

BANCPOST SA

FINANCIAL STATEMENTS
for the year ended
31 December 2015

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

CONTENTS

Independent Auditor's Report

Financial Statements

Statement of Financial Position	1
Statement of Profit or Loss and Other Comprehensive Income	2
Statement of Changes in Equity	3
Statement of Cash Flows	4

Notes to the Financial Statements

1	Introduction	3
2	Summary of significant accounting policies	3-21
3	Financial Risk Management	22-43
4	Critical Accounting Estimates, and Judgements in Applying Accounting Policies	43-44
5	Interest Income and Expense	45
6	Fee and Commission Income and Expense	46
7	Net trading income	47
8	Other Operating Income	48
9	Administrative and Other Operating Expenses	48
10	Impairment charge for credit losses	49
11	Income Taxes	49
12	Cash and Cash Equivalents	53
13	Balances with Central Bank	54
14	Loans and advances to banks	55
15	Loans and Advances to Customers	56
16	Trading Securities	57
17	Derivative Financial Instruments	58-59
18	Investment Securities Available for Sale	60
19	Intangible Assets	67
20	Property, plant and equipment	68
21	Other Assets	68-69
22	Due to Other Banks	71
23	Due to customers	71
24	Other Borrowed Funds	72-74
25	Other Financial Liabilities	75-76
26	Share Capital	77
27	Other reserves	77
28	Analysis of cash and cash equivalents	78
29	Related Party Transactions	79-79
30	Concentration Of Assets Due From The Government And Central Bank	82
31	Contingencies and Commitments	82-81
32	Offsetting Financial Assets and Financial Liabilities	84
33	Standard Legal Staff Retirement Indemnity Obligations	86-85
34	Events After the End of the Reporting Period	88

***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 2015 and the statements of profit or 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

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 2015, 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

In accordance with the NBR Order 27/2010, section 4, article no. 15, point 2, we have read the Administrators' Report attached to these financial statements as presented on pages 1 to 22. 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.

**Refer to the original
signed Romanian version**

Paul Facer
Statutory auditor registered with
the Chamber of Financial Auditors of Romania under no 3371/17 February 2010

On behalf of

PricewaterhouseCoopers Audit SRL
Audit firm registered with
the Chamber of Financial Auditors of Romania under no 6/25 June 2001

Bucharest, 28 April 2016

Independent Auditor's Report

Bancpost SA
Statement of profit or loss and other comprehensive income

<i>In thousands of RON</i>	Note	2015	2014
Interest income	5	495.093	598.510
Interest expense	5	(163.678)	(259.235)
Net interest income		331.415	339.275
Fee and commission income	6	137.732	142.485
Fee and commission expense	6	(37.465)	(38.718)
Net fee and commission income		100.267	103.767
Net trading income	7	59.390	99.804
Other operating income	8	44.692	69.023
Other operating expenses	9	(408.448)	(488.701)
Profit from operations before impairment losses		127.316	123.168
Impairment charge for credit losses	10	(98.639)	(388.559)
Profit/(loss) before tax		28.677	(265.391)
Income tax (expense)/credit	11	6.570	(3.580)
Profit/(loss) for the year		35.247	(268.971)
Other comprehensive income / (loss):		35.247	(268.971)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net gains on available-for-sale financial assets		(354)	2.506
- Gains less losses arising during the year before tax	18	(39.364)	(27.704)
- Gains less losses reclassified to profit or loss upon disposal		39.010	30.210
Income tax recorded directly in other comprehensive income		57	(401)
<i>Items that will not be reclassified to profit or loss:</i>			
- Actuarial gain/(losses) on post-employment benefit obligation, before tax	33	(5.166)	(409)
Income tax recorded directly in other comprehensive income		826	65
Other comprehensive (loss) /income for the year		(4.636)	1.761
Total comprehensive (loss) /income for the year		30.611	(267.210)

Approved for issue by the Board of Directors and signed on 23 March 2016.

 MIHAI BOGZA
 Chairman of the Board of Directors

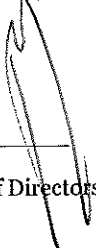
 GEORGIOS GEORGAKOPOULOS
 Executive President

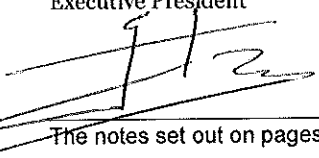
 IOANA IACOBEANU
 Executive Manager
 Finance and Accounting


Bancpost SA
Statement of financial position

	Note	31 December 2015	31 December 2014
<i>In thousands of RON</i>			
Assets			
Cash	12	499.655	535.814
Balances with Central Bank	13	1.404.081	1.015.158
Loans and advances to banks	14	1.094.853	1.624.271
Loans and advances to customers (net)	15	5.772.793	5.999.972
Trading assets	16	303.779	111.750
Derivative financial instruments	17	17.079	3.517
Investment securities, available for sale	18	1.773.622	1.724.283
Intangible assets	19	96.038	95.472
Property plant and equipment	20	311.721	331.768
Other assets	21	62.616	49.885
Deferred income tax asset	11	51.690	44.236
Total assets		11.387.927	11.536.126
Liabilities			
Due from banks	22	753.583	742.357
Due to customers	23	8.424.606	8.601.775
Derivative financial instruments	17	18.144	23.860
Other borrowed funds	24	825.214	829.697
Other liabilities	25	147.483	150.151
Total liabilities		10.169.030	10.347.840
Equity			
Share capital	26	1.350.245	1.350.245
Share premium		81.133	81.133
Other reserves	27	221.420	224.622
Accumulated losses		(433.901)	(467.714)
Total equity		1.218.897	1.188.286
Total liabilities and equity		11.387.927	11.536.126

Approved for issue by the Board of Directors and signed on 23 March 2016.


 MIHAI BOGZA
 Chairman of the Board of Directors

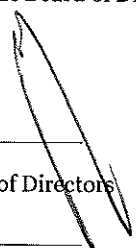

 GEORGIOS GEORGAKOPOULOS
 Executive President

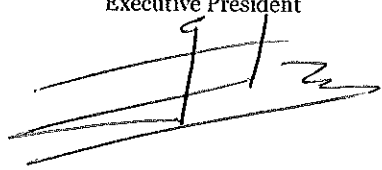

 IOANA IACOBEANU
 Executive Manager
 Finance and Accounting


Bancpost SA
Statement of Changes in Equity

	Share capital	Share premium	Other reserves	Accumulated losses	Total
<i>In thousands of RON</i>					
					Note
Balance at 1 January 2014	1.350.245	81.133	222.861	(198.743)	1.455.496
Profit / (loss) for the year	-	-	-	(268.971)	(268.971)
Other comprehensive income	-	-	1.761	-	1.761
Total comprehensive income for 2014	-	-	1.761	(268.971)	(267.210)
Balance at 31 December 2014	1.350.245	81.133	224.622	(467.714)	1.188.286
Profit / (loss) for the year	-	-	1.434	33.813	35.247
Other comprehensive income	-	-	(4.636)	-	(4.636)
Total comprehensive income for 2015	-	-	(3.202)	33.813	30.611
Balance at 31 December 2015	1.350.245	81.133	221.420	(433.901)	1.218.897

Approved for issue by the Board of Directors and signed on 23 March 2016.


 MIHAI BOGZA
 Chairman of the Board of Directors


 GEORGIOS GEORGAKOPOULOS
 Executive President

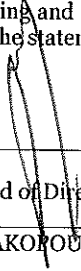

 IOANA IACOBEANU
 Executive Manager
 Finance and Accounting

Bancpost SA
Statement of Cashflows


<i>In thousands of RON</i>	Note	2015	2014
Cash flows from operating activities			
Interest receipts		490.817	527.669
Interest paid		(184.040)	(267.869)
Fees and commissions received		137.732	142.485
Fees and commissions paid		(37.465)	(38.718)
Net trading and other income received		(47.373)	91.085
Income from loans previously written off		4.996	802
Cash payments to employees and suppliers		(363.120)	(405.691)
Income taxes paid		(7.470)	(1.260)
Net cash flows from operating activities before changes in operating assets and liabilities		(5.923)	48.503
<i>Net change in operating assets</i>			
Net decrease/ (increase) in trading assets		(191.846)	20.928
Net (increase)/ decrease in loans and advances to customers		278.038	227.345
Net decrease/ (increase) in other assets		(3.973)	9.203
Total net changes in operating assets		82.219	257.476
<i>Net change in operating liabilities</i>			
Net increase/ (decrease) in deposits from banks		4.848	15.275
Net (decrease) in deposits from customers		(213.664)	(60.734)
Net (decrease)/ increase in other liabilities		(14.466)	7.725
Total net changes in operating liabilities		(223.282)	(37.734)
Net cash (used in)/ from operating activities		(146.986)	268.245
Cash flows from investing activities			
Purchase of investment securities		(1,564.849)	(1,972.721)
Proceeds from sale of investment securities		1,515.580	1,597.779
Proceeds from sale/(acquisition) of equity investments		204	49.698
Dividends received		734	615
Purchase of property, equipment and intangible assets		(17.456)	(22.852)
Net cash (used in) investing activities		(65.787)	(347.481)
Cash flows from financing activities			
Proceeds from borrowed funds and debt securities		7,316.847	2,021.852
Repayments borrowed funds and debt securities		(7,311.720)	(2,200.267)
Net cash from/(used in) financing activities		5.127	(178.415)
Effect of exchange rate changes on cash and cash equivalents		30.992	58.388
Net decrease in cash and cash equivalents		(176.654)	(199.263)
Cash and cash equivalents at the beginning of the year		3,175.243	3,374.506
Cash and cash equivalents at the end of the year	28	2,998.589	3,175.243

Bancpost SA
Statement of Cashflows


There were no investing and financing transactions that required the use of cash and cash equivalents which needed to be excluded from the statement of cash flows.



MIHAI BOGZA
Chairman of the Board of Directors



GEORGIOS GEORGAKOPOULOS
Executive President



IOANA IACOBEANU
Executive Manager
Finance and Accounting

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”) for the year ended 31 December 2015 for Bancpost SA (the “Bank”).

The Bank was incorporated in 1991 and is domiciled in Romania. The Bank is a joint stock company limited by shares and was set up in accordance with Romanian regulations. As of 31 December 2015 and 2014 the Bank’s immediate parent company was Eurobank Ergasias S.A. Greece, the Parent Bank. The Bank has operated under a full banking licence issued by the National Bank of Romania and its principal business activity is commercial and retail banking operations within the Romania. The Bank had 2,161 employees at 31 December 2015 (31 December 2014: 2,453). The Bank operates through its head office located in Bucharest and 148 branches and offices (31 December 2014: 176) 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 2015, 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 2015 and 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 Vouvounis	Member
Michalakis Louis	Member

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 IFRS, as adopted by the 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.

