
Other financial assets	26,477	37,163
Total balance sheet exposure	10,505,428	10,888,541
Off-balance sheet exposure		
- Letters of guarantee	502,700	709,023
- Letters of credit	210	1,839
- Undrawn loan commitments	1,105,215	697,750
Credit risk exposures relating to off-balance sheet items (Note 31 & 3.4)	1,608,125	1,408,612
Exposure as at 31 December	12,113,553	12,297,153

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The above table represents the maximum credit risk exposure to the Bank at 31 December 2014 and 31 December 2013, without taking account of any collateral held. For on balance sheet assets, the exposures set out above are based on net carrying amounts.

The Bank monitors on on-going basis the quality of the counterparties, banks or corporate clients. The counterparty banks are top rank banks, with sound financial situation. The corporate clients are assessed using the same acceptance procedures as for loans granting. The off balance sheet exposure is related to Romanian clients for which the Bank issued letter of guarantees, letter of credit and other undrawn commitments.

The Loan-to-Value (LTV) ratio of mortgage lending reflects the gross mortgage loan amount at the balance sheet date over the market value of the mortgage property held as collateral. The Bank obtains real estate collateral values by combining professional appraisals and house price indices.

The LTV ratio of mortgage lending is presented below:

	31 December 2014	31 December 2013
Mortgages		
Less than 50%	375,033	390,993
50%-70%	422,542	425,602
71%-80%	190,712	197,962
81%-90%	189,812	173,941
91%-100%	283,014	290,930
101%-120%	203,653	233,127
121%-150%	284,902	297,266
Greater than 150%	523,994	525,008
Without Collateral	10,261	31,920
Total exposure	2,483,923	2,566,749
Average LTV	107.9%	106.8%

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maximum amount of the collateral or guarantee that can be considered is presented as follows:

	Value of collateral received				31 December 2014 Guarantees received
	Real Estate	Financial	Other	Total	
Other financial corporations	1,379	1,114	11,719	14,212	-
Non-financial corporations	258,182	1,067,096	305,220	1,630,498	143,352
Households	1,940,874	7,047	4,507	1,952,428	151,347
	2,200,435	1,075,257	321,446	3,597,138	294,699

	Value of collateral received				31 December 2013 Guarantees received
	Real Estate	Financial	Other	Total	
Other financial corporations	509	1,420	445	2,374	-
Non-financial corporations	363,671	999,284	335,717	1,698,672	191,584
Households	2,046,366	6,861	4,065	2,057,292	145,521
	2,410,546	1,007,565	340,227	3,758,338	337,105

3.2.2 Loans and advances

Loans and advances are summarised as follows:

	31 December 2014 Loans and advances to customers	31 December 2014 Loans and advances to banks	31 December 2013 Loans and advances to customers	31 December 2013 Loans and advances to banks
Neither past due nor impaired	4,507,081	1,624,271	4,809,162	1,025,685
Past due but not impaired	1,134,679	-	1,165,144	-
Impaired:				
- collectively assessed	402,526	-	430,391	-
- individually assessed	856,801	-	704,819	-
Gross	6,901,087	1,624,271	7,109,516	1,025,685
Less: allowance for impairment	(901,115)	-	(676,045)	-
Net loans and advances	5,999,972	1,624,271	6,433,471	1,025,685

The wholesale and small business loans as at 31 December 2014 are covered in aggregate by collaterals at 70.4% and 52.2%, respectively (2013: 75.2% and 58.9%, respectively). Consumer loans are generally not collateralised. Mortgage loans are covered in aggregate by collaterals at 83.9% (2013: 85.4%).

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The tables below present the total gross amount, representing the maximum exposure to credit risk gross of impairment allowance, of loans and advances that are classified as non-impaired (i.e. “neither past due nor impaired” and “past due but not impaired”) and those classified as impaired. They also present the impairment allowance recognised for those non-impaired or impaired loans and advances that are either individually or collectively assessed the total net amount, as well as the value of collateral held as security to mitigate credit risk.

In addition, the value of collateral presented in the tables below is capped to the respective gross loan amount. For this purpose, 2013 comparative information on collaterals have been presented on a similar basis.

	31 December 2014								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed	Total gross amount	Individually assessed	Collectively assessed	Total net amount	Value of collateral
Wholesale	1,204,144	442,730	270,890	-	1,917,764	(187,521)	-	1,730,243	1,350,509
Consumer	1,168,930	168,653	84,594	205,620	1,627,797	(84,119)	(161,269)	1,382,409	6,638
Mortgage	1,721,014	489,356	76,647	196,906	2,483,923	(60,338)	(86,660)	2,336,925	2,082,858
Small business	412,993	33,940	424,670	-	871,603	(321,208)	-	550,395	451,829
Total	4,507,081	1,134,679	856,801	402,526	6,901,087	(653,186)	(247,929)	5,999,972	3,891,834

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2013								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed	Total gross amount	Individually assessed	Collectively assessed	Total net amount	Value of collateral
Wholesale	1,272,705	392,116	167,623	-	1,832,444	(81,600)	-	1,750,844	1,378,240
Consumer	1,247,282	211,545	47,664	236,075	1,742,566	(44,082)	(188,667)	1,509,817	13,664
Mortgage	1,832,628	510,504	29,301	194,316	2,566,749	(29,047)	(64,107)	2,473,595	2,191,193
Small business	456,547	50,979	460,231	-	967,757	(265,471)	(3,071)	699,215	566,597
Total	4,809,162	1,165,144	704,819	430,391	7,109,516	(420,200)	(255,845)	6,433,471	4,149,694

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

a) *Loans and advances neither past due nor impaired*

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2014 and 31 December 2013 can be assessed by reference to the Bank's standard grading system. The following information is based on that system:

					31 December 2014
	Wholesale	Consumer	Mortgage	Small Business	Total
Grades:					
Satisfactory risk*	1,026,066	1,168,930	1,721,014	412,993	4,329,003
Watch list*	178,078	-	-	-	178,078
Gross loans and advances	1,204,144	1,168,930	1,721,014	412,993	4,507,081
Less: allowance for impairment	(33,625)	(1,551)	-	(246)	(35,422)
Net loans and advances neither past due nor impaired	1,170,519	1,167,379	1,721,014	412,747	4,471,659

					31 December 2013
	Wholesale	Consumer	Mortgage	Small Business	Total
Grades:					
Satisfactory risk*	1,020,987	1,247,282	1,832,628	456,547	4,557,444
Watch list*	251,718	-	-	-	251,718
Gross loans and advances	1,272,705	1,247,282	1,832,628	456,547	4,809,162
Less: allowance for impairment	(19,715)	(2,305)	(211)	(308)	(22,539)
Net loans and advances neither past due nor impaired	1,252,990	1,244,977	1,832,417	456,239	4,786,623

*Satisfactory risk customers represent current wholesale clients rated 1 to 6 (according to the Bank's standard grading system) and current retail loans that do not present impairment indicators while watch list loans represent current wholesale loans rated 7.

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) *Loans and advances to customers past due but not impaired*

Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

					31 December 2014
	Wholesale	Consumer	Mortgage	Small Business	Total
Past due up to 29 days	422,363	130,644	322,353	2,363	877,723
Past due 30 - 89 days	20,347	37,909	125,496	31,577	215,329
Past due 90 – 180 days	-	100	41,452	-	41,552
Past due more than 180 days					
Past due less than 1 year	-	-	55	-	55
Past due greater than 1 year	20	-	-	-	20
Gross loans and advances	442,730	168,653	489,356	33,940	1,134,679
Less: allowance for impairment	(21,979)	(6,485)	(6,874)	(1,851)	(37,189)
Net loans and advances past due but not impaired	420,751	162,168	482,482	32,089	1,097,490
Fair value of collateral	366,259	1,488	393,591	26,100	787,438

					31 December 2013
	Wholesale	Consumer	Mortgage	Small Business	Total
Past due up to 29 days	328,873	160,797	319,333	2,366	811,369
Past due 30 - 89 days	52,539	50,430	135,653	48,613	287,235
Past due 90 – 180 days	540	318	54,797	-	55,655
Past due more than 180 days					
Past due less than 1 year	8,532	-	721	-	9,253
Past due greater than 1 year	1,632	-	-	-	1,632
Gross loans and advances	392,116	211,545	510,504	50,979	1,165,144
Less: allowance for impairment	(6,996)	(9,933)	(8,049)	(2,763)	(27,741)
Net loans and advances past due but not impaired	385,120	201,612	502,455	48,216	1,137,403
Fair value of collateral	244,071	2,823	408,928	35,114	690,936

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Based on past experience, consumer and small business loans less than 90 days past due, and mortgage loans less than 180 days past due, are not considered impaired, unless specific information indicates to the contrary. For wholesale loans the impairment trigger is the internal rating (i.e. loans having ratings between 1 and 7 are not considered impaired).

However, based on the internal collective assessment methodology, the Bank books provisions on a collective basis for loans current and past due and for the above mentioned categories the provisions incurred at December, 2014 are RON 37,189 thousand (2013: RON 27,741 thousand).

c) *Impaired loans and advances to customers collectively assessed*

For collectively assessed accounts, loans are treated as impaired based on historical loss data for groups of loans with similar characteristics. The provision is computed for loans with impairment indicators using statistical provision percentages computed based on the historical loss data.

The gross exposure before provision for collectively assessed loans and advances to customers is RON 402,526 thousand (2013: RON 430,391 thousand).

			31 December 2014
	Consumer	Mortgage	Total
Collectively assessed loans	205,620	196,906	402,526
Allowance for impairment	(153,233)	(79,786)	(233,019)
Net impaired loans and advances collectively assessed	52,387	117,120	169,507
Fair value of collateral	55	104,245	104,300

			31 December 2013
	Consumer	Mortgage	Total
Collectively assessed loans	236,075	194,316	430,391
Allowance for impairment	(176,429)	(55,847)	(232,276)
Net impaired loans and advances collectively assessed	59,646	138,469	198,115
Fair value of collateral	1,280	124,169	125,449

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) *Impaired loans and advances individually assessed*

For individually assessed accounts, loans are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred (Note 2.12)

The gross exposure before provision for individually assessed loans and advances to customers is RON 856,801 thousand (2013: RON 704,819 thousand). The breakdown of the gross amount of individually assessed loans and advances by classes is:

					31 December 2014
	Small Business	Wholesale	Mortgage	Consumer	Total
Individually assessed loans	424,670	270,890	76,647	84,594	856,801
Allowance for impairment	(319,111)	(131,917)	(60,338)	(84,119)	(595,485)
Net impaired loans and advances individually assessed	105,559	138,973	16,309	475	261,316
Fair value of collateral	77,552	107,831	14,740	30	200,153

					31 December 2013
	Small Business	Wholesale	Mortgage	Consumer	Total
Individually assessed loans	460,231	167,623	29,301	47,664	704,819
Allowance for impairment	(265,471)	(54,889)	(29,047)	(44,082)	(393,489)
Net impaired loans and advances individually assessed	194,760	112,734	254	3,582	311,330
Fair value of collateral	171,157	122,558	2,311	105	296,131

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral is presented in the following table:

31 December 2014

	Over-collateralised		Under-collateralised	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Corporate lending	1,351,789	4,395,485	565,975	196,708
Consumer lending	-	-	1,627,797	-
Mortgage	1,439,539	2,758,650	1,044,384	693,219
Small Business lending	388,649	951,320	482,954	178,646
	3,179,977	8,105,455	3,721,110	1,068,573

31 December 2013

	Over-collateralised		Under-collateralised	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Corporate lending	1,188,302	3,184,664	644,142	207,353
Consumer lending	-	-	1,742,566	-
Mortgage	1,451,482	2,789,386	1,115,267	739,833
Small Business lending	408,903	975,281	558,854	172,112
	3,048,687	6,949,331	4,060,829	1,119,298

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2.3 Debt Securities

The table below presents an analysis of debt securities by rating agency designation at 31 December 2014, based on Moody's ratings or their equivalent:

	Trading securities	Available for sale securities	Total
Baa3	111,750	1,629,729	1,741,479
Unrated	-	94,554	94,554
Total	111,750	1,724,283	1,836,033

The table below presents an analysis of debt securities and equity investments by rating agency designation at 31 December 2013, based on Moody's ratings or their equivalent:

	Trading securities	Available for sale securities	Total
Baa3	132,678	1,208,398	1,341,076
Unrated	-	138,434	138,434
Total	132,678	1,346,832	1,479,510

An amount of RON 1,741 million included in securities rated Baa3 at 31 December 2014 relates to sovereign debt issued by Romanian Government and local authorities.

The unrated securities include equity investments and investments in mutual funds' and local administration security debts.

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2.4 Concentration of credit risk

Industry sectors

The following table breaks down the Bank's main credit exposure at their net carrying amounts, as categorised by the industry sectors of its counterparties.