2 Summary of significant accounting policies (continuing)

The policies set out below have been consistently applied to the years 2015 and 2014. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

- a) The following amendments to standards and new interpretations, apply from 1 January 2015:

Annual Improvements to IFRSs 2011-2013 Cycle

The amendments introduce key changes to three IFRSs, as follows:

- Clarify that IFRS 3 'Business Combinations' does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- Clarify that the exception in IFRS 13 'Fair Value Measurement' for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities under IAS 32 'Financial Instruments: Presentation';
- Address the interrelationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property', clarifying in the latter that an entity should assess whether: (a) the acquired property is investment property under IAS 40 and (b) the acquisition of investment property constitutes a business combination as defined in IFRS 3.

The adoption of the amendments had no impact on the Bank's financial statements.

IFRIC 21, Levies

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. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. 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.

- b) New standards and amendments to standards not yet adopted by the Bank

A number of new standards and amendments to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Bank. Those that may be relevant to the Bank are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016)

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 a material impact on the Bank's financial statements.

IAS 7, Amendment – Disclosure Initiative (effective 1 January 2017, not yet endorsed by EU)

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities. The amendments include illustrative examples to show how an entity can meet the objective of the disclosure requirements.

The adoption of the amendment is not expected to have a material impact on the Bank's financial statements.

IAS 12, Amendment – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017, not yet endorsed by EU)

The amendment clarifies that unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes can result in deductible temporary differences. It also clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences.

The adoption of the amendment is not expected to have a material impact on the Bank's financial statements.

2 Summary of significant accounting policies (continuing)

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016)

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 amendments is not expected to have a material impact on the Bank's financial statements.

IAS 19, Amendments- 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 a material impact on the Bank's financial statements.

IAS 27, Amendments–Equity Method in Separate Financial Statements (effective 1 January 2016)

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 impact the Bank's financial statements.

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

In July 2014, it was 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.

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.

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.

The Bank is currently assessing the impact of the new classification and measurement requirements in its consolidated financial statements, which will be driven to a large extent by the Bank's operations and the structure of its portfolios upon transition to IFRS 9.

Impairment of financial assets

IFRS 9 introduces an expected credit loss model that will apply to all financial instruments that are subject to impairment accounting and replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognised. Under IFRS 9, a loss allowance will be recognised for all financial assets, therefore the new requirements will result in the earlier recognition of credit losses.

2 Summary of significant accounting policies (continuing)

The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month expected credit losses will be recognised for all financial assets for which there is no significant increase in credit risk since initial recognition. For financial assets that have experienced a significant increase in credit risk since initial recognition as well as purchased or originated credit impaired financial assets, a loss allowance equal to lifetime expected credit losses will be recognised. The measurement of expected credit losses will be a probability-weighted average amount that will reflect the time value of money. In measuring expected credit losses, information about past events, current conditions and forecasts of future conditions should be considered.

The new impairment model is expected to result in a higher credit loss allowance for the Bank.

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 the revised model for hedge accounting.

The Bank has already initiated its implementation project and is carrying out a gap analysis of the current requirements against the IFRS 9 requirements to identify the data needs and the main changes in IT systems, methodologies and processes to comply with IFRS 9, focusing particularly on the impairment requirements, where the most significant changes are expected. The project's progress will be monitored by a Project Management Office (PMO) and overseen by a Steering Committee, which will comprise senior staff from all the main functions of the Bank and will approve the key accounting policy and implementation decisions. The Bank expects to initiate the design phase in 1Q2016 and plans to adopt IFRS 9 on the required effective date.

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 amendments is not expected to impact the Bank's financial statements.

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, 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.

The adoption of the amendments is not expected to impact the Bank's financial statements.

IFRS 11, Amendments – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)

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 impact the Bank's financial statements.

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018, 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, however the adoption of the standard is not expected to have a material impact on the Bank's financial statements.

2 Summary of significant accounting policies (continuing)

IFRS 16, Leases (effective 1 January 2019, not yet endorsed by EU)

Under IFRS 16, which replaces the current guidance in IAS 17, the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. Leases are capitalized by recognizing the present value of the lease payments and are shown either as lease assets (right of use assets) or together with property, plant and equipment. A financial liability is also recognized, if lease payments are made over time, representing the obligation to make future lease payments. In addition, lease expense treatment is aligned for all leases of lessees and the typical straight line operating lease expense for operating leases under IAS 17 is replaced with a depreciation charge for lease assets and an interest expense on lease liabilities. Recognition of assets and liabilities by lessees are not required for certain short term leases and leases of low value assets. Under the new standard a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The Bank is currently assessing the impact of IFRS 16 on its financial statements.

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

The amendments introduce key changes to seven 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 amendments is not expected to have a material impact on the Bank's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)

The amendments introduce key changes to four IFRSs 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 amendments is not expected to have a material impact on the Bank's financial statements

Unless otherwise described above, the new standards and interpretations are not expected to have a material impact on the Bank's financial statements.

2 Summary of significant accounting policies (continuing)

Operating Environment of the Group

Position of the Group

In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic Eurobank Ergasias' recapitalization was completed with only ca € 5.4 bn used from the initial buffer of up to €25 billion. The unused funds were subtracted from the ESM loan, reducing it to ca € 64.5 bn as of the end of January 2016. The review of Greece's reform programme by international creditors is currently pending. A swift completion of the program review may alleviate significantly the macroeconomic and sovereign uncertainties.

After the gradual normalization of the economic and political situation in Greece and following the Eurobank's successful recapitalization, the Group enhanced its liquidity position and reduced its dependence on Eurosystem funding.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new ESM program will permit European Central Bank (ECB) to reinstate the waiver for the instruments issued by the Hellenic Republic and will signal the gradual repatriation of deposits in the banking system, which is a major priority for the Group, and the further re-access to the markets for liquidity.

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which the lowest shortfall across Greek banks was identified for Eurobank Ergasias. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, Eurobank Ergasias proceeded to a capital increase of € 2,039 million, which was covered exclusively from the markets. As a result, the Group strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

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 credit 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 2015 had 148 branches, by cross-selling activities and by new savings products.

As at 31 December 2015, Bancpost does not rely on funding from the Parent Bank but predominantly on locally collected deposits, its own capital base and international financial institutions.

Based on the aspects mentioned above, the Bank's management has made an assessment of the bank's ability to continue operations in the foreseeable future (comprising at least, but is not limited to, twelve months from the date of the financial statements 31 December 2015) and concluded that the going concern assumption is applicable to the preparation of these financial statements.

For more details about the capital position of the Bank, please refer to Note 3.6.

Currently there are a number of legislative initiatives that may significantly impact the local banking system in the following periods and which refer to the followings:

2 Summary of significant accounting policies (continuing)

The law on full settlement of mortgage / home equity loans: the law provides for the ceding of the mortgaged asset, even though the total loan exposure may be higher than the value of the asset. The law was adopted by the Romanian Parliament.

National Authority for Consumer Protection (NACP) project law according to which the loan contract will no longer stand as enforceable title, consequently banking and non-banking financial institutions will be required to obtain a court sentence in order to initiate enforcement procedures. This project law refers only to individuals.

NACP project law that transpose the requirements of Directive 2008/48/CE of the European Parliament and of the Board from 23 April 2008: refers to loans granted to consumers in foreign currency for which, where the exchange rate varies more than 20% as at a certain date during the loan tenor compared to the granting date, the banking or non-banking financial institutions are required to grant consumers certain options to sustain them and reduces their loan costs.

Individuals insolvency law no. 151/2015 published in the Official Gazette of Romania in June 2015; the law comes into force as at 31 December 2016 and refers to sustaining individuals with financial difficulties in the process of debts payment.”

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 2015 and 31 December 2014 were as follows:

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

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.

2 Summary of significant accounting policies (continuing)

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

The main guidelines followed in restating the corresponding figures were:

- 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 2015, the Bank had classified as financial assets held for trading, government bond bought for trading purposes (See Note 16). 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.

(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 operating income” line in the Income Statement.

2 Summary of significant accounting policies (continuing)

(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.

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

2 Summary of significant accounting policies (continuing)

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

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 prices 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 (continuing)

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 initially 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 2015 and 2014 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.

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 Summary of significant accounting policies (continuing)

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.

2.11 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.

2 Summary of significant accounting policies (continuing)

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:

- A breach of contract, such as default or delinquency;
- The borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Bank obtains;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The value of collateral significantly decreases as a result of deteriorating market conditions
- Granting to the borrower following its significant financial difficulty a concession that the lender would not consider otherwise.
- Observable data indicating that there is 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 be yet identified with the individual financial asset

(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.

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. In order to align the one year expected loss incorporated in the probability of default estimation with the incurred loss, a seven months loss identification period is assumed.

2 Summary of significant accounting policies (continuing)

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.

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 Summary of significant accounting policies (continuing)

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.

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

	<u>Useful lives in years</u>
Major core-banking software	7 to 10
Other software	5
Licenses	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.

	<u>Useful lives in years</u>
Premises	50
Office and computer equipment	3 to 20
Vehicles	5 to 10

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

2 Summary of significant accounting policies (continuing)

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.

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

2 Summary of significant accounting policies (continuing)

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.

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 some month salaries if the employee achieves the pension time in the Bank service as per number of years of employment with the Bank as per below :

✂	Up to 5 years of employment: 1 monthly base salary
✂	Between 5 and 10 years: 3 monthly base salaries
✂	Between 10 and 15 years: 5 monthly base salaries
✂	Over 15 years: 7 monthly base salaries

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.

Summary of significant accounting policies (continuing)

As a result of the Bank'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.

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 Summary of significant accounting policies (continuing)

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 analyse 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.

The Risk Management function is organized at centralized level within the Bank, being independent by means of having a direct reporting line to the Executive Vice President responsible for the coordination of the Risk Management function and Compliance function.

The Risk Management function within the Bank is comprehensive, as the two components are being defined therein, namely: (i) the risk control function organized by business lines, a function that operates via the Risk Control Division ensuring the compliance with the risk policies and monitoring each significant risk the Bank is exposed to, and (ii) the risk identification, assessment and monitoring component organized within distinct units, i.e. the Credit Risk Monitoring Division and the Risk Monitoring Division

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.

3.2 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 the following components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) the loss identification period; (iii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and (iv) 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.

3 Financial Risk Management (Continuing)

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, currencies, credit risk mitigation techniques. 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 15. The Bank's exposure to Central Bank is shown in Note 13 (see "Balances with Central Bank").

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

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 (Continuing)

(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.