	Commercial and Services	Private Individuals	Manufacturing	Construction	Other	Total
Loans and advances to banks	-	-	-	-	1,624,271	1,624,271
Loans and advances to customers (net of provision):						
- Mortgages	-	2,336,925	-	-	-	2,336,925
- Consumer lending (incl. credit cards)	-	1,382,409	-	-	-	1,382,409
- Small business lending	400,217	-	76,816	52,330	21,032	550,395
- Corporate lending	708,228	-	513,303	453,443	55,269	1,730,243
Financial assets held for trading						
- Debt securities	-	-	-	-	111,750	111,750
- Derivative financial instruments	1,549	148	-	-	1,820	3,517
Financial assets available for sale						
- Debt securities	-	-	-	-	1,724,283	1,724,283
Other financial assets	-	-	-	-	26,477	26,477
As at 31 December 2014	1,109,994	3,719,482	590,119	505,773	3,564,902	9,490,270

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Commercial and Services	Private Individuals	Manufacturing	Construction	Other	Total
Loans and advances to banks	-	-	-	-	1,025,685	1,025,685
Loans and advances to customers (net of provision):						
- Mortgages	-	2,473,595	-	-	-	2,473,595
- Consumer lending (incl. credit cards)	-	1,509,817	-	-	-	1,509,817
- Small business lending	478,097	-	117,064	63,872	40,182	699,215
- Corporate lending	759,438	-	318,706	474,306	198,394	1,750,844
Financial assets held for trading						
- Debt securities	-	-	-	-	132,678	132,678
- Derivative financial instruments	1,450	3	426	387	4,627	6,893
Financial assets available for sale						
- Debt securities	-	-	-	-	1,346,832	1,346,832
Other financial assets	-	-	-	-	37,163	37,163
As at 31 December 2013	1,238,985	3,983,415	436,196	538,565	2,785,561	8,982,722

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Bank Treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank 's available-for-sale investments.

(a) Sensitivity analysis

Sensitivity calculation parameters

Interest Rate Sensitivity: The table below summarizes the impact of a parallel shift of the yield curve on the Bank's income statement and other comprehensive income performed on an interest rate gap model by applying a parallel shift of 100 basis points. Based on the fluctuation of interest rates in the prior year and Bank's Treasury Department forecast analysis ±100 basis points is determined to be a reasonably possible shift.

Foreign Exchange Rates Sensitivity: The table below summarizes the impact of a reasonably possible change of 10% in the value of RON against foreign currencies on the Bank's income statement and other comprehensive income calculated by applying the change to monetary financial instruments denominated in foreign currencies held by the Bank as at 31 December.

At 31 December 2014, if market interest rates had been 100 basis points higher/ lower and with all other variables held constant, profit for the year would have been RON 1,479 thousand (2013: RON 793 thousand) lower/ higher and comprehensive income would have been RON 75,973 thousand (2013: RON 34,370 thousand) lower/ higher.

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

At 31 December 2014, if RON had strengthened/ weakened by 10% against relevant foreign currencies (all other variables held constant) profit for the year would have been RON 3,548 thousand higher/lower (2013: RON 12,702 thousand higher/ lower) and comprehensive income would have been unaffected.

			31 December 2014
	Total sensitivity	Sensitivity of income statement	Sensitivity of other comprehensive income
Interest rate (+100 b.p. parallel shift)	(74,494)	1,479	(75,973)
Foreign exchange (10% change in RON against foreign currencies)	3,548	3,548	-

			31 December 2013
	Total sensitivity	Sensitivity of income statement	Sensitivity of other comprehensive income
Interest rate (+100 b.p. parallel shift)	(33,577)	793	(34,370)
Foreign exchange (10% change in RON against foreign currencies)	12,702	12,702	-

(b) Interest rate risk

Interest sensitivity of assets, liabilities and off balance sheet items – re-pricing analysis

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily.

The table below summarises the Bank's exposure to interest rate risks at 31 December 2014. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by contractual re-pricing.

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2014							
Assets							
Cash	535,814	-	-	-	-	-	535,814
Balances with Central Bank	1,015,158	-	-	-	-	-	1,015,158
Loans and advances to banks	1,600,861	-	-	-	-	23,410	1,624,271
Loans and advances to customers	2,718,328	2,336,907	931,892	12,430	415	-	5,999,972
Trading assets	-	-	-	47,138	64,612	-	111,750
Derivate financial instruments	1,770	1,747	-	-	-	-	3,517
Investment securities available for sale	93,629	23,719	174,124	1,325,002	107,809	-	1,724,283
Intangible assets	-	-	-	-	-	95,472	95,472
Property and equipment	-	-	-	-	-	331,768	331,768
Other assets	-	-	-	-	-	49,885	49,885
Deferred income tax asset	-	-	-	-	-	44,236	44,236
Total assets	5,965,560	2,362,373	1,106,016	1,384,570	172,836	544,771	11,536,126
Liabilities							
Due to banks	40,440	-	-	701,917	-	-	742,357
Due to customers	4,506,752	1,688,473	2,308,955	-	-	97,595	8,601,775
Derivative financial instruments	19,687	4,173	-	-	-	-	23,860
Other borrowed funds	97,145	112,969	85,496	309,982	224,105	-	829,697
Other liabilities	-	-	-	-	-	150,151	150,151
Deferred income tax liability	-	-	-	-	-	-	-
Total liabilities	4,664,024	1,805,615	2,394,451	1,011,899	224,105	247,746	10,347,840
Interest rate sensitivity gap	1,301,536	556,758	(1,288,435)	372,671	(51,269)	297,025	1,188,286

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2014							
Total assets	5,965,560	2,362,373	1,106,016	1,384,570	172,836	544,771	11,536,126
Total liabilities	4,664,024	1,805,615	2,394,451	1,011,899	224,105	247,746	10,347,840
Interest rate sensitivity gap	1,301,536	556,758	(1,288,435)	372,671	(51,269)	297,025	1,188,286

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2013							
Assets							
Cash	443,002	-	-	-	-	-	443,002
Balances with Central Bank	1,905,819	-	-	-	-	-	1,905,819
Loans and advances to banks	1,020,321	-	-	-	-	5,364	1,025,685
Loans and advances to customers	890,546	295,440	1,056,908	4,190,577	-	-	6,433,471
Trading assets	-	-	5,393	124,073	3,212	-	132,678
Derivate financial instruments	5,169	1,724	-	-	-	-	6,893
Investment securities available for sale	137,227	63,441	217,861	872,571	55,732	-	1,346,832
Intangible assets	-	-	-	-	-	112,973	112,973
Property and equipment	-	-	-	-	-	358,466	358,466
Other assets	-	-	-	-	-	56,030	56,030
Deferred income tax asset	-	-	-	-	-	48,152	48,152
Total assets	4,402,084	360,605	1,280,162	5,187,221	58,944	580,985	11,870,001

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non interest bearing	Total
Liabilities							
Due to banks	21,457	-	-	705,777	-	-	727,234
Due to customers	5,315,592	1,640,609	1,475,801	-	-	95,435	8,527,437
Derivative financial instruments	13,071	6,959	-	-	-	-	20,030
Other borrowed funds	22,298	142,368	222,409	171,475	448,977	-	1,007,527
Other liabilities	-	-	-	-	-	132,277	132,277
Deferred income tax liability	-	-	-	-	-	-	-
Total liabilities	5,372,418	1,789,936	1,698,210	877,252	448,977	227,712	10,414,505
Interest rate sensitivity gap	(970,334)	(1,429,331)	(418,048)	4,309,969	(390,033)	353,273	1,455,496

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2013							
Total assets	4,402,084	360,605	1,280,162	5,187,221	58,944	580,985	11,870,001
Total liabilities	5,372,418	1,789,936	1,698,210	877,252	448,977	227,712	10,414,505
Interest rate sensitivity gap	(970,334)	(1,429,331)	(418,048)	4,309,969	(390,033)	353,273	1,455,496

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign exchange risk

At 31 December 2014	Not exposed to currency risk RON	Exposed to currency risk USD	EUR	Other	Total
Assets					
Cash	443,083	12,414	56,127	24,190	535,814
Balances with Central Bank	542,253	-	472,905	-	1,015,158
Loans and advances to banks	93,009	115,132	1,409,755	6,375	1,624,271
Loans and advances to customers	2,276,334	153,584	2,539,671	1,030,383	5,999,972
Trading assets	111,750	-	-	-	111,750
Derivative financial instruments	2,251	284	982	-	3,517
Investment securities available for sale	927,535	-	796,748	-	1,724,283
Other assets	44,932	2,226	2,697	30	49,885
Deferred income tax asset	44,236	-	-	-	44,236
Total assets	4,485,383	283,640	5,278,885	1,060,978	11,108,886
Liabilities					
Due to banks	62,450	-	679,907	-	742,357
Due to customers	5,965,345	270,005	2,325,570	40,855	8,601,775
Derivative financial instruments	22,485	286	1,088	1	23,860
Other borrowed funds	-	11,073	818,624	-	829,697
Other liabilities	126,505	1,729	21,307	610	150,151
Total liabilities	6,176,785	283,093	3,846,496	41,466	10,347,840
Net on balance sheet position	(1,691,402)	547	1,432,389	1,019,512	761,046
Net off balance sheet position	-	2	(1,377,393)	(1,039,585)	(2,416,976)
Net foreign exchange position	(1,691,402)	549	54,996	(20,073)	(1,655,930)

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

At 31 December 2013	Not exposed to currency risk RON	Exposed to currency risk USD	EUR	Other	Total
Assets					
Cash	339,633	11,357	67,350	24,662	443,002
Balances with Central Bank	1,282,509	-	623,310	-	1,905,819
Loans and advances to banks	160,057	6,639	837,144	21,845	1,025,685
Loans and advances to customers	2,181,183	63,651	3,009,712	1,178,925	6,433,471
Trading assets	132,678	-	-	-	132,678
Derivative financial instruments	5,650	2	1,241	-	6,893
Investment securities available for sale	561,662	44,758	740,412	-	1,346,832
Other assets	35,396	7,527	9,600	3,507	56,030
Deferred income tax asset	48,152	-	-	-	48,152
Total assets	4,746,920	133,934	5,288,769	1,228,939	11,398,562
Liabilities					
Due to banks	39,824	11,068	676,342	-	727,234
Due to customers	6,108,031	352,984	2,028,125	38,297	8,527,437
Derivative financial instruments	17,266	2	2,762	-	20,030
Other borrowed funds	-	-	1,007,527	-	1,007,527
Other liabilities	96,461	1,225	34,260	331	132,277
Total liabilities	6,261,582	365,279	3,749,016	38,628	10,414,505
Net on balance sheet position	(1,514,662)	(231,345)	1,539,753	1,190,311	984,057
Net off balance sheet position	-	275,931	(1,442,480)	(1,205,114)	(2,371,663)
Net foreign exchange position	(1,514,662)	44,586	97,273	(14,803)	(1,387,606)

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank uses currency forwards, cross currency swaps and currency swaps to manage its foreign exchange risk. The tables above summarise the Bank's exposure to foreign currency exchange rate risk at 31 December 2014 and 31 December 2013. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Other price risk

The Bank has limited exposure to equity price risk. Transactions in equity products are monitored and authorised by the Group treasury. At December 2014, if equity prices at that date had been 10% (2013: 10%) lower with all other variables held constant, profit for the year would have been RON 116 thousand (2013: RON 592 thousand) lower mainly as a result of a decrease in the fair value of the mutual funds classified as available for sale.