3 Financial Risk Management (Continuing)
3.2.1 Maximum exposure to credit risk before collateral held

Credit risk exposures relating to assets are as follows:

<i>In thousands of RON</i>	2015	2014
Balance sheet exposure		
Balance with Central Bank	1.404.081	1.015.158
Loans and advances to banks	1.094.853	1.624.271
Loans and advances to customers (net)	5.772.793	5.999.972
- Lending to medium size and large corporate entities (wholesale)		
Gross book value (GBV)	1.923.924	1.917.764
Less Provisions for impairment Losses	(192.918)	(187.521)
- Consumer lending		
Gross book value (GBV)	1.460.798	1.627.797
Less Provisions for impairment Losses	(182.237)	(245.388)
- Mortgage lending		
Gross book value (GBV)	2.466.309	2.483.923
Less Provisions for impairment Losses	(177.880)	(146.998)
- Small business lending		
Gross book value (GBV)	757.103	871.603
Less Provisions for impairment Losses	(282.306)	(321.208)
Trading assets:		
- Debt securities	303.779	111.750
Derivative financial instruments	17.079	3.517
Investment securities available for sale		
- Debt securities	1.773.622	1.724.283
Other financial assets	33.765	26.477
Total balance sheet exposure	10.399.972	10.505.428
Off-balance sheet exposure		
- Letters of guarantee	444.878	502.700
- Letters of credit	321	210
- Undrawn loan commitments	919.038	1.105.215
Credit risk exposures relating to off-balance sheet items (Note 31 & 3.4)	1.364.237	1.608.125
Exposure as at 31 December	11.764.209	12.113.553

The above table represents the maximum credit risk exposure to the Bank at 31 December 2015 and 31 December 2014, 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:

3 Financial Risk Management (Continuing)

<i>In thousands of RON</i>	2015	2014
Mortgages		
Less than 50%	367.126	375.033
50%-70%	370.980	422.542
71%-80%	186.584	190.712
81%-90%	203.593	189.812
91%-100%	217.154	283.014
101%-120%	217.189	203.653
121%-150%	225.366	284.902
Greater than 150%	666.248	523.994
Without Collateral	12.069	10.261
Total exposure	2.466.309	2.483.923
Average LTV	119,8%	107,9%

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

<i>In thousands of RON</i>	Value of collateral received				2015
	Real Estate	Financial	Other	Total	Guarantees received
Other financial corporations	997	865	52.302	54.163	29
Non-financial corporations	200.432	940.214	303.221	1.443.866	149.097
Households	1.852.843	7.712	4.953	1.865.508	154.677
Total	2.054.272	948.791	360.476	3.363.537	303.803

<i>In thousands of RON</i>	Value of collateral received				2014
	Real Estate	Financial	Other	Total	Guarantees received
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
Total	2.200.435	1.075.257	321.446	3.597.138	294.699

3.2.2 Loans and advances

Loans and advances are summarised as follows:

<i>In thousands of RON</i>	2015		2014	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	4.453.478	1.094.853	4.507.081	1.624.271
Past due but not impaired	535.433	-	1.134.679	-
Impaired:				
- collectively assessed	1.097.657	-	402.526	-
- individually assessed	521.566	-	856.801	-
Gross	6.608.134	1.094.853	6.901.087	1.624.271
Less: allowance for impairment	(835.341)	-	(901.115)	-
Net loans and advances	5.772.793	1.094.853	5.999.972	1.624.271

3 Financial Risk Management (Continuing)

The wholesale and small business loans as at 31 December 2015 are covered in aggregate by collaterals at 65.89% and 51.6%, respectively (2014: 70.4% and 52.2%, respectively). Consumer loans are generally not collateralised. Mortgage loans are covered in aggregate by collaterals at 81.36% (2014: 83.9%).

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, 2014 comparative information on collaterals have been presented on a similar basis.

In thousands of RON	Non impaired		Impaired		Total gross	Impairment allowance		Total net amount	Value of collateral
	Neither past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed		Individually assessed	Collectively assessed		
Wholesale	1.409.851	68.684	445.389	-	1.923.924	(192.918)	-	1.731.006	1.267.477
Consumer	1.079.372	110.703	62	270.661	1.460.798	(62)	(182.175)	1.278.561	2.371
Mortgage	1.646.207	343.598	63.311	413.193	2.466.309	(42.574)	(135.306)	2.288.429	2.006.609
Small business	318.048	12.480	12.804	413.803	757.103	(11.178)	(271.128)	474.797	390.883
Total	4.453.478	535.433	521.566	1.097.657	6.608.134	(246.732)	(588.609)	5.772.793	3.667.340

In thousands of RON	Non impaired		Impaired		Total gross	Impairment allowance		Total net amount	Value of collateral
	Neither past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed		Individually assessed	Collectively assessed		
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

3 Financial Risk Management (Continuing)

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 2015 and 31 December 2014 can be assessed by reference to the Bank's standard grading system. The following information is based on that system:

<i>In thousands of RON</i>	Wholesale	Consumer	Mortgage	Small Business	2015 Total
Grades:					
Satisfactory risk*	1.293.011	1.079.372	1.646.207	318.048	4.336.638
Watch list*	116.840	-	-	-	116.840
Gross loans and advances	1.409.851	1.079.372	1.646.207	318.048	4.453.478
Less: allowance for impairment	(9.409)	(10.323)	(2.154)	(2.740)	(24.626)
Net loans and advances neither past due nor impaired	1.400.442	1.069.049	1.644.053	315.308	4.428.852
<i>In thousands of RON</i>	Wholesale	Consumer	Mortgage	Small Business	2014 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

*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.

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:

<i>In thousands of RON</i>	Wholesale	Consumer	Mortgage	Small Business	2015 Total
Past due up to 29 days	41.237	92.702	264.522	6.087	404.548
Past due 30 - 89 days	21.109	17.991	79.076	6.361	124.537
Past due 90 - 180 days	5.000	10	-	-	5.010
Past due more than 180 days	-	-	-	-	-
Past due greater than 1 year	1.338	-	-	-	1.338
Gross loans and advances	68.684	110.703	343.598	12.448	535.433
Less: allowance for impairment	(1.941)	(4.908)	(4.533)	(1.049)	(12.431)
Net loans and advances past due but not impaired	66.743	105.795	339.065	11.399	523.002
Fair value of collateral	56.903	525	278.312	9.442	345.183

3 Financial Risk Management (Continuing)

<i>In thousands of RON</i>					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

Based on past experience, consumer, mortgage and small business loans less than 90 days past due (180 days past due in case of mortgage portfolio as of December 2014), are not considered impaired, unless specific information indicates to the contrary (a concession offered to the customer as a consequence of financial difficulties, contract being denounced or under hard collection procedures, other information indicating that part of the loan has minimal probability of being serviced, regardless of delinquency). 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, 2015 are RON 12.431 thousand (2014: RON 37.189 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. In order to align the one year expected loss incorporated in the probability of default estimation with the incurred loss concept under IAS 39, a seven months loss identification period is assumed.

The gross exposure before provision for collectively assessed loans and advances to customers is RON 1.097.657 thousand (2014: RON 402.526 thousand).

<i>In thousands of RON</i>	2015				2014		
	Consumer	Mortgage	Small Business	Total	Consumer	Mortgage	Total
Collectively assessed loans	270.661	413.193	413.803	1.097.657	205.620	196.906	402.526
Allowance for impairment	(166.944)	(128.619)	(271.128)	(566.691)	(153.233)	(79.786)	(233.019)
Net loans and advances collectively assessed	103.717	284.574	142.675	530.966	52.387	117.120	169.507
Fair value of collateral	103	229.245	102.680	332.028	55	104.245	104.300

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 12)

The gross exposure before provision for individually assessed loans and advances to customers is RON 521.566 thousand (2014: RON 856.801 thousand). The breakdown of the gross amount of individually assessed loans and advances by classes is:

3 Financial Risk Management (Continuing)

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

<i>In thousands of RON</i>	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

An amount of RON 1.953 million (2014: 1.741 million) included in securities rated Baa3 at 31 December 2015 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.

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.

<i>In thousands of RON</i>	Commerce and services	Private individuals	Manufacturing	Construction	Other	Total
Loans and advances to banks	-	-	-	-	1.094.853	1.094.853
Loans and advances to customers (net of provision):	-	-	-	-	-	-
- Mortgages	-	2.288.429	-	-	-	2.288.429
- Consumer lending (incl. credit cards)	-	1.278.559	-	-	-	1.278.559
- Small business lending	338.411	-	67.633	45.013	23.742	474.799
- Corporate lending	675.901	-	530.108	470.846	54.151	1.731.006
Financial assets held for trading	-	-	-	-	-	-
- Debt securities	-	-	-	-	303.779	303.779
- Derivative financial instruments	1.441	0	-	-	15.638	17.079
Financial assets available for sale	-	-	-	-	-	-
- Debt securities	-	-	-	-	1.773.622	1.773.622
- Other financial assets	-	-	-	-	33.765	33.765
-	-	-	-	-	-	-
As at 31 December 2015	1.015.753	3.566.988	597.741	515.859	3.299.550	8.995.891

3 Financial Risk Management (Continuing)

<i>In thousands of RON</i>	Comercial and services	Private Individuals	Manufacturing	Construction	Other	2014 Total
Loans and advances to banks	-	-	-	-	1.624.271	1.624.271
<i>Loans and advances to customers (net of provision):</i>						
- 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
<i>Financial assets held for trading</i>						
- Debt securities	-	-	-	-	111.750	111.750
- Derivative financial instruments	1.549	148	-	-	1.820	3.517
<i>Financial assets available for sale</i>						
- 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

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

3 Financial Risk Management (Continuing)

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 2015, 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 2.904 thousand (2014: RON 1.479 thousand) lower/ higher and comprehensive income would have been RON 66.950 thousand (2014: RON 75.973 thousand) lower/ higher.

At 31 December 2015, if RON had strengthened/ weakened by 10% against relevant foreign currencies (all other variables held constant) profit for the year would have been RON 1.851 thousand lower / higher- (2014: RON 3.548 thousand higher/ lower) and comprehensive income would have been unaffected.

<i>In thousands of RON</i>	2015			2014		
	Total sensitivity	Sensitivity of income statement	Sensitivity of comprehensive income	Total sensitivity	Sensitivity of income statement	Sensitivity of comprehensive income
Interest rate (+100 b.p. parallel shift)	(69.464)	(2.904)	(66.560)	(74.494)	1.479	(75.973)
Foreign exchange (10% change in RON against foreign currencies)	(1.851)	(1.851)	-	3.548	3.548	-

(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 2015. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by contractual re-pricing.

Bancpost SA
Notes to Financial Statements – 31 December 2015

3 Financial Risk Management (Continuing)

<i>In thousands of RON</i>	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	2015 Total
Cash	499.655	-	-	-	-	-	499.655
Balances with Central Bank	1.404.081	-	-	-	-	-	1.404.081
Loans and advances to banks	1.088.934	-	-	-	-	5.920	1.094.853
Loans and advances to customers	2.231.742	2.445.253	1.030.340	64.037	1.422	-	5.772.793
Trading assets	-	-	113.452	162.929	27.398	-	303.779
Derivate financial instruments	1.192	41	15.775	71	-	-	17.079
Investment securities available for sale	123.604	43.630	49.337	1.379.715	177.335	-	1.773.622
Intangible assets	-	-	-	-	-	96.038	96.038
Property and equipment	-	-	-	-	-	311.721	311.721
Other assets	-	-	-	-	-	62.616	62.616
Deferred income tax asset	-	-	-	-	-	51.690	51.690
Total assets	5.349.208	2.488.924	1.208.904	1.606.752	206.155	527.985	11.387.927
Due to banks	35.626	678.675	-	29.600	-	9.682	753.583
Due to customers	5.679.819	1.354.528	1.375.164	15.095	-	-	8.424.606
Derivative financial instruments	7.395	8.528	2.150	71	-	-	18.144
Other borrowed funds	418.254	299.691	107.268	-	-	-	825.214
Other liabilities	-	-	-	-	-	147.483	147.483
Deferred income tax liability	-	-	-	-	-	-	-
Total liabilities	6.141.094	2.341.422	1.484.582	44.766	-	157.165	10.169.030
Interest rate sensitivity gap	(791.886)	147.502	(275.678)	1.561.986	206.155	370.820	1.218.899

<i>In thousands of RON</i>	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	2014 Total
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
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

3 Financial Risk Management (Continuing)

(c) Foreign exchange risk

2015

<i>In thousands of RON</i>	Not exposed to currency risk RON	Exposed to currency risk			Total
		USD	EUR	Other	
Cash	391.440	13.096	64.808	30.311	499.655
Balances with Central Bank	883.057	-	521.024	-	1.404.081
Loans and advances to banks	7	186.326	898.818	9.702	1.094.853
Loans and advances to customers	2.627.626	54.517	2.137.222	953.428	5.772.793
Trading assets	293.202	-	10.577	-	303.779
Derivative financial instruments	14.768	2	1.112	1.197	17.079
Investment securities available for sale	1.258.333	-	515.289	-	1.773.622
Other assets	58.788	1.070	2.367	393	62.618
Deferred income tax asset	51.690	-	-	-	51.690
Total assets	5.578.911	255.011	4.151.217	995.031	10.980.170
Due to banks	63.546	0	690.037	-	753.583
Due to customers	5.779.801	244.966	2.354.261	45.578	8.424.606
Derivative financial instruments	16.843	2	1.299	-	18.144
Other borrowed funds	-	8.376	816.838	-	825.214
Other liabilities	126.639	1.558	18.520	766	147.483
Total liabilities	5.986.829	254.902	3.880.955	46.344	10.169.030
Net on balance sheet position	(407.918)	108	270.262	948.687	811.140
Net off balance sheet position	-	(906)	(242.298)	(986.712)	(1.229.916)
Net foreign exchange position	(407.918)	(797)	27.964	(38.025)	(418.776)

2014

<i>In thousands of RON</i>	Not exposed to currency risk RON	Exposed to currency risk			Total
		USD	EUR	Other	
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
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)

3 Financial Risk Management (Continuing)

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 2015 and 31 December 2014. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

(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 2015, if equity prices at that date had been 10% (2014: 10%) lower with all other variables held constant, profit for the year would have been RON 116 thousand (2014: RON 116 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.

3 Financial Risk Management (Continuing)

<i>In thousands of RON</i>						2015
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Cash	499.655	0	0	0	0	499.655
Balances with Central Bank	1.404.081	0	0	0	0	1.404.081
Loans and advances to banks	1.095.000	0	0	0	0	1.095.000
Loans and advances to customers gross	1.812.763	264.919	1.440.524	2.268.139	2.834.895	8.621.240
Trading assets	0	0	113.452	162.929	27.398	303.779
Derivate financial instruments	553.260	155.910	0	0	0	709.170
Investment securities available for sale	0	43.630	49.337	1.385.881	300.939	1.779.787
Total assets	5.364.759	464.459	1.603.313	3.816.949	3.163.232	14.412.712
Due to banks	34.028	2.734	12.303	477.139	287.555	813.759
Due to customers	4.932.646	1.651.947	1.736.718	26.380	98.532	8.446.223
Derivative financial instruments	553.533	159.094	1.441	-	-	714.068
Other borrowed funds	141.930	78.628	90.100	245.084	331.566	887.308
Other financial liabilities	150.655	6.316	28.082	137.222	70.314	392.589
Total liabilities	5.812.792	1.898.719	1.868.644	885.825	787.967	11.253.947
Total cumulative asset/(liability) liquidity gap	(448.033)	(1.434.260)	(265.331)	2.931.124	2.375.265	3.158.765

<i>In thousands of RON</i>						2014
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Cash	535.814	0	0	0	0	535.814
Balances with Central Bank	1.015.158	0	0	0	0	1.015.158
Loans and advances to banks	1.624.546	0	0	0	0	1.624.546
Loans and advances to customers gross	2.140.403	343.478	1.507.343	2.344.081	3.133.735	9.469.039
Trading assets	0	0	0	47.138	64.612	111.750
Derivate financial instruments	3.137.849	223.276	2.924	0	0	3.364.050
Investment securities available for sale	0	23.719	174.124	1.325.002	201.437	1.724.283
Total assets	8.453.770	590.474	1.684.392	3.716.221	3.399.784	17.844.640
Due to banks	38.888	2.917	13.128	715.139	-	770.073
Due to customers	4.437.555	1.839.053	2.351.252	9.809	9.453	8.647.122
Derivative financial instruments	3.155.469	223.391	2.924	-	-	3.381.784
Other borrowed funds	97.684	113.928	54.774	287.742	341.646	895.774
Other financial liabilities	90.552	3.301	14.755	67.977	43.555	220.140
Total liabilities	7.820.148	2.182.592	2.436.834	1.080.667	394.654	13.914.894
Total cumulative asset/(liability) liquidity gap	633.622	(1.592.118)	(752.442)	2.635.554	3.005.130	3.929.747

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

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.

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.

3 Financial Risk Management (Continuing)

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.
- 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:

<i>In thousands of RON</i>	Level 1	Level 2	Level 3	2015 Total	Level 1	Level 2	Level 3	2014 Total
Financial assets measured at fair value:								
Financial instruments held for trading-debt	303.779	-	-	303.779	111.750	-	-	111.750
Derivative financial instruments-debt	-	17.079	-	17.079	-	3.517	-	3.517
Available-for-sale investment securities								
- debt	1.650.018	-	-	1.650.018	1.630.654	-	-	1.630.654
- equity		85.928	37.676	123.604	-	87.273	6.356	93.629
Total Financial assets	1.953.797	103.007	37.676	2.094.480	1.742.404	90.790	6.356	1.839.550
Financial liabilities measured at fair value:								
Derivative financial instruments-debt	-	18.144	-	18.144	-	23.860	-	23.860
Total Financial Liabilities	-	18.144	-	18.144	-	23.860	-	23.860

In 2015 and 2014 the Bank has no amounts transferred between fair value hierarchy levels.

3 Financial Risk Management (Continuing)

Reconciliation of Level 3 fair value measurement as at December 2015:

<i>In thousands of RON</i>	2015	2014
Balance at 1 January	6.356	6.356
Transfer into Level 3		
Transfer out of Level 3		
Gain/(loss) included in Other Comprehensive Income	30.586	
Gain/(loss) included in profit or loss	734	
Purchases/(sales)		
Balance at 31 December	37.676	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.

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 Bank 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.

3 Financial Risk Management (Continuing)

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.

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:

<i>In thousands of RON</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>2015 Total carrying amount</i>
Financial assets					
- Corporate lending	-	-	1.703.817	1.703.817	1.731.006
- Small Business lending	-	-	479.934	479.934	474.797
- Consumer lending	-	-	1.404.642	1.404.642	1.278.561
- Mortgage	-	-	2.528.017	2.528.017	2.288.429
Loans and advances to customers	-	-	6.116.410	6.116.410	5.772.793

<i>In thousands of RON</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>2014 Total carrying amount</i>
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

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 Bank 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.

3 Financial Risk Management (Continuing)

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:

	2015			
<i>In thousands of RON</i>	Loans and receivables	Available for sale assets	Trading assets	Total
Assets				
Cash	499.655	-	-	499.655
Balances with Central Bank	1.404.081	-	-	1.404.081
Loans and advances to banks	1.094.853	-	-	1.094.853
Loans and advances to customers (net)	5.772.793	-	-	5.772.793
Trading assets	-	-	303.779	303.779
Derivative financial instruments	-	-	17.079	17.079
Investment securities, available for sale	-	1.773.622	-	1.773.622
Total financial assets	8.771.382	1.773.622	320.858	10.865.862

	2014			
<i>In thousands of RON</i>	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

3 Financial Risk Management (Continuing)

3.6 Management of Capital

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 2015 and 2014. During these periods, the Bank complied with the externally imposed capital requirements to which they are subject.

<i>In thousands of RON</i>	31-Dec-15	31-Dec-14
Tier 1 capital		
Share capital	1,350.246	1,350.245
Share premium	81.133	81.133
Legal reserve	42.190	40.756
General risk reserves	41.583	41.583
Special reserves	65.737	(964)
General reserves	33.639	58.365
Accumulated losses	(433.901)	(467.714)
Minority interests	-	-
Less: Intangibles	(96.038)	(84.647)
Less: Other deductions from Tier I capital	(3.948)	(1.050)
Less: Prudential filters-provisions	(98.360)	(127.019)
Less: Tax filters	(26.938)	(36.376)
Total qualifying Tier 1 capital (core capital)	955.343	854.312
Tier 2 capital		
Eligible Subordinated capital	403.606	444.637
Revaluation reserve – available-for-sale investments	0	32.085
Less: Prudential filters-provisions	(98.360)	(127.019)
Total qualifying Tier 2 capital (additional own funds)	305.246	349.703
Available Own Funds	1,260.589	1,204.015
Own Funds requirements for:		
Credit Risk	393.879	380.299
Market Risk	9.911	8.552
Operational Risk	87.907	124.910
Total capital requirement	491.697	513.761
CAD ratios:		
Total capital adequacy ratio	20,51%	18,75%
Core Capital Ratio	15,57%	13,30%
Regulatory Total Capital Ratio	8%	8%

3 Financial Risk Management (Continuing)

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 Pillar II requirements as at 31 December 2015 was 20,46% (2014: 18,67%).

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern. Management prepared these financial statements on a going concern basis. In making this judgement management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis on future operations of the Bank.