3.4 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Bank Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen;

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and

- Managing the concentration and profile of debt maturities.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees. The Bank does not maintain excessive cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The table below presents the cash flows payable by the Bank under financial liabilities by earlier of remaining contractual maturities at the balance sheet date and expected payment date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

At 31 December 2014

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Non-derivative liabilities						
Due to banks	38,888	2,917	13,128	715,139	-	770,072
Due to customers	4,437,555	1,839,053	2,351,252	9,809	9,453	8,647,122
Other liabilities	90,552	3,301	14,755	67,977	43,555	220,140
Other borrowed funds	97,684	113,928	54,774	287,742	341,646	895,774
Total non-derivative liabilities	4,664,679	1,959,199	2,433,909	1,080,667	394,654	10,533,108
Derivative financial instruments settled on gross basis						
Payable	(3,155,469)	(223,391)	(2,924)	-	-	(3,381,784)
Receivable	3,137,849	223,277	,924	-	-	3,364,050
Total derivative financial instruments settled on gross basis	(17,620)	(114)	-	-	-	(17,734)
Gross nominal (inflow)/ outflow	4,647,059	1,959,085	2,433,909	1,080,667	394,654	10,515,374
Assets held for managing liquidity risk (contractual maturity dates)*	5,315,920	367,197	1,681,468	3,716,221	3,399,784	14,480,590
Net position	668,861	(1,591,888)	(752,441)	2,635,554	3,005,130	3,965,216

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Guarantees:						
- guarantees and standby letters of credit	502,700	-	-	-	-	502,700
Commitments:	-	-	-	-	-	-
- Undrawn loan commitments	1,105,215	-	-	-	-	1,105,215
- Documentary credits	210	-	-	-	-	210
- Other commitments	-	-	-	-	-	-
	1,608,125	-	-	-	-	1,608,125

*Included in assets held for liquidity risk are: cash, NBR reserves, due from other banks, held for trading securities

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	At 31 December 2013 Total
Non-derivative liabilities						
Due to banks	23,285	3,656	16,453	740,482	-	783,876
Due to customers	5,155,445	1,845,628	1,492,245	3,787	91,581	8,588,686
Other liabilities	81,649	2,668	10,205	49,594	51,657	195,773
Other borrowed funds	17,589	151,012	94,279	247,304	591,778	1,101,962
Total non-derivative liabilities	5,277,968	2,002,964	1,613,182	1,041,167	735,016	10,670,297
Derivative financial instruments settled on gross basis						
Payable	(1,200,885)	(519,904)	(509)	-	-	(1,721,298)
Receivable	1,876,493	1,328,463	509	-	-	3,205,465
Total derivative financial instruments settled on gross basis	675,608	808,559	-	-	-	1,484,167
Gross nominal (inflow)/ outflow	5,953,576	2,811,523	1,613,182	1,041,167	735,016	12,154,464
Assets held for managing liquidity risk (contractual maturity dates)*	5,163,726	631,299	1,580,749	3,808,692	3,710,098	14,894,564
Net position	(789,850)	(2,180,224)	(32,433)	2,767,525	2,975,082	2,740,100

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Guarantees:						
- guarantees and standby letters of credit	709,023	-	-	-	-	709,023
Commitments:	-	-	-	-	-	-
- Undrawn loan commitments	697,750	-	-	-	-	697,750
- Documentary credits	1,839	-	-	-	-	1,839
- Other commitments	-	-	-	-	-	-
	1,408,612	-	-	-	-	1,408,612

*Included in assets held for liquidity risk are: cash, NBR reserves, due from other banks, held for trading securities

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Management is confident that in spite of a substantial portion of deposits from customers having contractual maturity dates within three months, diversification of these deposits by number and type of deposits, and the past experience of the Bank would indicate that these deposits are rolled over and provide stable source of funding for the Bank.

Non-current assets or disposal groups that are expected to be recovered principally through a sale transaction, along with the related liabilities, are classified as held-for-sale. The above classification is used if the asset is available for immediate sale in its present condition and its sale is highly probable. Assets held for sale are initially recognized and subsequently remeasured at the lower of their carrying amount and fair value less cost to sell. Any loss arising from the above measurement is recorded in profit or loss and can be reversed in the future.

3.5 Fair value of financial assets and liabilities

Financial instruments carried at fair value

Trading assets, derivatives and other transactions undertaken for trading purposes, as well as available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value by reference to quoted prices when available. If quoted prices are not available, the fair values are estimated using valuation techniques.

These financial instruments carried at fair value are categorised into the three levels of the fair value hierarchy as at 31 December 2014 based on whether the inputs to the fair values are observable or unobservable, as follows:

A. Level 1 – Financial instruments measured based on quoted prices in active markets for identical financial instruments that an entity can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. These include actively quoted debt instruments, equity and derivative instruments traded on exchanges, as well as mutual funds and unit-linked products that have regularly and frequently published quotes.

B. Level 2 – Financial instruments measured using valuation techniques with the following inputs: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and iv) may also include other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments mainly include over-the-counter (OTC) derivatives and less-liquid debt instruments.

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

C. Level 3 – Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). Level 3 financial instruments include unquoted equity instruments.

The fair value hierarchy categorisation of the Bank's financial assets and liabilities carried at fair value is presented in the following table:

Financial assets measured at fair value: **31 December 2014**

	Level 1	Level 2	Level 3	Total
Financial instruments held for trading-debt	111,750	-	-	111,750
Derivative financial instruments-debt	-	3,517	-	3,517
Available-for-sale investment securities				
- debt	1,630,654	-	-	1,630,654
- equity	-	87,273	6,356	93,629
Total Financial assets	1,742,404	90,790	6,356	1,839,550

Financial liabilities measured at fair value: **31 December 2014**

	Level 1	Level 2	Level 3	Total
Derivative financial instruments-debt	-	23,860	-	23,860
Total Financial Liabilities	-	23,860	-	23,860

Financial assets measured at fair value: **31 December 2013**

	Level 1	Level 2	Level 3	Total
Financial instruments held for trading-debt	132,678	-	-	132,678
Derivative financial instruments-debt	-	6,893	-	6,893
Available-for-sale investment securities				
- debt	1,209,605			1,209,605
- equity	-	130,871	6,356	137,227
Total Financial assets	1,342,283	137,764	6,356	1,486,403

Financial liabilities measured at fair value: **31 December 2013**

	Level 1	Level 2	Level 3	Total
Derivative financial instruments-debt	-	20,030	-	20,030
Total Financial Liabilities	-	20,030	-	20,030

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

In 2014 the Bank has no amounts transferred between fair value hierarchy levels.

The Bank recognises transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was affected. Other than the transfer of RON 44,8 million available-for-sale equity instruments from Level 2 to Level 1 effected in the 4th quarter 2013, as observable quoted prices became available, there were no other transfers between Level 1 and 2 and vice versa, as well as, no changes in valuation techniques used, during the period.

Following management review of the fair value hierarchy categorisation, the Bank transferred in 2013 RON 6,356 thousand of unquoted available-for-sale equity instruments into Level 3, due to the significance of the unobservable inputs used in their fair value measurement.

Reconciliation of Level 3 fair value measurement as at December 2013:

	2013
Balance at 1 January	-
Transfer into Level 3	6,356
Transfer out of Level 3	-
Gain/(loss) included in Other Comprehensive Income	-
Gain/(loss) included in profit or loss	-
Purchases/(sales)	-
Balance at 31 December	6,356

Bank's valuation processes

The Bank uses widely recognized valuation models for determining the fair value of common financial instruments, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

Where valuation techniques are used to determine the fair values of financial instruments, they are validated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the bank entity and the counterparty, where appropriate.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Bank establishes the processes and procedures governing the fair valuations, in line with the Bank's accounting policies. Some of the specific valuation controls include: verification of observable pricing, re-performance of model valuations, a review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc. Where third parties' valuations are used for fair value measurement, these are reviewed in order to ensure compliance with the requirements of IFRS 13.

Valuation techniques

Over-The-Counter (OTC) derivative financial instruments are fair valued by discounting expected cash flows using market interest rates at the measurement date. Counterparty credit risk adjustments and own credit risk adjustments are applied to OTC derivatives, where appropriate. Bilateral credit risk adjustments consider the expected cash flows between the Bank and its counterparties under the relevant terms of the derivative instruments and the effect of the credit risk on the valuation of these cash flows. As appropriate in circumstances, the Bank considers also the effect of any credit risk mitigating arrangements, including collateral agreements and master netting agreements on the calculation of credit risk valuation adjustments (CVAs).

For the period ended 31 December 2013, the Group has switched from Libor discounting to overnight index swap (OIS) discounting for collateralized derivatives, only to single currency EUR and USD transactions. The effect of this switch was immaterial.

The bank determines fair values for debt securities held using quoted market prices in active markets for securities with similar credit risk, maturity and yield or by using discounted cash flows method.

The fair values of unquoted available-for-sale equity instruments are estimated mainly (i) using third parties' valuation reports based on investees' net assets, where management does not perform any further significant adjustments, and (ii) net assets' valuations, adjusted where considered necessary.

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments not carried at fair value

The following table presents the carrying amounts and fair values of financial assets and liabilities which are not carried at fair value on the balance sheet, analysed by the level in the fair value hierarchy into which each fair value measurement is included:

31 December 2014	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
- Corporate lending	-	-	1,719,191	1,719,191	1,730,243
- Small Business lending	-	-	563,862	563,862	550,395
- Consumer lending	-	-	1,579,546	1,579,546	1,382,409
- Mortgage	-	-	2,576,581	2,576,581	2,336,925
Loans and advances to customers	-	-	6,439,180	6,439,180	5,999,972

31 December 2013	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
- Corporate lending	-	-	1,734,044	1,734,044	1,750,844
- Small Business lending	-	-	700,780	700,780	699,215
- Consumer lending	-	-	1,733,222	1,733,222	1,509,817
- Mortgage	-	-	2,683,498	2,683,498	2,473,595
Loans and advances to customers	-	-	6,851,544	6,851,544	6,433,471

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value on the balance sheet date are in line with those used to calculate the fair values for financial instruments carried at fair value and are as follows:

i. For loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair values are estimated by discounting future cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates. Loans are grouped into homogenous assets with similar characteristics, as monitored by Management, such as product, borrower type and delinquency status, in order to improve the accuracy of the estimated valuation outputs. In estimating future cash flows, the Group makes assumptions on expected prepayments, product spreads and timing of collateral realisation. The discount rates incorporate inputs for expected credit losses and interest rates, as appropriate.

ii. For other financial instruments which are short term or re-price at frequent intervals (cash and balances with central banks, loans and advances to banks, due to central and other banks and due to customers), the carrying amounts represent reasonable approximations of fair values.

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets and (c) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. All of the Bank's financial assets fall in the loans and receivables, available for sale assets and trading assets. All of the Bank's financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category and were held for trading.

The following table provides a reconciliation of financial assets with these measurement categories:

	Loans and receivables	Available for sale assets	Trading assets	Total
Assets				
Cash	535,814	-	-	535,814
Balances with Central Bank	1,015,158	-	-	1,015,158
Loans and advances to banks	1,624,271	-	-	1,624,271
Loans and advances to customers (net)	5,999,972	-	-	5,999,972
Trading assets	-	-	111,750	111,750
Derivative financial instruments	-	-	3,517	3,517
Investment securities, available for sale	-	1,724,283	-	1,724,283
Total financial assets	9,175,215	1,724,283	115,267	11,014,765

	Loans and receivables	Available for sale assets	Trading assets	Total
Assets				
Cash	443,002	-	-	443,002
Balances with Central Bank	1,905,819	-	-	1,905,819
Loans and advances to banks	1,025,685	-	-	1,025,685
Loans and advances to customers (net)	6,433,471	-	-	6,433,471
Trading assets	-	-	132,678	132,678
Derivative financial instruments	-	-	6,893	6,893
Investment securities, available for sale	-	1,346,832	-	1,346,832
Total financial assets	9,807,977	1,346,832	139,571	11,294,380

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.6 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- To safeguard the Bank 's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank 's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the National Bank of Romania, for supervisory purposes. The required information is filed with the National Bank of Romania on a quarterly basis. The Capital Adequacy ratio of the bank was calculated in accordance with Basel III principles.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2014 and 2013. During these periods, the Bank complied with the externally imposed capital requirements to which they are subject.

(All amounts in RON thousand unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2014	31 December 2013
Tier 1 capital		
Share capital	1,350,245	1,350,245
Share premium	81,133	81,133
Legal reserve	40,756	40,756
General risk reserves	41,583	41,583
Special reserves	(964)	(555)
General reserves	58,365	58,767
Accumulated losses	(467,714)	(198,743)
Minority interests	-	-
Less: Intangibles	(84,647)	(112,973)
Less: Other deductions from Tier I capital	(1,050)	(1,105)
Less: Prudential filters-provisions	(127,019)	(271,592)
Less: Tax filters	(36,376)	(54,315)
Total qualifying Tier 1 capital (core capital)	854,312	933,201
Tier 2 capital		
Eligible Subordinated capital	444,637	448,470
Revaluation reserve – available-for-sale investments	32,085	30,362
Less: Prudential filters-provisions	(127,019)	(271,592)
Total qualifying Tier 2 capital (additional own funds)	349,703	207,240
Available Own Funds	1,204,015	1,140,441
Own Funds requirements for:		
Credit Risk	380,299	421,885
Market Risk	8,552	14,013
Operational Risk	124,910	136,634
Total capital requirement	513,761	572,532
CAD ratios:		
Total capital adequacy ratio	18.75%	15.94%
Core Capital Ratio	13.30%	13.04%
Regulatory Total Capital Ratio	8%	8%

According to NBR orders 32/26.03.2014 and 52/30.04.2014 the Bank has the obligation to recognize additional own funds for a number of debtors. Total capital adequacy ratio including the requirements imposed by NBR as at 31 December 2014 was 18.67%.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the Bank's accounting policies, the Bank's Management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognised in the financial statements within the next financial year. 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 circumstances.
Apart from the historical experience the Bank considered also the effect of the current financial industry conditions in evaluating these estimates and judgments.

Future fiscal losses realization

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Bank recognized deferred income tax asset of RON 42,862 thousand (2013: RON 89,542 thousand deferred income tax asset) in respect of a fiscal loss carried forward amounting to RON 267,887 thousand (2013: RON 559,637 thousand fiscal loss) that can be carried forward against future taxable income. In Romania, tax periods remain open for 7 years. The first expiration term for the fiscal loss is 31st of December 2016. Management estimates that the Bank will record sufficient taxable profit in the future periods either from normal banking operations or by utilizing tax planning opportunities related to the future use of a reserve established under retained earnings as at 1 January 2012 following the implementation of the National Bank of Romania order 27/2010 and corresponding amendments to the tax legislation.

Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a continuously basis. In determining whether an impairment loss should be recorded in the income statement, the Bank 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 the 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 similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

For the Bank's mortgage portfolios, recovery rates are calculated based on management best estimates regarding the realizable value of residential properties held as collateral as well as timing of foreclosure. Both the amount and timing of expected cash flows have been affected by the level of activity in the real estate market.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Following the Asset Quality Review process and the recommendations of the National Bank of Romania the Bank increased its impairment provisions during 2014 by EUR 25.8 million.

A 3% decline in the estimated recovery rates used in the collective impairment calculation for the Bank's mortgage portfolio would not lead to additional loan impairment losses.

For the rest of the retail portfolios (consumer and small business lending), statistical analysis of historical loss experience is the primary tool used in order to determine the future customer behaviour and payment patterns. Due to the stressed macroeconomic environment during the last years, depending on the portfolio under examination, there is a level of uncertainty in terms of the level of future cash flows as well as the time these cash flows will come. Management exercises judgment to determine the applicable recovery rates which are affected by the existing economic conditions. A decrease in the estimated recovery rates used in the calculation of the collective impairment allowance by 5 % for the unsecured portfolios, and by 3% for the secured portfolios, would not lead to additional loan impairment losses for the consumer and small business banking portfolios.

Impairment losses for the medium size and large corporate entities are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realization of any assets held as collateral against the loans. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realizable value of any underlying collateral. In estimating individual impairment allowance, the Bank considers multiple risk factors such as industry prospects, financial condition and outlook of borrower, net realizable value of any collateral and therefore, there is no single factor to which the Bank's individual impairment allowance as a whole is highly sensitive.

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.

(All amounts in RON thousand unless otherwise stated)

5 NET INTEREST INCOME

	2014	2013
Interest and similar income		
Loans and advances to customers*	520,209	620,094
Loans and advances to banks	34,657	37,066
Investment securities available for sale	43,644	46,172
	598,510	703,332

	2014	2013
Interest expense and similar charges		
Due to customers	225,589	344,112
Due to banks	21,290	29,139
Repos (repurchase agreements)	777	572
Other borrowed funds	11,579	17,838
	259,235	391,661
Net interest income	339,275	311,671

** Interest income recognised on impaired loans in 2014 was RON 26,555 thousand (2013: RON 45,308 thousand). See also note 16.*

As at 31 December 2014 and 31 December 2013 the Bank does not have any revenues from financial assets at fair value through profit or loss (FVTPL) recognised in interest and similar income.

(All amounts in RON thousand unless otherwise stated)

6 NET FEE AND COMMISSION INCOME

	2014	2013
Fee and commission income		
Fee and commissions income from bank operation	87,747	95,081
Other fee and commission income	50,476	56,270
Financial assets administration fee	4,262	8,060
	142,485	159,411
Fee and commission expense		
Customer transactions	20,804	23,205
Transactions with other banks	17,914	15,837
	38,718	39,042
Net fee and commission income	103,767	120,369

The bank operations relate to core activity regarding the granting of loans and payment services. The other fees and commission income refer mainly to issuance of letter of guarantees, fees for deposits closed before maturity and other services.

7 NET TRADING INCOME

	2014	2013
Gain from foreign exchange:	102,633	138,196
- Foreign exchange gains from transactions	61,115	98,236
- Net effect of translation of foreign currency denominated assets and liabilities	41,518	39,960
Gain/(Loss) from derivative instruments:	(15,144)	(7,895)
- Options	(265)	899
- Foreign exchange derivatives	(19,298)	(33,500)
- Interest rate derivatives	4,419	24,706
Gain held for trading securities	12,315	16,486
Net trading income	99,804	146,787

(All amounts in RON thousand unless otherwise stated)

8 OTHER OPERATING INCOME

	2014	2013
Other income	4,673	4,710
Realized gains on disposal of investment securities available for sale	63,735	10,569
Dividend income	615	575
	69,023	15,854

9 OTHER OPERATING EXPENSES

	2014	2013
Salaries, wages and other employee benefits	151,848	165,639
Social contribution	8,703	9,342
Contributions to defined state benefits scheme	28,669	32,718
Services expense	44,602	45,456
Other tax and contribution	59,020	58,826
Rental expenses	39,864	46,889
Utilities	8,669	10,218
Communication	3,822	4,695
Depreciation, amortization and impairment (Note 18 and 19)	45,307	46,486
Loss on disposals of fixed assets	21,741	7,338
Repairs, maintenance and utilities	20,647	19,735
Postage, consumables	6,266	7,353
Other expenses	22,043	20,744
Travel expenses	1,305	1,079
Advertising	12,206	13,808
Insurance premiums	3,207	2,953
Impairment charge for other assets (Note 20)	(1,020)	2,347
Provision for contingent liabilities and other provisions	11,802	13,070
	488,701	508,696

(All amounts in RON thousand unless otherwise stated)

10 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	2014	2013
Impairment charge for loans to customers (Note 16)	396,804	233,724
Recoveries from loans previously written off (Note 16)	(802)	428
Provision for other credit commitments	(7,443)	(3,630)
Total	388,559	230,522

11 INCOME TAX

The income tax consists of current and deferred income tax (credit)/expense as follows:

	2014	2013
Deferred income tax credit	3,580	(9,862)
Total income tax release	3,580	(9,862)
Loss before tax	(265,391)	(144,537)
Theoretical tax charge at 16% (2013: 16%)	(42,463)	(23,126)
Tax effect of:		
Non-deductible expenses	16,066	1,389
Income not subject to tax	(7,255)	(41)
Unused deferred tax asset from fiscal loss	36,786	11,925
Other elements	446	(9)
Income tax (credit)/expense for the year	3,580	(9,862)

Current income tax is calculated applying a rate of 16 % (2013: 16%). Deferred income taxes are calculated on all temporary differences under the liability method using a income tax rate of 16 % (2013: 16%). In Romania, tax periods remain open for 7 years. The first expiration term for the fiscal loss is 31st of December 2016.

(All amounts in RON thousand unless otherwise stated)

11 INCOME TAX (CONTINUED)

Deferred income tax assets and liabilities are attributable to the following items:

	31 December 2014	Tax recognised in income statement	Tax recognised in other comprehensive income	31 December 2013
Tax effects of deductible temporary differences				
Differences in the tax and accounting base for buildings	16,134	(493)	-	16,627
Fiscal loss	42,862	(46,680)	-	89,542
Other accruals	2,582	38	-	2,545
Other provisions	7,301	(3,303)	-	10,603
	68,879	(50,438)	-	119,317
Tax effects of taxable temporary differences				
Fixed assets and investments	11,227	(605)	-	11,832
Potential utilisation of IFRS transition reserves	-	(39,858)	-	39,858
Prudential filters	-	(6,395)	-	6,395
Gain on fair value of investment securities available for sale	13,581	-	412	13,169
Loss on remeasurement of retirement benefits obligation	(165)	-	(76)	(89)
	24,643	(46,858)	336	71,165
Net tax effect of temporary differences	44,236	(3,580)	(336)	48,152
Total net deferred income tax asset/(liability)	44,236	(3,580)	(336)	48,152

(All amounts in RON thousand unless otherwise stated)

11 INCOME TAX (CONTINUED)

	31 December 2013	Tax recognised in income statement	Tax recognised in other comprehensive income	31 December 2012
Tax effects of deductible temporary differences				
Differences in the tax and accounting base for buildings	16,627	(632)	-	17,259
Fiscal loss	89,542	(2,930)	-	92,472
Other accruals	2,545	444	-	2,101
Other provisions	10,603	(964)	-	11,567
	119,317	(4,082)	-	123,399
Tax effects of taxable temporary differences				
Fixed assets and investments	11,832	(1,170)	-	13,002
Potential utilisation of IFRS transition reserves	39,858	-	-	39,858
Prudential filters	6,395	(12,774)		19,169
Gain on fair value of investment securities available for sale	13,169	-	9,912	3,257
Loss on remeasurement of retirement benefits obligation	(89)	-	(89)	-
	71,165	(13,944)	9,823	75,286
Net tax effect of temporary differences	48,152	9,862	(9,823)	48,113
Total net deferred income tax asset/(liability)	48,152	9,862	(9,823)	48,113

See also note 4 section "Future fiscal losses realization" for more details.

(All amounts in RON thousand unless otherwise stated)

12 BALANCES WITH CENTRAL BANK

	31 December 2014	31 December 2013
Current account		
in RON	542,253	1,282,509
in EUR	472,905	623,310
Total current account and term deposits (Note 30)	1,015,158	1,905,819

Current accounts are required to satisfy the mandatory reserve requirements of the National Bank of Romania. This reserve is a minimum average deposit with a holding period of one month, based on resources attracted on previous month. The cash balance held with central bank at the reporting date meets these requirements. During 2014 the interest rates ranged from 0.32% to 0.76% (2013: 0.55% to 1.30%) for reserves held in RON and between 0.32% and 0.38% (2013: 0.36% and 0.56%) for reserves held in EUR.

During 2014 the ratio for minimum reserves held in RON decreased from 15%, at the end of 2013, to 10%, at the end of 2014, and for foreign currency decreased from 20%, at the end of 2013, to 14% at the end of 2014.

13 LOANS AND ADVANCES TO BANKS

	31 December 2014	31 December 2013
Current accounts	59,144	40,798
Placements with banks as sight and term deposits	1,233,208	984,887
Reverse repos	331,919	-
	1,624,271	1,025,685

As at 31 December 2014 the placements with initial maturity below 3 months, amounting to RON 1,624,271 thousand (2013: RON 1,025,685 thousand) were included in cash and cash equivalents (Note 28).

During 2014, interest on placements on RON ranged from 0.5 % to 6% with maturity less than three months. For USD ranged from 0.15% to 2.85%. For EUR ranged from 0.01 % to 3.15%.

As at 31 December 2014, placements with banks included sight and term deposits placed with Parent Bank amounting to RON 1,026,401 thousand (2013: RON 819,355 thousand).

(All amounts in RON thousand unless otherwise stated)

13 LOANS AND ADVANCES TO BANKS (CONTINUED)

The table below presents an analysis of Loans and advances to Banks by rating agency designation that are neither past due nor impaired, based on Moody's rating or their equivalent:

				31 December 2014
	Current accounts	Placements with banks as sight and term deposits	Reverse repos (agreements to resell)	Total
Aaa	-	14,379	-	14,379
Aa3	-	3,631	-	3,631
A1	34,924	-	-	34,924
A3	1,537	-	-	1,537
Baa2	-	82,953	-	82,953
Baa3	1,246	-	-	1,246
Caa2	19,751	1,026,400	331,919	1,378,070
Unrated	1,686	105,845	-	107,531
	59,144	1,233,208	331,919	1,624,271

			31 December 2013
	Current accounts	Placements with banks as sight and term deposits	Total
Aa3	-	489	489
A2	7,441	-	7,441
Baa1	2,710	-	2,710
Baa3	5	-	5
Caa2	29,191	819,355	848,546
Unrated	1,451	165,043	166,494
	40,798	984,887	1,025,685

An amount of RON 1.378 million (2013: RON 848 million) included in rated Caa2 at 31 December 2014 relates to placements with EFG Eurobank Ergasias SA (Parent Bank).

14 TRADING ASSETS

	31 December 2014	31 December 2013
Government bonds	111,750	132,678
Total	111,750	132,678

15 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank uses derivative instruments for non-hedging purposes:

- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organized financial market. The credit risk is negligible, as futures contracts are collateralized by cash or marketable securities, and changes in the futures' contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

- Foreign currency options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency at a pre-determined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange. The options are negotiated between the Bank and a customer (OTC).

- Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (that is, cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

- An interest rate cap is a derivative in which the buyer received payments at the end of each period in which the interest rate exceeds the agreed strike price. An interest rate floor is a derivative in which the buyer received payments at the end of each period in which the interest rate is below the agreed strike price.

- The cross currency interest rate swaps have been mainly undertaken with the Parent Bank and represents the major part of the derivative transactions. They are disclosed as well in Note 29.