Impairment of available-for-sale equity investments. The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates, among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of changes in technology or deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows.

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgements 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 credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

For the retail portfolios (mortgage, consumer and small business lending), statistical analysis of historical loss experience including the realizable value of real estate properties held as collateral and timing of foreclosure 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.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies
(Continuing)

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.

Fair value of derivatives and certain other instruments. Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 3.

Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Total deferred income tax as at 31 December 2015 was of RON 51,690 thousands (2014: 44,236 thousands) coming from temporary differences and tax loss carry-forwards.

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 (2014: RON 42,862 thousand deferred income tax asset) in respect of a fiscal loss carried forward amounting to RON 276,887 thousand (2014: RON 267,887 thousand fiscal loss) that can be carried forward against future taxable income. In Romania, tax periods remain open for 7 years. 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.

Tax legislation. Romanian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 31.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 29.

5 Interest Income and Expense

<i>In thousands of RON</i>	2015	2014
Interest income		
Loans and advances to customers	439.855	520.209
Debt investment securities available for sale	38.557	43.644
Due from other banks	16.681	34.657
Total interest income	495.093	598.510
Interest expense		
Due to customers	139.817	225.589
Due to banks	17.367	21.290
Repos (repurchase agreements)	1.094	777
Other borrowed funds	5.400	11.579
Total interest expense	163.678	259.235
Net interest income	331.415	339.275

Interest income includes RON 51.766 thousand (2014: RON 61.723 thousand) interest income, recognised on impaired loans to customers.

Bancpost SA
Notes to Financial Statements – 31 December 2015

6 Fee and Commission Income and Expense

<i>In thousands of RON</i>	2015	2014
Fee and commission income		
Fee and commissions income from bank operation	83.629	87.747
Other fee and commission income	49.845	50.476
Financial assets administration fee	4.258	4.262
Total fee and commission income	137.732	142.485
Fee and commission expense		
Customer transactions	20.342	20.804
Transactions with other banks	17.123	17.914
Total fee and commission expense	37.465	38.718
Net fee and commission income	100.267	103.767

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.

Bancpost SA
Notes to Financial Statements – 31 December 2015

7 Net trading income

<i>In thousands of RON</i>	2015	2014
Gain from foreign exchange:	87.977	102.633
-Net foreign exchange gains from transactions	(42.397)	61.115
-Net effect of translation of foreign currency denominated assets and liabilities	130.374	41.518
Gain/(Loss) from derivative instruments:	(30.786)	(15.144)
-Options	37	(265)
-Foreign exchange derivatives	(38.025)	(19.298)
-Interest rate derivatives	7.202	4.419
Gain from held for trading securities	2.199	12.315
Total fee and commission income	59.390	99.804

8 Other Operating Income

<i>In thousands of RON</i>	2015	2014
Other income	4.947	4.673
Realized gains on disposal of investment securities available for sale	39.011	63.735
Dividend income	734	615
Total other operating income	44.692	69.023

9 Administrative and Other Operating Expenses

<i>In thousands of RON</i>	2015	2014
Salaries and wages	142.466	151.848
Social contribution	7.702	8.703
Contributions to defined state benefits scheme	20.494	28.669
Services expense	42.460	44.602
Other tax and contribution	56.295	59.020
Rental expenses	33.946	39.864
Utilities	6.158	8.669
Communication	3.701	3.822
Depreciation, amortization and impairment (Note 19 and 20)	33.869	45.307
Loss on disposals of fixed assets	3.068	21.741
Repairs, maintenance and utilities	18.513	20.647
Postage, consumables	4.315	6.266
Other expenses	26.695	22.043
Travel expenses	905	1.305
Advertising	12.498	12.206
Insurance premiums	2.676	3.207
Impairment charge for other assets (Note 21)	(2.775)	(1.020)
Provision for other contingent liabilities and other provisions	(4.538)	11.802
Total administrative and other operating expenses	408.448	488.701

Audit fees for Financial Statements for year ended 2015 of RON thousands 1.175 (2014: 1.240 thousands RON). For other consultancy services, lawyers or legal fees, the Bank had paid during the year 2015 RON thousands 557 (2014: RON thousands 1.551).

Bancpost SA
Notes to Financial Statements – 31 December 2015

10 Impairment charge for credit losses

<i>In thousands of RON</i>	2015	2014
Impairment charge for loans to customers (Note 15)	105,812	396,804
Recoveries from loans previously written off (Note 15)	(4,996)	(802)
Provision for other credit commitments	(2,177)	(7,443)
Total Impairment charge for credit losses	98.639	388.559

11 Income Taxes

(a) Components of income tax expense / (benefit)

Income tax expense recorded in profit or loss for the year comprises the following:

<i>In thousands of RON</i>	2015	2014
Current tax	-	-
Deferred tax	(6,570)	3,580
Income tax expense/(credit) for the year	(6,570)	3,580

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

<i>In thousands of RON</i>	2015	2014
Profit/(loss) before tax	28,677	(265,391)
Theoretical tax charge credit at statutory rate (2015: 16%; 2014: 16%)	4,588	(42,463)
Tax effect of:		
Non-deductible expenses	30,296	16,066
Income not subject to tax	(27,518)	(7,255)
Tax effect of permanent differences	(7,070)	36,786
Difference related to FX gains/losses for provisions, booked in FX account	(238)	
Difference related to amortization booked for sold/destroyed fixed assets during the year	(6,628)	466
Income tax expense/(credit) for the year	(6,570)	3,580

11 Income Taxes (Continuing)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Romania give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

<i>In thousands of RON</i>	1-Jan-15	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31-Dec- 15
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards	68.879	4.709	-	73.588
Fixed assets impairment	-			-
Differences in the tax and accounting base for buildings	16.134	(482)		15.652
Loan origination fees and interest	-			-
Fiscal loss	42.862			42.862
Other accruals	2.582	57		2.639
Other provisions	7.301	5.134		12.435
Tax effects of taxable temporary differences	24.643	(1.861)	(883)	21.899
Fixed assets and investments	11.227	(1.861)		9.366
Potential utilisation of IFRS transition reserves	-			-
Prudential filters	-			-
Gain on fair value of investment securities available for sale	13.581		(883)	12.698
Loss on remeasurement of retirement benefits obligation	(165)			(165)
Net deferred tax asset/(liability)	44.236	6.570	883	51.689
Net deferred tax asset/(liability)	44.236	6.570	883	51.689
Recognised deferred tax asset	44.236	6.570	883	51.689
Recognised deferred tax liability	-	-	-	-
Net deferred tax asset/(liability)	44.236	6.570	883	51.689

Bancpost SA
Notes to Financial Statements – 31 December 2015

11 Income Taxes (Continuing)

<i>In thousands of RON</i>	1-Jan-14	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31- Dec-14
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards				
Fixed assets impairment	119.317	(50.438)	-	68.879
Differences in the tax and accounting base for buildings	-	-	-	-
Loan origination fees and interest	16.627	(493)	-	16.134
Fiscal loss	-	-	-	-
Other accruals	89.542	(46.680)	-	42.862
Other provisions	2.545	38	-	2.582
	10.603	(3.303)	-	7.301
Tax effects of taxable temporary differences				
Fixed assets and investments	71.165	(46.858)	336	24.643
Potential utilisation of IFRS transition reserves	11.832	(605)	-	11.227
Prudential filters	39.858	(39.858)	-	-
Gain on fair value of investment securities available for sale	6.395	(6.395)	-	-
Loss on remeasurement of retirement benefits obligation	13.169	-	412	13.581
	(89)	-	(76)	(165)
Net deferred tax asset/(liability)	48.152	(3.580)	(336)	44.236
Net deferred tax asset/(liability)	48.152	(3.580)	(336)	44.236
Recognised deferred tax asset	48.152	(3.580)	(336)	44.236
Recognised deferred tax liability	-	-	-	-
Net deferred tax asset/(liability)	48.152	(3.580)	(336)	44.236

11 Income Taxes (Continuing)

(d) Current and deferred tax effects relating to each component of other comprehensive income

Current and deferred tax effects relating to each component of other comprehensive income are as follows:

<i>In thousands of RON</i>	2015			2014		
	Before-tax amount	Income tax (expense) / benefit	Net-of-tax amount	Before-tax amount	Income tax (expense) / benefit	Net-of-tax amount
Available-for-sale investments:						
- Gains arising during the year	(84.460)	13.514	(70.946)	(84.814)	13.570	(71.244)
Loss on remeasurement of retirement benefits obligation	6.130	(981)	5.149	964	(154)	810
Other comprehensive income	(78.330)	12.533	(65.797)	(83.850)	13.416	(70.434)

Bancpost SA
Notes to Financial Statements – 31 December 2015

12 Cash and Cash Equivalents

<i>In thousands of RON</i>	2015	2014
Cash on hand	353.206	376.738
Cash on ATM	146.449	159.076
Total cash and cash equivalents	499.655	535.814

Bancpost SA
Notes to Financial Statements – 31 December 2015

13 Balances with Central Bank

<i>In thousands of RON</i>	2015	2014
Balances with the NBR		
In RON	883.055	542.253
In EUR	521.026	472.905
Total cash and cash equivalents	1.404.081	1.015.158

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 2015 the interest rates ranged from 0,16% to 0,27% (2014: 0,32% to 0,76%) for reserves held in RON and was between 0,10% and 0,31% (2014: 0,32% and 0,38%) for reserves held in EUR.

During 2015 the ratio for minimum reserves held in RON decreased to 8%. (2014: 10%). and for foreign currency maintained at 14% (2014: 14%).

Bancpost SA
Notes to Financial Statements – 31 December 2015

14 Loans and advances to banks

<i>In thousands of RON</i>	2015	2014
Current accounts	113.276	59.144
Placements with banks as sight and term deposits	981.577	1.233.208
Reverse repos	-	331.919
Total Loans and advances to banks	1.094.853	1.624.271

As at 31 December 2015 the placements with initial maturity below 3 months, amounting to RON 1.094.853 thousand (2014: RON 1.624.271 thousand) were included in cash and cash equivalents (Note 28).

During 2015, interest on placements on RON ranged from 1,5% to 1,85% (2014: from 0,5% to 6%) with maturity less than three months, For USD ranged from 0,02% to 0,38% (2014: from 0,15% to 2,85%). For EUR ranged from -0,5% to 2,22% (2014: from 0,01 % to 3,15%). As at 31 December 2015, placements with banks included sight and term deposits placed with Parent Bank amounting to RON 633.430 thousand (2014: RON 1.026.401 thousand).