(All amounts in RON thousand unless otherwise stated)

15 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

- The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

The notional amounts, fair values of derivative instruments held at the balance sheet date and rating agency designation based on Moody's rating or the internal rating of the Bank (MRI) are set out below:

	Contract/notional	Fair values	
At 31 December 2014	**Amount**	**Assets**	**Liabilities**
Derivatives held for trading			
a) Foreign exchange derivatives			
Aa3	386,803	2	(1,965)
Caa2	3,421,217	636	(17,534)
Unrated	183,766	329	(94)
Currency swaps	3,991,786	967	(19,593)
Caa2	4,690	-	-
Unrated	428	148	-
OTC currency options assets	5,118	148	-
Caa2	428	-	(148)
Unrated	4,690	-	-
OTC currency options liability	5,118	-	(148)

(All amounts in RON thousand unless otherwise stated)

15 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Contract/notional	Fair values	
At 31 December 2014	**Amount**	**Assets**	**Liabilities**
b) Interest rate derivatives			
Caa2	451,403	487	(1,798)
Unrated	195,180	282	(249)
MRI			
5.3	184,339	77	-
6.0	38,142	1,053	-
6.1	4,607	-	(1)
7.7	5,827	186	-
8.0	6,723	215	-
8.7	6,470	-	(179)
10	10,115	-	(239)
Interest rate swaps	902,806	2,300	(2,466)
Aaa	1,092	59	(1,610)
Cross-currency interest rate swaps	1,092	59	(1,610)
Caa2	-	43	(43)
Interest rate options	-	43	(43)
Total		3,517	(23,860)

	Contract/notional	Fair values	
At 31 December 2013	**Amount**	**Assets**	**Liabilities**
Derivatives held for trading			
a) Foreign exchange derivatives			
MRI			
3.8	155	2	
Currency forwards	155	2	-
Aa3	609,919	-	(3,124)
Ba1	44,847	-	(221)
Ba3	44,847	236	-
Caa2	3,640,525	360	(8,832)
unrated	112,118	124	(160)
Currency swaps	4,452,256	720	(12,337)
Caa2	65,221	520	-
unrated	251	2	-
MRI			
5.1	64,633	426	-
OTC currency options assets	130,105	948	-
Caa2	65,221	-	(429)
unrated	251	-	(137)
MRI			
5.1	64,633	-	(382)
OTC currency options liability	130,105	-	(948)

(All amounts in RON thousand unless otherwise stated)

15 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 31 December 2013	Contract/notional Amount	Fair values Assets	Liabilities
b) Interest rate derivatives			
Caa2	-	2,240	(2,536)
unrated	109,228	1,369	(1,871)
MRI			
3.9	626	-	(95)
5.4	2,228	-	(101)
5.9	8,240	-	(439)
6.3	5,830	170	(5)
6.4	897	-	(269)
7.3	15,355	2	(165)
8.0	6,727	198	(7)
8.4	11,414	41	-
Interest rate swaps	160,545	4,020	(5,488)
Caa2	-	1,080	(60)
unrated	-	6	(1,080)
Cross-currency interest rate swaps	-	1,086	(1,140)
Caa2	-	1	(116)
MRI			
7.4	-	116	(1)
Interest rate options	-	117	(117)
Total	-	6,893	(20,030)

(All amounts in RON thousand unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS

Analysis by sector for corporate loans and by product for loans to individuals:

	31 December 2014	% of total	31 December 2013	% of total
Analysis by sector				
Industry	568,934	8.24	333,558	4.69
Commerce	492,770	7.14	498,952	7.02
Services	292,215	4.23	295,881	4.16
Construction	502,586	7.28	496,412	6.98
Real estate	61,259	0.89	207,641	2.92
Retail				
Consumer	1,115,422	16.16	1,196,458	16.83
Mortgage	2,483,923	36.01	2,566,749	36.10
Small Business Banking	871,603	12.63	967,757	13.61
Credit cards and overdraft facilities	512,375	7.42	546,108	7.69
Gross loans and advances to customers	6,901,087	100.00	7,109,516	100.00
Provisions for impairment losses	(901,115)		(676,045)	
Net loans and advances to customers	5,999,972		6,433,471	

(All amounts in RON thousand unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

A reconciliation of the provision for impairment losses on loans and advances by class is as follows:

	Wholesale lending	Consumer lending	Mortgage lending	Small business lending	Total
Balance 1 January 2014	81,600	232,749	93,154	268,542	676,045
Net charge for the year (Note 10)	137,800	53,627	90,755	114,622	396,804
Amounts written off/ (derecognition of net receivables)	(33,221)	(40,526)	(32,732)	(42,978)	(149,457)
Recoveries of write offs (Note 10)	-	(802)	-	-	(802)
Foreign exchange differences	1,845	340	2,531	364	5,080
Effects of interest income recognised for impaired loans	(503)	-	(6,710)	(19,342)	(26,555)
At 31 December 2014	187,521	245,388	146,998	321,208	901,115

	Wholesale lending	Consumer lending	Mortgage lending	Small business lending	Total
Balance 1 January 2013	129,989	177,850	62,690	305,620	676,149
Net charge for the year (Note 10)	66,885	56,566	37,098	73,175	233,724
Amounts written off/ (derecognition of net receivables)	(111,195)	(2,417)	-	(78,893)	(192,505)
Recoveries of write offs (Note 10)	-	428	-	-	428
Foreign exchange differences	1,046	322	202	1,987	3,557
Effects of interest income recognised for impaired loans*	(5,125)	-	(6,836)	(33,347)	(45,308)
At 31 December 2013	81,600	232,749	93,154	268,542	676,045

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

During 2014, the Bank has concluded 3 transfer agreements with ERB New Europe Funding II (June 2014) and Eurobank Ergasias SA (February 2014 and December 2014) regarding current and non-performing loans. Substantially all risks and rewards associated with the related portfolios were transferred from the Bank to the above mentioned counterparties through the agreements concluded. Post transfer the bank acts as an administrator of these loans. As a consequence, in respect to these transfers, in total the Bank derecognized net contractual receivables with a carrying amount of RON 64,792 thousand at the time of the transfers. In total there was no net gain or loss recognized in the Profit or Loss Account resulting in respect of these transfers.

During 2013, the Bank has concluded 6 transfer agreements with 3 entities within Group: Eurobank Ergasias SA (March 2013, September 2013 and two contracts in December 2013), ERB New Europe Funding II (December 2013) and ERB New Europe Funding III Limited (August 2013) regarding non-performing loans. Substantially all risks and rewards associated with the related portfolios were transferred from the Bank to the above mentioned counterparties through the agreements concluded.

Post transfer the bank acts as an administrator of these loans. As a consequence, in respect to these transfers, in total the Bank derecognized net contractual receivables with a carrying amount of RON 446,150 thousand at the time of the transfers. In total there was no net gain or loss recognized in the Profit or Loss Account resulting in respect of these transfers. Beside these new contracts, the Bank also transferred to Eurobank Ergasias SA (April 2013, August 2013, September 2013, October 2013 and December 2013) new withdrawals from open credit lines that were part of sub-participation contracts concluded before 2013, with a carrying amount of RON 3,002 thousand.

(All amounts in RON thousand unless otherwise stated)

17 INVESTMENT SECURITIES AVAILABLE FOR SALE

		31 December 2014	31 December 2013
Debt securities (Note 30)	a)	1,630,654	1,209,605
Investments in Mutual Funds	b)	86,999	85,839
Equity investments	c)	6,630	51,388
		1,724,283	1,346,832

The movement in available for sale securities during 2014 and 2013 are presented below:

	2014	2013
At 1 January	1,346,832	1,134,085
Purchases	1,993,653	1,147,879
Disposals	(1,620,077)	(997,160)
Net gains from changes in fair value	2,506	61,954
Foreign exchange differences	1,369	74
At 31 December	1,724,283	1,346,832

a) Debt securities include treasury bills denominated in RON and EUR, issued by the Ministry of Public Finance having up to five years maturity. The RON denominated ones bear interest rates ranging from 3.3% to 6% (2013: 4.8% to 11 %). As at 31 December 2014, the EUR denominate ones bear interest rates ranging from 3.4% to 6.5% (2013: from 3% to 5%).

b) Bancpost SA is involved in various types of structured entities, such as mutual funds and private equity funds. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The entities have restricted activities, a narrow well defined objective, insufficient equity to permit it to finance its activities without subordinated financial support and financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

During 2010, the Bank invested in two mutual funds Bancpost LF Active Balance and Bancpost LF Money Market Cash Fund. At 31 December 2014, the participation was 66.93% in LF Balanced Active Fund (67.05 % as at 31 December 2013) and 75.98% in LF Money Market Cash Fund (94.24% as at 31 December 2013).

The funds are managed by Eurobank Fund Management Company SA (member of the Eurobank group). The administrator manages all the funds of the Eurobank Group in Romania.

(All amounts in RON thousand unless otherwise stated)

17 INVESTMENT SECURITIES AVAILABLE FOR SALE (CONTINUED)

The table below sets out the carrying amounts of the Bank's interests in funds recognized in the standalone financial statements balance sheet as of 31 December 2014, representing the maximum exposure to loss in relation to these interests, total assets of the funds and total losses per interest:

LF Balanced Active Fund	**Funds managed by the Eurobank Fund Management Company SA**		**Third party managed funds**		**Total**	**31 December 2014 Total losses recognised in relation to each of the entity's interest in the funds in:**	
						P/L	**OCI**
	Mutual funds	**Private equity funds**	**Mutual funds**	**Private equity funds**			
Bank's interest- assets							
Investment securities	20,600	-	-	-	20,600	-	-
Loans	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Total carrying amount of assets in relation to the Bank's interests in the funds	20,600	-	-	-	20,600	-	-
Bank's interest- liabilities							
Derivative financial instruments	-	-	-	-	-	-	-
Other liabilities [commitments, guarantees]	-	-	-	-	-	-	-
Total carrying amount of liabilities in relation to the Bank's interests in the funds	-	-	-	-	-	-	-
Bank's maximum exposure to loss	20,600	-	-	-	20,600	-	-
Total assets of the structured entities	-	-	-	-	-	-	-

(All amounts in RON thousand unless otherwise stated)

17 INVESTMENT SECURITIES AVAILABLE FOR SALE (CONTINUED)

Total income for 2014 per type of fund

	31 December 2014				
	Funds managed by the Eurobank Fund Management Company SA		Third party managed funds		Total
Total income for the year ended 31 December 2014	**Mutual funds**	**Private equity funds**	**Mutual funds**	**Private equity funds**	
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Gains from sale of the Bank interest	-	-	-	-	-
Losses from sale of the Bank interest	-	-	-	-	-
Gains from assets measured at FV	418	-	-	-	418
Losses from assets measured at FV	-	-	-	-	-

LF Balanced Active Fund

	Funds managed by the Eurobank Fund Management Company SA		Third party managed funds		Total	31 December 2013 Total losses recognised in relation to each of the entity's interest in the funds in:	
	Mutual funds	**Private equity funds**	**Mutual funds**	**Private equity funds**		**P/L**	**OCI**
Bank's interest- assets							
Investment securities	20,183	-	-	-	20,183	-	-
Loans	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Total carrying amount of assets in relation to the Bank's interests in the funds	20,183	-	-	-	20,183	-	-
Bank's interest- liabilities							
Derivative financial instruments	-	-	-	-	-	-	-
Other liabilities [commitments, guarantees]	-	-	-	-	-	-	-
Total carrying amount of liabilities in relation to the Bank's interests in the funds	-	-	-	-	-	-	-
Bank's maximum exposure to loss	20,183	-	-	-	20,183	-	-
Total assets of the structured entities	-	-	-	-	-	-	-

(All amounts in RON thousand unless otherwise stated)

17 INVESTMENT SECURITIES AVAILABLE FOR SALE (CONTINUED)

Total income for 2014 per type of fund

	31 December 2013				
	Funds managed by the Eurobank Fund Management Company SA		Third party managed funds		Total
Total income for the year ended 31 December 2013	**Mutual funds**	**Private equity funds**	**Mutual funds**	**Private equity funds**	
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Gains from sale of the Bank interest	-	-	-	-	-
Losses from sale of the Bank interest	-	-	-	-	-
Gains from assets measured at FV	2,189	-	-	-	2,189
Losses from assets measured at FV	-	-	-	-	-

LF Money Market Cash Fund						31 December 2014 Total losses recognised in relation to each of the entity's interest in the funds in:	
	Funds managed by the Eurobank Fund Management Company SA		Third party managed funds		Total	P/L	OCI
	Mutual funds	**Private equity funds**	**Mutual funds**	**Private equity funds**			
Bank's interest- assets							
Investment securities	66,399	-	-	-	66,399	-	-
Loans	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Total carrying amount of assets in relation to the Bank's interests in the funds	66,399	-	-	-	66,399	-	-
Bank's interest- liabilities							
Derivative financial instruments	-	-	-	-	-	-	-
Other liabilities [commitments, guarantees]	-	-	-	-	-	-	-
Total carrying amount of liabilities in relation to the Bank's interests in the funds	-	-	-	-	-	-	-
Bank's maximum exposure to loss	66,399	-	-	-	66,399	-	-
Total assets of the structured entities	-	-	-	-	-	-	-

(All amounts in RON thousand unless otherwise stated)

17 INVESTMENT SECURITIES AVAILABLE FOR SALE (CONTINUED)

Total income for 2014 per type of fund

	31 December 2014				
	Funds managed by the Eurobank Fund Management Company SA		Third party managed funds		Total
Total income for the year ended 31 December 2014	**Mutual funds**	**Private equity funds**	**Mutual funds**	**Private equity funds**	
Interest	-	-	-	-	
Dividends	-	-	-	-	-
Gains from sale of the Bank interest	-	-	-	-	-
Losses from sale of the Bank interest	-	-	-	-	-
Gains from assets measured at FV	743	-	-	-	743
Losses from assets measured at FV	-	-	-	-	-

LF Money Market Cash Fund						31 December 2013 Total losses recognised in relation to each of the entity's interest in the funds in:	
	Funds managed by the Eurobank Fund Management Company SA		Third party managed funds		Total	P/L	OCI
	Mutual funds	Private equity funds	Mutual funds	Private equity funds			
Bank's interest- assets							
Investment securities	65,656	-	-	-	65,656	-	-
Loans	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Total carrying amount of assets in relation to the Bank's interests in the funds	65,656	-	-	-	65,656	-	-
Bank's interest- liabilities							
Derivative financial instruments	-	-	-	-	-	-	-
Other liabilities [commitments, guarantees]	-	-	-	-	-	-	-
Total carrying amount of liabilities in relation to the Bank's interests in the funds	-	-	-	-	-	-	-
Bank's maximum exposure to loss	65,656	-	-	-	65,656	-	-
Total assets of the structured entities	-	-	-	-	-	-	-

17 INVESTMENT SECURITIES AVAILABLE FOR SALE (CONTINUED)

Total income for 2014 per type of fund

					31 December 2013
	Funds managed by the Eurobank Fund Management Company SA		Third party managed funds		
Total income for the year ended 31 December 2013	**Mutual funds**	**Private equity funds**	**Mutual funds**	**Private equity funds**	**Total**
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Gains from sale of the Bank interest	-	-	-	-	-
Losses from sale of the Bank interest	-	-	-	-	-
Gains from assets measured at FV	3,735	-	-	-	3,735
Losses from assets measured at FV	-	-	-	-	-

c) Equity investments comprise of minority participations in the share capital of other companies.

A currency analysis and residual maturity profile of the investment securities is presented in Note 3.

(All amounts in RON thousand unless otherwise stated)

17 INVESTMENT SECURITIES AVAILABLE FOR SALE (CONTINUED)

Description	Business of the investment	Shareholding	31 December 2014	Shareholding	31 December 2013
Transfond	local settlement entity	3.14%	4,265	3.14%	4,265
Biroul Roman de Credite	credit bureau	7.25%	1,152	7.25%	1,152
MASTERCARD	card agency	0.00%	-	0.01%	38,731
Visa Inc	card agency	0.00%	-	0.03%	6,027
Depozitarul Central	central depository for securities transactions	2.60%	776	2.60%	776
Swift	international settlement entity	0.01%	161	0.01%	161
ERB Retail Services IFN SA	consumer finance	0.17%	207	0.17%	207
SNCDD	local settlement entity	0.02%	1	0.02%	1
VISA Europe Limited	card agency	0.00%	1	0.00%	1
Fundatia BANCPOST SA		100.00%	67	100.00%	67
			6,630		51,388

(All amounts in RON thousand unless otherwise stated)

18 INTANGIBLE ASSETS

	Licence and software	Software under development	Total
Year ended 31 December 2014			
Opening net book value	98,921	14,052	112,973
Additions	150	15,835	15,985
Transfers	-	-	-
Disposals	(11,350)	(1,483)	(12,833)
Amortisation charge	(20,653)	-	(20,653)
Closing net book value	67,068	28,404	95,472
At 31 December 2014			
Cost	171,129	28,404	199,533
Accumulated amortisation	(104,061)	-	(104,061)
Net Book Value	67,068	28,404	95,472
Year ended 31 December 2013			
Opening net book value	87,437	25,646	113,083
Additions	19,189	33	19,222
Transfers	11,627	(11,627)	-
Disposals	-	-	-
Amortisation charge	(19,332)	-	(19,332)
Closing net book value	98,921	14,052	112,973
At 31 December 2013			
Cost	204,416	14,052	218,468
Accumulated amortisation	(105,495)	-	(105,495)
Net Book Value	98,921	14,052	112,973

In 2014 the net book value of the internal costs related to software under development was RON 1,260 thousand (2013: RON 439 thousand) and additions through the year amounting RON 821 thousand (2013: RON 1,280 thousand). In 2013 the amount transferred between *software under development* and *licence and software* related to internal costs was of RON 5,802 thousand.

(All amounts in RON thousand unless otherwise stated)

19 PROPERTY PLANT AND EQUIPMENT

	Land and buildings	Equipment, fixtures & fittings	Vehicles	Total
Year ended 31 December 2014				
Opening net book value	295,305	62,592	569	358,466
Additions	4,971	2,168	-	7,139
Disposals	(7,941)	(1,242)	-	(9,183)
Depreciation charge	(11,473)	(13,019)	(162)	(24,654)
Closing net book value	280,862	50,499	407	331,768
At 31 December 2014				
Cost	419,851	257,064	14,143	691,058
Accumulated depreciation	(138,989)	(206,565)	(13,736)	(359,290)
Net Book Value	280,862	50,499	407	331,768
Year ended 31 December 2013				
Opening net book value	312,677	75,994	793	389,464
Additions	1,331	2,912	-	4,243
Disposals	(6,747)	(1,334)	(5)	(8,086)
Depreciation charge	(13,537)	(15,276)	(219)	(29,032)
Impairment charge	1,581	296	-	1,877
Closing net book value	295,305	62,592	569	358,466
At 31 December 2013				
Cost	430,954	260,723	15,000	706,677
Accumulated depreciation	(135,649)	(198,131)	(14,431)	(348,211)
Net Book Value	295,305	62,592	569	358,466

As at 31 December 2014 vehicles amounting to cost RON 14,143 thousand (2013: cost RON 15,000 thousand) includes cars acquired under financial lease, amounting to cost RON 3,390 thousand – gross book value (2013: cost RON 3,648 thousand).

(All amounts in RON thousand unless otherwise stated)

20 OTHER ASSETS

	31 December 2014	31 December 2013
Other financial assets		
Sundry receivables, gross	30,087	31,287
Provision for sundry receivables and other assets	(15,466)	(16,409)
Sundry receivables and other assets, net	14,621	14,878
Amounts in course of settlement	11,856	22,285
Total other financial assets, net	26,477	37,163
Other non-financial assets		
Prepayments	2,860	2,823
Receivable from state in respect of income tax	10,069	8,809
Receivable from state in respect of other taxes	10,135	6,253
Other assets	344	982
Total other non-financial assets	23,408	18,867
Total other assets, net	49,885	56,030

	31 December 2014	31 December 2013
Provision for other assets and receivables		
Provision at 1 January	16,409	14,069
Charge for the period (Note 9)	(1,020)	2,347
Foreign exchange differences (gain)/loss	77	(7)
Provision at 31 December	15,466	16,409

(All amounts in RON thousand unless otherwise stated)

21 DUE TO BANKS

	31 December 2014	31 December 2013
Sight deposits from banks	17,428	10,392
Term deposits from banks	724,929	716,842
	742,357	727,234

A currency analysis and residual maturity profile of amounts due to banks is presented in Note 3. The sight deposits bear an interest rate between 0% - 0.8% for foreign currency and for RON is 0%. The term deposits bear an interest rate of 6.2% for RON and 2.3% for EUR.

As at 31 December 2014, term deposits from the Parent Bank Eurobank Ergasis were RON 672,315 thousand and deposits from Eurobank Private Bank Luxembourg amounted to RON 26,600 thousand (2013: Eurobank Ergasias RON 672,705 thousand and Eurobank Private Bank Luxembourg RON 29,600 thousand).

22 DUE TO CUSTOMERS

	31 December 2014	31 December 2013
Current accounts	2,908,359	2,391,542
Term deposits	5,574,885	6,015,430
Collateral deposits	97,649	95,437
Saving instruments	20,882	25,028
	8,601,775	8,527,437

During 2014, interest rates ranged from 3.02% to 4.55% (2013: from 4.84% to 6.47%) on RON denominated term deposits and from 2.27% to 2.77% (2013: from 2.83% to 3.64%) on EUR denominated term deposits. A currency analysis and residual maturity profile of amounts due to customers is presented in Note 3.

(All amounts in RON thousand unless otherwise stated)

23 OTHER BORROWED FUNDS

	31 December 2014	31 December 2013
Loans from banks	381,064	558,550
Subordinated loans from other banks	448,633	448,977
	829,697	1,007,527

The conversion of the subordinated debt is not performed automatically at the occurrence of a specific event, but only when decided by both parties by concluding an amendment to the subordinated loan contract.

An interest rate sensitivity analysis, a currency analysis and residual maturity profile of loans from banks is presented in Note 3.

23 OTHER BORROWED FUNDS (CONTINUED)

The other borrowed funds outstanding as at 31 December 2014 and 31 December 2013 are detailed below:

			31 December 2014			31 December 2013
Loans from banks	Balance in Original currency	Currency	Balance in thousand RON (plus accrual)	Balance in original currency	Currency	Balance in thousand RON (plus accrual)
BEI (a)	1,875,000	EUR	8,406	2,500,000	EUR	11,217
BEI (b)	6,666,667	EUR	29,883	7,500,000	EUR	33,640
BEI (c)	3,684,211	EUR	16,519	3,947,368	EUR	17,714
BEI (d)	9,090,909	EUR	40,977	13,636,364	EUR	61,211
BEI (e)	2,673,879	EUR	11,994	3,055,862	EUR	13,718
BEI (f)	2,727,273	EUR	12,228	3,636,364	EUR	16,316
BERD (g)	-	EUR	-	12,000,000	EUR	53,807
BERD (h)	-	EUR	-	7,000,000	EUR	31,640
BERD (i)	1,000,000	EUR	4,494	-	-	-
BERD (j)	1,400,000	EUR	6,292	-	-	-
BERD (k)	2,000,000	EUR	8,988	-	-	-
BERD (l)	2,000,000	EUR	8,982	-	-	-
BERD (m)	930,000	EUR	4,175	-	-	-
BERD (n)	2,500,000	EUR	11,633	-	-	-
IFC (o)	11,517,000	EUR	52,484	34,551,000	EUR	154,498
THE BANK OF NOVA SCOTIA (p)	-	EUR	-	9,655,000	EUR	43,340
THE BANK OF NOVA SCOTIA (q)	-	EUR	-	1,700,000	EUR	7,629
THE BANK OF NOVA SCOTIA (r)	-	EUR	-	1,000,000	EUR	4,487
THE BANK OF NOVA SCOTIA (s)	-	EUR	-	3,400,000	EUR	15,254
THE BANK OF NOVA SCOTIA (t)	-	EUR	-	1,065,000	EUR	4,777

23 OTHER BORROWED FUNDS (CONTINUED)

	31 December 2014			31 December 2013		
Loans from banks	Balance in Original currency	Currency	Balance in thousand RON (plus accrual)	Balance in original currency	Currency	Balance in thousand RON (plus accrual)
THE BANK OF NOVA SCOTIA (u)	1,000,000	EUR	4,488	-	EUR	-
THE BANK OF NOVA SCOTIA (v)	665,000	EUR	2,985	-	EUR	-
BANCA POPOLARE DI SONDRIO(w)	-	EUR	0	2,545,877	EUR	11,439
BANCA POPOLARE DI SONDRIO(x)	-	EUR	0	1,000,000	EUR	4,492
BANCA POPOLARE DI SONDRIO(y)	-	EUR	0	1,426,000	EUR	6,403
BANCA POPOLARE DI SONDRIO(z)	-	EUR	0	550,000	EUR	2,469
BANCA POPOLARE DI SONDRIO(aa)	-	EUR	0	5,225,000	EUR	23,448
BANCA POPOLARE DI SONDRIO(bb)	-	EUR	0	2,150,000	EUR	9,647
BANCA POPOLARE DI SONDRIO(cc)	-	EUR	0	7,000,000	EUR	31,403
BANCA POPOLARE DI SONDRIO(dd)	1,000,000	EUR	4,499	-	EUR	-
BANCA POPOLARE DI SONDRIO(ee)	396,743	EUR	1,784	-	EUR	-
BANCA POPOLARE DI SONDRIO(ff)	7,000,000	EUR	31,420	-	EUR	-
BANCA POPOLARE DI SONDRIO(gg)	5,000,000	EUR	22,443	-	EUR	-
BANCA POPOLARE DI SONDRIO(hh)	2,116,309	EUR	9,495	-	EUR	-
BANCA POPOLARE DI SONDRIO(ii)	3,600,000	EUR	16,148	-	EUR	-
BANCA POPOLARE DI SONDRIO(jj)	560,000	EUR	2,512	-	EUR	-
BANCA POPOLARE DI SONDRIO(kk)	1,300,000	EUR	5,830	-	EUR	-
BANCA POPOLARE DI SONDRIO(ll)	2,950,000	EUR	13,227	-	EUR	-
BANCA POPOLARE DI SONDRIO(mm)	500,000	EUR	2,242	-	EUR	-
BANCA POPOLARE DI SONDRIO(nn)	5,000,000	EUR	22,413	-	EUR	-
BANCA POPOLARE DI SONDRIO(oo)	3,000,000	USD	11,073	-	USD	-
CITIBANK EUROPE PLC DUBLIN (pp)	3,000,000	EUR	13,450	-	EUR	-
Total loans from banks			381,064			558,550