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 2015:

<i>In thousands of RON</i>	Current accounts	Placements with banks as sight and term deposits	Reverse repos (agreements to resell)	Total
<i>Neither past due nor impaired</i>				
Aaa	-	12.650	-	12.650
A1	-	1.357	-	1.357
A2	-	60.477	-	60.477
A3	61.533	2.903	-	64.436
Baa1	42.002	-	-	42.002
Baa2	-	157.614	-	157.614
Baa3	-	67.867	-	67.867
Ba3	-	45.244	-	45.244
Caa3	8.840	633.465	-	642.305
Unrated	901	-	-	901
Total Loans and advances to banks	113.276	981.577		1.094.853

31 December 2014:

<i>In thousands of RON</i>	Current accounts	Placements with banks as sight and term deposits	Reverse repos (agreements to resell)	Total
<i>Neither past due nor impaired</i>				
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
Total Loans and advances to banks	59.144	1.233.208	331.919	1.624.271

An amount of RON 642 million (2014: RON 1.378 million) included in rated Caa3 (Caa2 at 31 December 2014) relates to placements with Eurobank Ergasias SA (Parent Bank).

Bancpost SA
Notes to Financial Statements – 31 December 2015

15 Loans and Advances to Customers

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

<i>In thousands of RON</i>	2015	2014
<i>Analysis by sector for wholesale</i>		
Industry	589.187	568.934
Commerce	471.581	492.770
Services	279.649	292.215
Construction	523.321	502.586
Real estate	60.186	61.259
<i>Analysis by product for retail</i>		
Consumer	1.036.033	1.115.422
Mortgage	2.466.309	2.483.923
Small Business Banking	757.103	871.603
Credit cards and overdraft facilities	424.765	512.375
Less: Provision for loan impairment	(835.341)	(901.115)
Total loans and advances to customers	5.772.793	5.999.972

Movements in the provision for loan impairment during 2015 are as follows :

<i>In thousands of RON</i>	Wholesale loans	Consumer loans	Mortgage loans	Small business loans	Total
Provision for loan impairment at 1 January 2015	187.521	245.388	146.998	321.208	901.115
Net charge for the year (Note 10)	22.863	1.110	61.421	20.417	105.811
Amounts written off/ (derecognition of net receivables)	(17.854)	(61.483)	(38.242)	(55.498)	(173.077)
Recoveries of write offs (Note 10)	-	(4.996)	-	-	(4.996)
Foreign exchange differences	2.090	2.222	13.515	3.053	20.880
Effects of interest income recognised for impaired loans	(1.703)	-	(5.814)	(6.875)	(14.392)
Provision for loan impairment at 31 December 2015	192.918	182.241	177.878	282.305	835.341

15 Loans and Advances to Customers (Continuing)

Movements in the provision for loan impairment during 2014 are as follows :

<i>In thousands of RON</i>	Wholesale loans	Consumer loans	Mortgage loans	Small business loans	Total
Provision for loan impairment at 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)
Provision for loan impairment at 31 December 2014	187.521	245.388	146.998	321.208	901.115

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.

Bancpost SA
Notes to Financial Statements – 31 December 2015

16 Trading Securities

<i>In thousands of RON</i>	2015	2014
Romanian government bonds	303.779	111.750
Total trading securities	303.779	111.750

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data using bid prices from NBR, the Bank does not analyse or monitor impairment indicators.

17 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.

Bancpost SA
Notes to Financial Statements – 31 December 2015

17 Derivative Financial Instruments (continuing)

- 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:

<i>In thousands of RON</i>	Contract/notional	Fair values	
<i>At 31 December 2015</i>	Amount	Assets	Liabilities
Derivatives held for trading			
a) Foreign exchange derivatives			
Aa3	-	-	-
Caa3	48.188	37	(920)
MRI	-	-	0
6.4	37.329	956	0
Currency forwards	85.517	993	(920)
Caa3	1.985.908	1.001	(12.550)
BB-	76.917	13	(88)
Baa3	56.556	30	(11)
Aa2	509.911	0	(3.033)
Currency swaps	2.629.292	1.045	(15.682)
Caa3	4.926	144	(131)
unrated	878	0	(13)
OTC currency options	5.804	144	(144)
b) interest rate derivatives			
Interest rate swaps	109.594	985	(1.076)
Aa2	452.450	13.106	(197)
Aaa	438.029	804	(125)
Cross-currency interest rate swaps	890.479	13.910	(321)
Caa3	1.425	(0)	(2)
8.1	2.850	2	0
Interest rate options	4.275	2	(2)
Total	3.724.962	17.079	(18.144)

<i>In thousands of RON</i>	Contract/notional	Fair values	
<i>At 31 December 2014</i>	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)
b) Interest rate derivatives			
Caa2	451.403	487	(1.798)
Unrated	195.180	282	(249)
MRI			
5-3	184.339	77	-
6	38.142	1.053	-
6.1	4.607	-	(1)
7.7	5.827	186	-
8	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	4.905.920	3.517	(23.860)

18 Investment Securities Available for Sale

<i>In thousands of RON</i>	2015	2014
Romanian government bonds a)	1.650.018	1.630.654
Investments in Mutual Funds b)	85.928	86.999
Equity investments c)	37.676	6.630
Total investment securities available for sale	1.773.622	1.724.283

The debt securities are not collateralised.

The movements in investment securities available for sale are as follows :

<i>In thousands of RON</i>	2015	2014
Carrying amount at 1 January	1.724.283	1.346.832
Purchases	1.574.203	1.993.653
Disposals of investment securities available for sale	(1.525.690)	(1.620.077)
Fair value gains less losses	(557)	2.506
Foreign exchange differences	1.383	1.369
Carrying amount at 31 December	1.773.622	1.724.283

18 Investment Securities Available for Sale (Continuing)

- 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 1.43% to 5.85% (2014: 3.3% to 6 %). As at 31 December 2015, the EUR denominated ones bear interest rates ranging of 3.4% (2014: from 3.4% to 6.5%).
- 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 2015, the participation was 59.87% in LF Balanced Active Fund (66.93 % as at 31 December 2014) and 88.96% in LF Money Market Cash Fund (75.98% as at 31 December 2014).

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.

At 31 December, the principal equity investment securities available for sale were:

In thousands of RON

Name	Nature of business	Country of registration	Fair value			
			Share-holding	2015	Share-holding	2014
Depozitarul Central S.A.	central depository for securities transactions	Romania	2.60%	776	2.60%	776
Transfond S.A.	local settlement entity	Romania	4.03%	5,512	3.14%	4,265
Casa De Compensare Bucuresti S.A.	local settlement entity	Romania	0.02%	1	0.02%	1
Biroul De Credit S.A.	credit bureau	Romania	7.37%	1,176	7.25%	1,152
S.W.I.F.T SCRL	international settlement entity	United Kingdom	0.01%	140	0.01%	161
Visa Europe Limited	card agency	United Kingdom	0.00%	29,797	0.00%	1
ERB Retail Services SA IFN	consumer finance	Romania	0.17%	207	0.17%	207
Fundatia Bancpost		Romania	100.00%	67	100.00%	67
Total			14.2%	37,676	13.17%	6,630

18 Investment Securities Available for Sale (Continuing)

As announced by Visa Europe Limited and Visa Inc. on 2 November 2015, Visa Inc. has agreed, subject to regulatory approvals, to acquire Visa Europe Limited. The transaction is expected to complete in the second quarter (“Q2”) of 2016. Prior to Completion as at 31 December 2015, member banks should re-estimate the fair value of each Member’s existing AFS equity instrument. The Bank revalued its Visa participation to equal the amount of cash consideration to be received of amount EUR 6,586 thousands (RON 29,797 thousands). Revaluation was booked in 2015 “Other comprehensive income.”

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 2015, representing the maximum exposure to loss in relation to these interests, total assets of the funds and total losses per interest:

Bancpost SA
Notes to Financial Statements – 31 December 2015

18 Investment Securities Available for Sale (Continuing)

<i>In thousands of RON</i>	Funds managed by the Eurobank Fund Management Company SA				Total	31 December 2015 Total losses recognised in relation to each of the entity's interest in the funds in:	
	Third party managed funds		P/L	OCI			
	Mutual funds	Private equity funds				Mutual funds	Private equity funds
LF Balanced Active Fund							
<i>Bank's interest- assets</i>							
Investment securities	20.679	-	-	-	20.679	-	-
Loans	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Total carrying amount of assets in relation to the Bank's interests in the funds	20.679	-	-	-	20.679	-	-
<i>Bank's interest- liabilities</i>							
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	20.679	-	-	-	20.679	-	-
Total assets of the structured entities	-	-	-	-	-	-	-
LF Balanced Active Fund							
<i>In thousands of RON</i>	Funds managed by the Eurobank Fund Management Company SA				Total	31 December 2014 Total losses recognised in relation to each of the entity's interest in the funds in:	
	Third party managed funds		P/L	OCI			
	Mutual funds	Private equity funds			Mutual funds	Private equity funds	
<i>Bank's interest- assets</i>							
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	-	-
<i>Bank's interest- liabilities</i>							
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	-	-	-	-	-	-	-

18 Investment Securities Available for Sale (Continuing)

Total income for 2015 per type of fund

Total income for the year ended 31 December 2014	Funds managed by the Eurobank Fund Management Company SA				31 December 2015	
	Mutual funds	Private equity funds	Mutual funds	Private equity funds	Third party managed funds	Total
Interest	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Gains from sale of the Bank interest	-	-	-	-	-	-
Losses from sale of the Bank interest	-	-	-	-	-	-
Gains from assets measured at FV	80	-	-	-	-	80
Losses from assets measured at FV	-	-	-	-	-	-

Total income for 2014 per type of fund

Total income for the year ended 31 December 2014	Funds managed by the Eurobank Fund Management Company SA				31 December 2014	
	Mutual funds	Private equity funds	Mutual funds	Private equity funds	Third party managed funds	Total
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	-	-	-	-	-	-

Bancpost SA
Notes to Financial Statements – 31 December 2015

18 Investment Securities Available for Sale (Continuing)

LF Money Market Cash Fund	Funds managed by the Eurobank Fund Management Company SA				Total	31 December 2015 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			P/L	OCI
	Mutual funds	Private equity funds	Mutual funds	Private equity funds			
<i>Bank's interest- assets</i>							
Investment securities	65.249	-	-	-	65.249	-	-
Loans	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Total carrying amount of assets in relation to the Bank's interests in the funds	65.249	-	-	-	65.249	-	-
<i>Bank's interest- liabilities</i>							
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	65.249	-	-	-	65.249	-	-
Total assets of the structured entities	-	-	-	-	-	-	-

LF Money Market Cash Fund	Funds managed by the Eurobank Fund Management Company SA				Total	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			P/L	OCI
	Mutual funds	Private equity funds	Mutual funds	Private equity funds			
<i>Bank's interest- assets</i>							
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	-	-
<i>Bank's interest- liabilities</i>							
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	-	-	-	-	-	-	-

18 Investment Securities Available for Sale (Continuing)

Total income for 2015 per type of fund

Total income for the year ended 31 December 2015	Funds managed by the Eurobank Fund Management Company SA				31 December 2015	
	Mutual funds		Private equity funds		Third party managed funds	Total
	Mutual funds	Private equity funds	Mutual funds	Private equity 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	-	-	-	-	-	-
Losses from assets measured at FV	(1.151)	-	-	-	-	(1.151)

Total income for 2014 per type of fund

Total income for the year ended 31 December 2014	Funds managed by the Eurobank Fund Management Company SA				31 December 2014	
	Mutual funds		Private equity funds		Third party managed funds	Total
	Mutual funds	Private equity funds	Mutual funds	Private equity 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	-	-	-	-	-	-

Bancpost SA
Notes to Financial Statements – 31 December 2015

19 Intangible Assets

<i>In thousands of RON</i>	Licence and software	Software under development	Total
Cost at 1 January 2014	204.416	14.052	218.468
Accumulated depreciation	(105.495)	-	(105.495)
Carrying amount at 1 January 2014	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)
Carrying amount at 31 December 2014	67.068	28.404	95.472
Cost at 31 December 2014	171.129	28.404	199.533
Accumulated depreciation	(104.061)	-	(104.061)
Carrying amount at 31 December 2014	67.068	28.404	95.472
Additions	-	12.341	12.341
Transfers	25.508	(25.508)	-
Disposals	-	-	-
Amortisation charge	(11.775)	-	(11.775)
Carrying amount at 31 December 2015	80.801	15.237	96.038
Cost at 31 December 2015	196.637	15.237	211.874
Accumulated depreciation	(115.836)	-	(115.836)
Carrying amount at 31 December 2015	80.801	15.237	96.038

Bancpost SA
Notes to Financial Statements – 31 December 2015

20 Property, plant and equipment

<i>In thousands of RON</i>	Land and buildings	Equipment, fixture & fittings	Vehicles	Total
Cost at 1 January 2014	430.954	260.723	15.000	706.677
Accumulated depreciation	(135.649)	(198.131)	(14.431)	(348.211)
Carrying amount at 1 January 2014	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)
Carrying amount at 31 December 2014	280.862	50.499	407	331.768
Cost at 31 December 2014	419.851	257.064	14.143	691.058
Accumulated depreciation	(138.989)	(206.565)	(13.736)	(359.290)
Carrying amount at 31 December 2014	280.862	50.499	407	331.768
Additions	5.381	777	230	6.388
Disposals	(3.683)	(658)	-	(4.341)
Depreciation charge	(11.003)	(10.948)	(143)	(22.094)
Carrying amount at 31 December 2015	271.557	39.670	494	311.721
Cost at 31 December 2015	410.928	144.387	13.583	568.898
Accumulated depreciation	(139.371)	(104.717)	(13.089)	(257.177)
Carrying amount at 31 December 2015	271.557	39.670	494	311.721

Included in office and computer equipment are assets held under finance leases with a carrying value of RON 184 thousand (2014: nil). Refer to Note 31.

Bancpost SA
Notes to Financial Statements – 31 December 2015

21 Other Assets

<i>In thousands of RON</i>	2015	2014
Other financial assets		
Sundry receivables, gross	34.363	30.087
Provision for sundry receivables and other assets	(13.238)	(15.466)
Sundry receivables and other assets, net	21.125	14.621
Amounts in course of settlement	12.640	11.856
Total other financial assets, net	33.765	26.477
Other non-financial assets		
Prepayments	2.647	2.860
Receivable from state in respect of income tax	17.539	10.069
Receivable from state in respect of other taxes	8.400	10.135
Other assets	265	344
Total other non-financial assets	28.851	23.408
Total other assets	62.616	49.885

All of the above assets are expected to be recovered more than twelve months after the year-end, except for sundry receivables of RON 13.238 thousand (2014: RON 15.466 thousand) and receivable from state in respect of income tax in amount of RON 7.310 thousands

Provision for other assets and receivables

<i>In thousands of RON</i>	2015	2014
Provision at 1 January	15.466	16.409
Charge for the period (Note 9)	(2.775)	(1.020)
Foreign exchange differences (gain)/loss	547	77
Provision at 31 December	13.238	15.466

Bancpost SA
Notes to Financial Statements – 31 December 2015

21 Other Assets (continuing)

Analysis by credit quality of other assets outstanding at 31 December 2015 is as follows:

<i>In thousands of RON</i>	Sundry receivables and other assets	Amounts in course of settlement	Prepayments	Receivable from state in respect of income tax	Receivable from state in respect of other taxes	Other assets	Total
<i>Neither past due nor impaired</i>							
- Not due at the date of authorisation of the financial statements for issue	0	12.640	2.647	7.470	8.400	265	31.422
Total neither past due nor impaired	0	12.640	2.647	7.470	8.400	265	31.422
<i>Past due but not impaired</i>							
- less than 30 days overdue	21.125						-
- 30 to 90 days overdue							21.125
- 91 to 180 days overdue							-
- 181 to 360 days overdue							-
- over 360 days overdue				10.069			10.069
Total past due but not impaired	21.125	-	-	10.069	-	-	31.194
<i>Receivables collectively determined to be impaired (gross)</i>							
- less than 30 days overdue							-
- 30 to 90 days overdue							-
- 91 to 180 days overdue							-
- 181 to 360 days overdue							-
- over 360 days overdue	13.238						13.238
Total collective impaired (gross)	13.238	-	-	-	-	-	13.238
Less impairment provision	(13.238)	-	-	-	-	-	(13.238)
Total other financial receivables	21.125	12.640	2.647	17.539	8.400	265	62.616

Analysis by credit quality of other assets outstanding at 31 December 2014 is as follows:

<i>In thousands of RON</i>	Sundry receivables and other assets	Amounts in course of settlement	Prepayments	Receivable from state in respect of income tax	Receivable from state in respect of other taxes	Other assets	Total
<i>Neither past due nor impaired</i>							
- Not due at the date of authorisation of the financial statements for issue	-	11.856	2.860	10.069	10.135	344	35.264
Total neither past due nor impaired	-	11.856	2.860	10.069	10.135	344	35.264
<i>Past due but not impaired</i>							
- less than 30 days overdue	14.621						-
- 30 to 90 days overdue							14.621
- 91 to 180 days overdue							-
- 181 to 360 days overdue							-
- over 360 days overdue							10.069
Total past due but not impaired	14.621	-	-	-	-	-	14.621
<i>Receivables collectively determined to be impaired (gross)</i>							
- less than 30 days overdue							-
- 30 to 90 days overdue							-
- 91 to 180 days overdue							-
- 181 to 360 days overdue							-
- over 360 days overdue	15.466						15.466
Total collective impaired (gross)	15.466	-	-	-	-	-	15.466
Less impairment provision	(15.466)	-	-	-	-	-	(15.466)
Total other financial receivables	14.621	11.856	2.860	10.069	10.135	344	49.885

Bancpost SA
Notes to Financial Statements – 31 December 2015

22 Due to Other Banks

<i>In thousands of RON</i>	2015	2014
Sight deposits from banks	17.660	17.428
Term deposits from banks	735.923	724.929
Total due to other banks	753.583	742.357

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 2015, term deposits from the Parent Bank Eurobank Ergasias were RON 678.675 thousand and deposits from Eurobank Private Bank Luxembourg amounted to RON 29.600 thousand (2014: Eurobank Ergasias RON 672.315 thousand and Eurobank Private Bank Luxembourg RON 26.600 thousand).

23 Due to customers

During 2015, interest rates ranged from 0.15% to 3.40% (2014: from 3.02% to 4.55%) on RON denominated term deposits and from 0.05% to 2.40% (2014: from 2.27% to 2.77%) on EUR denominated term deposits. A currency analysis and residual maturity profile of amounts due to customers is presented in Note 3.

<i>In thousands of RON</i>	2015	2014
Current accounts	3.263.041	2.908.359
Term deposits	5.052.290	5.574.885
Collateral deposits	90.209	97.649
Saving instruments	19.066	20.882
Total customer accounts	8.424.606	8.601.775

23 Due to customers (Continuing)

Bancpost SA
Notes to Financial Statements – 31 December 2015

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of RON</i>	2015		2014	
	Amount	%	Amount	%
General governments	55.645	0.66%	71.970	0.84%
Current accounts / overnight deposits	36.604	0.43%	22.438	0.26%
Deposits with agreed maturity	19.041	0.23%	49.531	0.58%
Other financial corporations	378.350	4.49%	466.353	5.42%
Current accounts / overnight deposits	69.305	0.82%	61.593	0.72%
Deposits with agreed maturity	309.045	3.67%	404.760	4.71%
Non-financial corporations	1.975.664	23.45%	1.404.653	16.33%
Current accounts / overnight deposits	1.238.232	14.70%	685.928	7.97%
Deposits with agreed maturity	737.432	8.75%	718.724	8.36%
Households	6.014.947	71.40%	6.658.800	77.41%
Current accounts / overnight deposits	1.918.901	22.78%	2.138.400	24.86%
Deposits with agreed maturity	4.096.046	48.62%	4.520.400	52.55%
Total customer accounts	8.424.606	100.00%	8.601.775	100.00%

At 31 December 2015, included in customer accounts are deposits of RON 8,321 thousand (2014: RON 16,326 thousand) held as collateral for irrevocable commitments under import letters of credit.

24 Other Borrowed Funds

<i>In thousands of RON</i>	2015	2014
Loans from banks	372.427	381.064
Subordinated loans from other banks	452.787	448.633
Finance lease liabilities	-	-
Total other borrowed funds	825.214	829.697

Loans from banks :

<i>In thousands of RON</i>	2015	2014
BEI (a – f)	86.711	120.006
EBRD (g – s)	90.663	44.563
IFC (t)	60	52.484
Bank of Nova Scotia (u – v)	-	7.473
Banca Popolare di Sondrio (w-uu)	122.540	143.087
Citibank Europe PLC Dublin (vv - xx)	72.453	13.451
Total loans from banks	372.427	381.064

24 Other Borrowed Funds (continuing)

Subordinated loans from other banks

<i>In thousands of RON</i>	2015	2014
Eurobank Ergasias (yy - aaa)	452.787	448.633
Total subordinated loans from other banks	452.787	448.633

- 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 13 October 2015, a loan in the amount EUR 4.500.000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2016. The interest (Euribor 3M + 1.15%) is payable quarterly.
- h. On 28 October 2015, a loan in the amount EUR 615.000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2016. The interest (Euribor 3M + 1.15%) is payable quarterly.
- i. On 29 October 2015, a loan in the amount EUR 5.500.000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2016. The interest (Euribor 3M + 1.15%) is payable quarterly.
- j. On 17 November 2015, a loan in the amount EUR 3.300.000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2016. The interest (Euribor 3M + 1.15%) is payable quarterly.
- k. On 18 December 2015, a loan in the amount EUR 1.900.000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2016. The interest (Euribor 3M + 1.15%) is payable quarterly.
- l. On 24 December 2015, a loan in the amount EUR 3.330.000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2016. The interest (Euribor 3M + 1.15%) is payable quarterly.
- m. On 24 December 2015, a loan in the amount EUR 855.000 was obtained from the European Bank of Restructuring and Development ("EBRD"), repayable in 2016. The interest (Euribor 3M + 1.15%) is payable quarterly.
- n. 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.
- o. 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.