23 OTHER BORROWED FUNDS (CONTINUED)

			31 December 2014			31 December 2013
Subordinated loans from banks	Balance in original currency	Currency	Balance in thousand RON (plus accrual)	Balance in original currency	Currency	Balance in thousand RON (plus accrual)
Eurobank Ergasias (qq)	15,000,000	EUR	67,318	15,000,000	EUR	67,335
Eurobank Ergasias (rr)	35,000,000	EUR	156,925	35,000,000	EUR	157,068
Eurobank Ergasias (ss)	50,000,000	EUR	224,390	50,000,000	EUR	224,574
Total subordinated loans from other banks			448,633			448,977
Total borrowed funds			829,697			1,007,527

23 OTHER BORROWED FUNDS (CONTINUED)

a. On 25 October 2007, a loan in the amount EUR 5,000,000 was obtained from the European Bank of Investments ("BEI"), repayable in 2017. The interest (Euribor 3M + 0.046%) is payable quarterly.

b. On 14 December 2007, a loan in the amount EUR 10,000,000 was obtained from the European Bank of Investments ("BEI"), repayable in 2022. The interest (Euribor 3M + 0.049%) is payable quarterly.

c. On 17 October 2008, a loan in the amount EUR 5,000,000 was obtained from the European Bank of Investments ("BEI"), repayable in 2028. The interest (Euribor 3M + 0.080%) is payable quarterly.

d. On 16 November 2009, a loan in the amount EUR 25,000,000 was obtained from the European Bank of Investments ("BEI"), repayable in 2016. The interest (Euribor 3M + 0.526%) is payable quarterly.

e. On 16 November 2009, a loan in the amount EUR 5,000,000 was obtained from the European Bank of Investments ("BEI"), repayable in 2021. The interest (Euribor 3M + 0.582%) is payable quarterly.

f. On 26 November 2010, a loan in the amount EUR 5,000,000 was obtained from the European Bank of Investments ("BEI"), repayable in 2017. The interest (Euribor 3M + 0.267%) is payable quarterly.

g. On 18 November 2010, a loan in the amount EUR 30,000,000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2014. The interest (Euribor 6M + 3%) is payable half-yearly.

h. On 18 February 2011, a loan in the amount of EUR 17,500,000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2014. The interest is Euribor 6M + 3%.

i. On 14 October 2014, a loan in the amount of EUR 1,000,000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2015. The interest (Euribor 3M + 1.15%) is payable quarterly.

j. On 14 October 2014, a loan in the amount of EUR 1,400,000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2015. The interest (Euribor 3M + 1.15%) is payable quarterly.

23 OTHER BORROWED FUNDS (CONTINUED)

k. On 16 October 2014, a loan in the amount of EUR 2,000,000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2015. The interest (Euribor 3M + 1.15%) is payable quarterly.

l. On 5 November 2014, a loan in the amount of EUR 2,000,000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2015. The interest (Euribor 3M + 1.15%) is payable quarterly.

m. On 18 November 2014, a loan in the amount of EUR 930,000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2015. The interest (Euribor 3M + 1.15%) is payable quarterly.

n. On 5 December 2014, a loan in the amount of EUR 2,500,000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2015. The interest (Euribor 3M + 1.15%) is payable quarterly.

o. On 20 April 2011 a loan in amount of EUR 57,585,000 was obtained from the International Finance Corporation ("IFC"), repayable in 2015. The interest is Euribor 6M+3% is payable half-yearly.

p. On 15 November 2013 a loan in amount of EUR 9,655,000 was obtained from The Bank of Nova Scotia, repayable on 17 February 2014. The interest is Euribor 3M + 0.5%.

q. On 29 November 2013 a loan in amount of EUR 1,700,000 was obtained from The Bank of Nova Scotia, repayable on 28 February 2014. The interest is Euribor 3M + 0.5%.

r. On 5 December 2013 a loan in amount of EUR 1,000,000 was obtained from The Bank of Nova Scotia, repayable on 5 March 2014. The interest is Euribor 3M + 0.5%.

s. On 12 December 2013 a loan in amount of EUR 3,400,000 was obtained from The Bank of Nova Scotia, repayable on 12 March 2014. The interest is Euribor 3M + 0.5%.

t. On 20 December 2013 a loan in amount of EUR 1,065,000 was obtained from The Bank of Nova Scotia, repayable on 20 March 2014. The interest is Euribor 3M + 0.5%.

u. On 6 October 2014 a loan in amount of EUR 1,000,000 was obtained from The Bank of Nova Scotia, repayable on 6 January 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

23 OTHER BORROWED FUNDS (CONTINUED)

v. On 10 October 2014 a loan in amount of EUR 665,000 was obtained from The Bank of Nova Scotia, repayable on 12 January 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

w. On 1 October 2013 a loan in amount of EUR 2,545,877 was obtained from Banca Popolare di Sondrio, repayable on 3 January 2014. The interest is Euribor 3M + 0.5%.

x. On 15 October 2013 a loan in amount of EUR 1,000,000 was obtained from Banca Popolare di Sondrio, repayable on 15 January 2014. The interest is Euribor 3M + 0.5%.

y. On 31 October 2013 a loan in amount of EUR 1,426,000 was obtained from Banca Popolare di Sondrio, repayable on 31 January 2014. The interest is Euribor 3M + 0.5%.

z. On 20 November 2013 a loan in amount of EUR 550,000 was obtained from Banca Popolare di Sondrio, repayable on 20 February 2014. The interest is Euribor 3M + 0.5%.

aa. On 29 November 2013 a loan in amount of EUR 5,225,000 was obtained from Banca Popolare di Sondrio, repayable on 28 February 2014. The interest is Euribor 3M + 0.5%.

bb. On 6 December 2013 a loan in amount of EUR 2,150,000 was obtained from Banca Popolare di Sondrio, repayable on 6 March 2014. The interest is Euribor 3M + 0.5%.

cc. On 18 December 2013 a loan in amount of EUR 7,000,000 was obtained from Banca Popolare di Sondrio, repayable on 18 March 2014. The interest is Euribor 3M + 0.5%.

dd. On 18 July 2014 a loan in amount of EUR 1,000,000 was obtained from Banca Popolare di Sondrio, repayable on 16 January 2015. The interest (Euribor 6M + 0.5%) is payable half-yearly.

ee. On 11 August 2014 a loan in amount of EUR 396,743 was obtained from Banca Popolare di Sondrio, repayable on 11 February 2015. The interest (Euribor 6M + 0.5%) is payable half-yearly.

ff. On 3 October 2014 a loan in amount of EUR 7,000,000 was obtained from Banca Popolare di Sondrio, repayable on 5 January 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

gg. On 3 October 2014 a loan in amount of EUR 5,000,000 was obtained from Banca Popolare di Sondrio, repayable on 5 January 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

23 OTHER BORROWED FUNDS (CONTINUED)

hh. On 29 October 2014 a loan in amount of EUR 2,116,309 was obtained from Banca Popolare di Sondrio, repayable on 29 January 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

ii. On 13 November 2014 a loan in amount of EUR 3,600,000 was obtained from Banca Popolare di Sondrio, repayable on 13 February 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

jj. On 14 November 2014 a loan in amount of EUR 560,000 was obtained from Banca Popolare di Sondrio, repayable on 16 February 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

kk. On 26 November 2014 a loan in amount of EUR 1,300,000 was obtained from Banca Popolare di Sondrio, repayable on 26 February 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

ll. On 9 December 2014 a loan in amount of EUR 2,950,000 was obtained from Banca Popolare di Sondrio, repayable on 9 March 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

mm. On 9 December 2014 a loan in amount of EUR 500,000 was obtained from Banca Popolare di Sondrio, repayable on 9 March 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

nn. On 24 December 2014 a loan in amount of EUR 5,000,000 was obtained from Banca Popolare di Sondrio, repayable on 24 March 2015. The interest (Euribor 3M + 0.5%) is payable quarterly.

oo. On 6 November 2014 a loan in amount of USD 3,000,000 was obtained from Banca Popolare di Sondrio, repayable on 6 February 2015. The interest (Libor 3M + 0.5%) is payable quarterly.

pp. On 8 December 2014 a loan in amount of EUR 3,000,000 was obtained from Citibank Europe PLC Dublin, repayable on 9 March 2015. The interest (Euribor 3M + 0.45%) is payable quarterly.

qq. On 31 October 2006, Parent Bank ("Eurobank Ergasias") granted a subordinated loan in the amount of EUR 15,000,000 repayable in October 2013. During 2011 the maturity of the loan was extended until 31 October 2019. The interest rate (Euribor 3M + 0.65%) is payable quarterly.

23 OTHER BORROWED FUNDS (CONTINUED)

rr. On 16 December 2005, Parent Bank ("Eurobank Ergasias") granted a subordinated loan in the amount of EUR 35,000,000 repayable in December 2012. During 2011 the maturity of the loan was extended until 16 December 2019. The interest is (Euribor 3M + 0.65%) is payable quarterly.

ss. On 31 October 2007, Parent Bank ("Eurobank Ergasias") granted an un-termed subordinated loan in the amount of EUR 50,000,000 for an undetermined period. The interest (Euribor 3M + 0.65%) is payable in quarterly payments.

The above subordinated loans are payable only on maturity, or may be converted, at the agreement of both parties, in share capital. The EUR 50 mill loan from the parent with no maturity may be repaid only after National bank of Romania consent was obtained.

24 TRANSFERRED FINANCIAL ASSETS

The Bank enters into transactions by which it transfers recognised financial assets directly to third parties or to Special Purpose Entities(SPEs). These transfers may give rise to the full, partial or no derecognition of the financial assets concerned.

a) *Transfers of financial assets not qualifying for derecognition*

- Sale and repurchase agreements

The Bank sells, in exchange for cash, securities under an agreement to repurchase them ('repos') and assumes a liability to repay to the counterparty the cash received.

The Bank has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognised them.

In 2014 and 2013, the Bank has no securities sold under repurchase agreements.

b) *Transfers of financial assets qualifying for de-recognition*

Transferred financial assets that are derecognized in their entirety but where the Bank has a continuing involvement.

Bank's continuing involvement with the transferred assets through the first loss is recorded as a guarantee in other liabilities, which fair value was RON 17.5 million as at 31 December 2012, representing also the Bank's maximum exposure to loss as of that date.

During 2013, the Bank was required to reimburse the transferee under the first loss and the amount that the bank paid was RON 17.5 million.

(All amounts in RON thousand unless otherwise stated)

25 OTHER LIABILITIES

	31 December 2014	31 December 2013
Financial liabilities		
Amounts in transit/settlements	29,817	32,759
Goods, services and fixed assets payables	33,516	24,278
Total financial liabilities	63,333	57,037
Non-financial liabilities		
Social contributions and salaries taxes	9,685	12,159
Payables to employees	879	1,186
Provisions for credit commitments (i)	13,324	20,875
Provision for liabilities (ii)	31,497	18,745
Other provisions (iii)	10,111	8,277
Other liabilities	21,322	13,998
Total Non-financial liabilities	86,818	75,240
	150,151	132,277

(i) Provisions for credit commitments

31 December 2013	20,875
Amounts charged during the year	-
Amounts released during the year (Note 10)	(7,443)
Foreign exchange differences	(108)
31 December 2014	13,324
31 December 2012	23,702
Amounts charged during the year	-
Amounts released during the year (Note 10)	(3,630)
Foreign exchange differences	803
31 December 2013	20,875

The balance as at 31 December 2014 of RON 13,324 thousand and is composed by provisions for enforcement risks of letters of guarantee, commitment letters and loan financing commitments.

(ii) Provision for liabilities

	Litigations	Branch closure	Other	Total
31 December 2013	4,343	13,502	900	18,745
Amounts charged during the year	5,150	26,322	2,612	34,084
Amounts released during the year	(4,198)	(17,067)	(1)	(21,266)
Foreign exchange differences	(66)	-	-	(66)
31 December 2014	5,229	22,757	3,511	31,497

(All amounts in RON thousand unless otherwise stated)

25 OTHER LIABILITIES (CONTINUED)

	Litigations	Branch closure	Other	Total
31 December 2012	2,230	3,398	-	5,628
Amounts charged during the year	3,028	13,132	900	17,060
Amounts released during the year	(960)	(3,028)	-	(3,988)
Foreign exchange differences	45	-	-	45
31 December 2013	4,343	13,502	900	18,745

Provision for liabilities mostly relate to litigations amounted in 2014 RON 5,229 thousand (2013: RON 4,343 thousand) and provisions booked in respect of the branch closure amounted in 2014 RON 22,757 thousand (2013: RON 13,502 thousand).

(iii) Other provision

Included in this category are retirement provisions, for which the Bank has a legal obligation to pay retirement benefits to its employees on retirement date and provisions for employees' bonuses. The payment made on retirement consists in a number of salaries paid to the former employee. The Bank uses actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods based on a collective work contract.

26 SHARE CAPITAL

	31 December 2014	31 December 2013
Statutory registered amount	1,178,865	1,178,865
Hyperinflation adjustment prior to 2004	171,380	171,380
	1,350,245	1,350,245

Shareholder	31 December 2014 (%)	31 December 2013 (%)
Shareholding structure		
EFG Eurobank Ergasias SA	93.78	93.78
EFG New Europe Holding BV	5.33	5.33
Individuals (including employees and retired staff)	0.89	0.89
	100.00	100.00

At 31 December 2014 the share capital of the Bank consisted of 2,947,163,540 (2013: 2,947,163,540) allotted and fully paid ordinary shares of RON 0.40 each (2013: RON 0.40 each). Each share carries one vote.

(All amounts in RON thousand unless otherwise stated)

26 SHARE CAPITAL (CONTINUED)

During 2011 the bank's share capital was increased with the amount of RON 86,426,310.80, from RON 1,092,439,105.20 to RON 1,178,865,416.00, as follows:

- Through conversion of liquid and enforceable receivables against Bancpost SA of RON 86,420,000.00 by issuing a number of 216.050.000 new nominative shares in dematerialized form;
- Through new cash contributions from the rest of the shareholders of RON 6,310.80, by issuing a number of 15,777 new nominative shares in dematerialized form.

The new level of Bancpost' share capital was registered with The National Trade Register Office at 21 December 2011.

The Parent Bank and its appraisal

Eurobank Ergasias S.A., the parent Bank, is active in retail, corporate and private banking, assets management, insurance, treasury, capital markets and other services. The parent Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece and in Central, Eastern and Southeastern Europe.

27 OTHER RESERVES

The balances of reserve comprise:

	31 December 2014	31 December 2013
Legal reserve	40,756	40,756
General banking risk reserve	41,583	41,583
General reserve	71,847	71,847
Revaluation reserve – available for sale securities	71,400	69,230
Special reserves	(964)	(555)
	224,622	222,861

As at 31 December 2014, under Romanian banking legislation the Bank is required to create the following reserves from appropriation of profit:

- legal reserve, appropriated at the rate of 5% of the gross profit, until the total reserve is equal to 20% of the issued and fully paid up share capital; and
- general reserve for banking risk, appropriated from the gross profit at the rate of 1% of assets bearing banking risks (until 31 December 2006, according with the regulation).

(All amounts in RON thousand unless otherwise stated)

27 OTHER RESERVES (CONTINUED)

General reserves comprise the following items:

- foreign exchange reserves related to foreign denominated cash, built up according to Law 189/2001;
- reserves built up for own funds increase;
- other reserves.

Amounts transferred to reserves must be used for the purposes designated when the transfer is made. According to the local legislation, these reserves cannot be used for other purposes.

28 ANALYSIS OF CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days initial maturity:

	31 December 2014	31 December 2013
Cash	535,814	443,002
Current account with the Central Bank (Note 12)	1,015,158	1,905,819
Loans and advances to banks (Note 13)	1,624,271	1,025,685
	3,175,243	3,374,506

29 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions. The Bank's immediate parent is Eurobank Ergasias S.A. (Greece) ("Parent bank").

The management includes the members of the Board of Directors, Executive Committee, the management of the Legal department, Compliance and Internal Audit departments and their relatives.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions, acquisition of other services and sale of loans. These transactions bear the normal market prices.

29 RELATED PARTY TRANSACTIONS (CONTINUED)

Related party transactions - Eurobank Ergasias S.A. shareholding structure

In May 2013, following its full subscription in Eurobank's recapitalization of €5,839m, the Hellenic Financial Stability Fund ('HFSF') became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the percentage of the voting rights held by HFSF increased to 95.23%.

Following the completion of Eurobank's share capital increase of €2,864m, fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the Law 3864/2010 as amended by Law 4254/2014, the HFSF's voting rights in Eurobank's General Assemblies have been switched to restricted ones. Accordingly, as of early May, the HFSF is no more the controlling shareholder of the Group but is considered to have significant influence over it. Therefore, the HFSF is considered to be a related party to the Group, whereas Greek Banks significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, are not regarded as such.

(All amounts in RON thousand unless otherwise stated)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

The balances of related party transactions outstanding at the year end, and related expense and income for the year are as follows:

			2014			2013
	Management	Shareholders	Other group entities*	Management	Shareholders	Other group Entities*
Assets						
Loans and advances to Banks (interest rate: 0.55% - 2.24%)	-	1,376,197	88,921	-	848,591	89,220
Loans and advances to Customers (interest rate: 1.57% - 6.08%)	2,459	-	-	7,297	-	-
Trading assets	-	-	-	-	-	-
Investment securities available for sale	-	-	87,273	-	-	86,113
Other debtors	-	36	289	-	3,798	7,511
Derivative financial instruments	-	1,460	-	-	4,201	-
Liabilities						
Due to banks (interest rate: 0.878% - 0.927%)	-	-	-	-	448,470	-
Due to customers (interest rate: 0.1% - 3.75%)	3,439	686,402	269,039	7,289	682,404	227,850
Other borrowed funds (interest rate: 0.732% - 0.738%)	-	448,633	-	-	-	-
Debts securities in issue		-		-	-	-
Other creditors	-	1,216	298	-	423	149
Derivative financial instruments	-	19,448	-	-	12,645	-

* Does not include entities with significant influence

(All amounts in RON thousand unless otherwise stated)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

			2014			2013
	Management	Shareholders	Other group Entities*	Management	Shareholders	Other group Entities*
Profit and loss						
Interest income	93	28,570	6,932	325	22,688	1,932
Interest expense	57	22,768	6,426	192	20,775	16,609
Net trading income/(loss)	1	43,318	-	5	79,015	-
Fee and Commission income	1	40	15,758	2	39	19,873
Fee and Commission expense	-	3,169	1,867	-	1,502	3,542
Other operating income	-	-	788	-	-	472
Other operating expense	-	749	38,202	2	299	38,849
Commitments	470	496	167,843	476	833	3,319
Financial guarantee	-	448,855	19,892	-	587,433	16,926

* Does not include entities with significant influence

	2014	2013
Remuneration of the Key Management Personnel	7,646	11,108

(All amounts in RON thousand unless otherwise stated)

30 CONCENTRATION OF ASSETS DUE FROM THE GOVERNMENT AND CENTRAL BANK

	31 December 2014	31 December 2013
Balances with the Central Bank (Note 12)	1,015,158	1,905,819
Debt securities (Note 17)	1,630,654	1,209,605
	2,645,812	3,115,424

The assets above represent 23% of the Bank's total assets (31 December 2013: 26% of the Bank's total assets).

31 COMMITMENTS AND CONTINGENCIES

Assets pledged/restricted

	Assets pledged		Related liability	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Cash Collateral Deposits	23,410	5,415	-	-

The balance related to these collateral deposits includes a foreign exchange difference income of RON 474 thousand and an increase of about RON 17,521 thousand and relate to settlement of treasury transactions (CIRS, FX SWAP).

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

(All amounts in RON thousand unless otherwise stated)

31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding amounts are:

	31 December 2014	31 December 2013
Letters of guarantee	502,700	709,023
Letters of credit	210	1,839
Undrawn loan commitments	1,105,215	697,750
Total credit commitments	1,608,125	1,408,612

The letters of Guarantee include letters of guarantee in amount of RON 213,193 thousand (2013: RON 338,069 thousand) issued for credit risk in respect of loans granted by Eurobank Private Bank Luxembourg S.A. to Romanian customers.

Taxation risk

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (accruing at a rate of approximately 22% p.a.). In Romania, tax periods remain open for 5 years. The company's management considers that the tax liabilities included in these financial statements are fairly stated. The last tax authority's inspection was performed for period January 1, 2006 until December 31, 2010.

(All amounts in RON thousand unless otherwise stated)

31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Capital expenditure commitments

As at 31 December 2014 the Bank has contractual capital expenditure commitments in respect of equipment and software totalling RON 1,610 thousand (2013: RON 2,292 thousand).

Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable building and cars operating leases are as follows:

	31 December 2014	31 December 2013
No later than 1 year	38,973	35,949
Later than 1 year and no later than 5 years	116,296	116,652
Later than 5 years	56,271	76,474
	211,540	229,075

On 31 December 2014 and 2013 the future minimum lease payments for financial leases were as follow:

	31 December 2014	31 December 2013
Up to one year	-	164
From two to five years including	-	92
	-	256

(All amounts in RON thousand unless otherwise stated)

32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2014:

	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collateral received (e)	Net amount of exposure (c) - (d) - (e)
Assets						
Reverse repos with other banks	331,919	-	331,919	331,919	-	-
Derivative Assets	1,460	-	1,460	1,460	-	-
Cash Collateral deposits	1,657	-	1,657	1,657	-	-
Total assets subject to offsetting, master netting and similar arrangements	335,036	-	335,036	335,036	-	-
Liabilities						
Derivative Liabilities	19,448	-	19,448	1,460	-	17,988
Cash Collateral deposits	16,353	-	16,353	16,353	-	-
Total liabilities subject to offsetting, master netting and similar arrangements	35,801	-	35,801	17,813	-	17,988

(All amounts in RON thousand unless otherwise stated)

32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2013:

	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
Assets						
Derivative Assets	4,201	-	4,201	4,201	-	-
Cash Collateral deposits	408	-	408	408	-	-
Total assets subject to offsetting, master netting and similar arrangements	4,609	-	4,609	4,609	-	-
Liabilities						
Derivative Liabilities	12,465	-	12,465	4,201	-	8,264
Cash Collateral deposits	82	-	82	82	-	-
Total liabilities subject to offsetting, master netting and similar arrangements	12,547	-	12,547	4,283	-	8,264

(All amounts in RON thousand unless otherwise stated)

33 STANDARD LEGAL STAFF RETIREMENT INDEMNITY OBLIGATIONS

Application of IAS 19 Amendment

In 2013, the Bank applied the Amendments to IAS 19 'Employee benefits' which introduce several changes to the accounting for employee benefits. The amendments amongst other eliminate the corridor approach and require all actuarial gains and losses to be recognised directly in other comprehensive income. Previously, the Bank had elected to recognise immediately all actuarial gains and losses directly in the income statement. No retrospective application has been performed due to immaterial effect.

The income statement and statement of comprehensive income for 2014 and 2013 is shown in the following tables:

Impact on profit/ (loss) for the year (increase/ (decrease))

	31 December 2014	31 December 2013
Salaries, wages and other employee benefits	(4,695)	(2,582)
Profit from operations before impairment on loans and advances and nonrecurring valuation losses	(4,695)	(2,582)
Profit/(loss) before tax	(4,695)	(2,582)
Income tax	751	413
Net profit/(loss) for the year	(3,944)	(2,169)

Impact on other comprehensive income for the year (increase/ (decrease))

	31 December 2014	31 December 2013
Remeasurement of the retirement benefit obligations, net of tax	344	466
Other comprehensive income for the year	344	466

(All amounts in RON thousand unless otherwise stated)

33 STANDARD LEGAL STAFF RETIREMENT INDEMNITY OBLIGATIONS (CONTINUED)

Staff retirement indemnity obligation

The Bank provides for staff retirement indemnity obligation for its employees who are entitled to a lump sum payment at the date of retirement, if they remain in the employment of the Bank until normal retirement age, in accordance with the local labour legislation. The above retirement indemnity obligations typically expose the Bank to actuarial risks such as interest rate risk and salary risk. Therefore, a decrease in the discount rate used to calculate the present value of the estimated future cash outflows or an increase in future salaries will increase the staff retirement indemnity obligations of the Bank.

The movement in the standard legal staff retirement indemnity obligations over the year is as follows:

	2014	2013
Balance at 1 January	4,255	3,371
Current service cost	451	357
Interest cost	233	233
Past service cost and (gains)/losses on settlements	4,011	1,992
Remeasurements:		
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	788	806
Actuarial (gains)/losses arising from experience adjustments	(378)	(251)
Exchange differences	-	-
Benefit payments	(4,542)	(2,253)
Balance at 31 December	4,818	4,255

(All amounts in RON thousand unless otherwise stated)

33 STANDARD LEGAL STAFF RETIREMENT INDEMNITY OBLIGATIONS (CONTINUED)

Significant actuarial assumptions

The significant actuarial assumptions (expressed as weighted averages) were as follows:

	2014 (%)	2013 (%)
Discount rate	4.21	5.5
Future salary increases	1.25	1.25

The average duration of the standard legal staff retirement indemnity obligations at 31 December 2014 is 16 years (2013: 15 years).

34 POST BALANCE SHEET EVENTS

During 2015, up to the moment of signing these financial statements there were no other significant events having an impact on the financial statements.