24 Other Borrowed Funds (continuing)

- p. 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.
- q. 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.
- r. 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.
- s. 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.
- t. 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.
- 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.
- 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 24 November 2015 a loan in amount of USD 500.000 was obtained from Banca Popolare di Sondrio, repayable on 24 May 2016. The interest (LIBOR 6M + 0.4%) is payable Half-yearly.
- x. On 9 December 2015 a loan in amount of USD 1,518.000 was obtained from Banca Popolare di Sondrio, repayable on 09 March 2016. The interest (Libor 3M + 0.4%) is payable quarterly.
- y. On 23 October 2015 a loan in amount of EUR 1.000.000 was obtained from Banca Popolare di Sondrio, repayable on 25 January 2016. The interest (Euribor 3M + 0.4%) is payable quarterly.
- z. On 6 November 2015 a loan in amount of EUR 6.000.000 was obtained from Banca Popolare di Sondrio, repayable on 9 May 2016. The interest (Euribor 6M + 0.4%) is payable half-yearly.
- aa. On 16 November 2015 a loan in amount of EUR 2.500.000 was obtained from Banca Popolare di Sondrio, repayable on 16 May 2016. The interest (Euribor 6M + 0.4%) is payable half-yearly.
- bb. On 17 November 2015 a loan in amount of EUR 3.000.000 was obtained from Banca Popolare di Sondrio, repayable on 17 May 2016. The interest (Euribor 6M + 0.4%) is payable half-yearly.
- cc. On 27 November 2015 a loan in amount of EUR 750.000 was obtained from Banca Popolare di Sondrio, repayable on 27 May 2016. The interest (Euribor 6M + 0.4%) is payable half-yearly.
- dd. On 27 November 2015 a loan in amount of EUR 6.000.000 was obtained from Banca Popolare di Sondrio, repayable on 27 May 2016. The interest (Euribor 6M + 0.4%) is payable half-yearly.
- ee. On 4 December 2015 a loan in amount of EUR 2.000.000 was obtained from Banca Popolare di Sondrio, repayable on 4 March 2016. The interest (Euribor 3M + 0.4%) is payable quarterly.
- ff. On 9 December 2015 a loan in amount of EUR 572.000 was obtained from Banca Popolare di Sondrio, repayable on 9 March 2016. The interest (Euribor 3M + 0.4%) is payable quarterly.
- gg. On 11 December 2015 a loan in amount of EUR 350.000 was obtained from Banca Popolare di Sondrio, repayable on 11 March 2016. The interest (Euribor 3M + 0.4%) is payable quarterly.
- hh. On 18 December 2015 a loan in amount of EUR 2.600.000 was obtained from Banca Popolare di Sondrio, repayable on 18 March 2016. The interest (Euribor 3M + 0.4%) is payable quarterly.
- ii. On 21 December 2015 a loan in amount of EUR 450.000 was obtained from Banca Popolare di Sondrio, repayable on 21 March 2016. The interest (Euribor 3M + 0.4%) is payable quarterly.
- jj. 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.
- kk. 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.
- ll. 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.
- mm. 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.

24 Other Borrowed Funds (continuing)

- nn. 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.
- oo. 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.
- pp. 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.
- qq. 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.
- rr. 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.
- ss. 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.
- tt. 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.
- uu. 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.
- vv. On 6 December 2015 a loan in amount of EUR 11.000.000 was obtained from Citibank Europe PLC Dublin, repayable on 6 January 2016. The interest (Euribor 3M + 0.4%) is payable quarterly.
- ww. On 10 November 2015 a loan in amount of EUR 5.000.000 was obtained from Citibank Europe PLC Dublin, repayable on 10 May 2016. The interest (Euribor 6M + 0.4%) is half-yearly.
- xx. 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.
- yy. 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.
- zz. 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.
- aaa. 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.

Subordinated debt of RON 452.787 thousand (2014: RON 448.633 thousand) carries a variable interest rate of Euribor 3M+0.65 % p.a. and matures on 2019. The debt ranks after all other creditors in the case of liquidation.

Bancpost SA
Notes to Financial Statements – 31 December 2015

25 Other Financial Liabilities

Other financial liabilities comprise the following:

<i>In thousands of RON</i>	2015	2014
Financial liabilities		
Amounts in transit/settlements	27.941	29.817
Leasing	204	-
Goods, services and fixed assets payables	24.733	33.516
Total financial liabilities	52.878	63.333
Non-financial liabilities		
Social contributions and salaries taxes	7.854	9.685
Payables to employees	403	879
Provisions for credit commitments (i)	10.921	13.324
Provision for liabilities (ii)	26.623	31.497
Other provisions (iii)	24.056	10.111
Other liabilities	24.748	21.322
Total Non-financial liabilities	94.605	86.818
Total other financial liabilities	147.483	150.151

Provision for credit related commitments represents specific provisions created for losses incurred on financial guarantees and commitments to extend credit to borrowers whose financial conditions deteriorated.

(i) Provisions for credit commitments

<i>In thousands of RON</i>	2015	2014
1 January	13.324	20.875
Amounts charged during the year	-	-
Amounts released during the year (Note 10)	(2.175)	(7.443)
Foreign exchange differences	(228)	(108)
31 December	10.921	13.324

The balance as at 31 December 2015 of RON 10.921 thousand and is composed by provisions for enforcement risks of letters of guarantee, commitment letters and loan financing commitments.

(ii) Provision for liabilities

<i>In thousands of RON</i>	Litigations	Branch closure	Other	Total
1 January 2015	5.229	22.757	3.511	31.497
Amounts charged during the year	10.627	527	(292)	10.863
Amounts released during the year	(1.233)	(14.498)	(5)	(15.735)
Foreign exchange differences	-	-	-	-
31 December 2015	14.623	8.786	3.214	26.623
<i>In thousands of RON</i>				
1 January 2014	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

25 Other Financial Liabilities (continuing)

Provision for liabilities mostly relate to litigations amounted in 2015 RON 14.623 thousand (2014: RON 5.229 thousand) and provisions booked in respect of the branch closure amounted in 2015 RON 8.786 thousand (2014: RON 22.757 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. For other information please refer to Note 33.

26 Share Capital

<i>In thousands of RON</i>	2015	2014
Statutory registered amount	1.178.865	1.178.865
Hyperinflation adjustment prior to 2004	171.380	171.380
Total Share Capital	1.350.245	1.350.245

Shareholder structure

<i>In percent (%)</i>	2015	2014
EFG Eurobank Ergasias SA	93.78	93.78
EFG New Europe Holding BV	5.37	5.33
Individuals (including employees and retired staff)	0.85	0.89
Total Share Capital	100.00	100.00

At 31 December 2015 the share capital of the Bank consisted of 2.947.163.540 (2014: 2.947.163.540) allotted and fully paid ordinary shares of RON 0.40 each (2014: RON 0.40 each). Each share carries one vote.

The Parent Bank

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 South Eastern Europe.

Bancpost SA
Notes to Financial Statements – 31 December 2015

27 Other reserves

<i>In thousands of RON</i>	2015	2014
Legal reserve	42.190	40.756
General banking risk reserve	41.583	41.583
General reserve	71.847	71.847
Revaluation reserve – available for sale securities	71.930	71.400
Special reserves	(6.130)	(964)
Total Share Capital	221.420	224.622

As at 31 December 2015, 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).

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:

<i>In thousands of RON</i>	2015	2014
Cash	499.655	535.814
Current account with the Central Bank (Note 13)	1.404.081	1.015.158
Loans and advances to banks (Note 14)	1.094.853	1.624.271
Total	2.998.589	3.175.243

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.

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

In May 2014, following the completion of the Eurobank Ergasias S.A.'s share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of the Eurobank Ergasias S.A. until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Eurobank Ergasias S.A.. In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Eurobank Ergasias S.A.'s General Assembly only for decisions concerning the amendment of the Eurobank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Eurobank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Eurobank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Eurobank Ergasias S.A..

<i>In thousands of RON</i>	2015			2014		
	Management	Shareholders	Other group entities*	Management	Shareholders	Other group entities*
Assets	3.038	644.238	183.572	2.459	1.377.693	176.482
Loans and advances to Banks (interest rate: 0.55% - 2.24%)	-	642.531	-	-	1.376.197	-
Loans and advances to Customers (interest rate: 1.57% - 6.08%)	3.038	-	88.156	2.459	-	88.921
Trading assets	-	-	-	-	-	-
Investment securities available for sale	-	-	86.201	-	-	87.272
Other debtors	-	36	9.215	-	36	289
Derivative financial instruments	-	1.671	-	-	1.460	-
Liabilities	2.309	1.157.729	357.972	3.439	1.155.699	269.337
Due to banks (interest rate: 0.878% - 0.927%)	-	689.275	-	-	686.402	-
Due to customers (interest rate: 0.1% - 3.75%)	2.309	-	357.662	3.439	-	269.039
Other borrowed funds (interest rate: 0.732% -	-	452.787	-	-	448.633	-

Bancpost SA
Notes to Financial Statements – 31 December 2015

0.738%)						
Debts securities in issue	-	-	-	-	-	-
Other creditors	-	1.384	310	-	1.216	298
Derivative financial instruments	-	14.283	-	-	19.448	-

Bancpost SA
Notes to Financial Statements – 31 December 2015

29 Related Party Transactions (continuing)

*) Does not include entities with insignificant influence.

<i>In thousands of RON</i>	2015			2014		
	Management	Shareholders	Other group entities*	Management	Shareholders	Other group entities*
Profit and loss	85	22.646	(8.964)	38	45.242	(23.017)
Interest income	99	15.512	5.792	93	28.570	6.932
Interest expense	(17)	(18.266)	(5.433)	(57)	(22.768)	(6.426)
Net trading income/(loss)	-	26.687	-	1	43.318	-
Fee and Commission income	3	4	10.899	1	40	15.758
Fee and Commission expense	-	(1.161)	-	-	(3.169)	(1.867)
Other operating income	-	-	4.300	-	-	788
Other operating expense	-	(130)	(24.522)	-	(749)	(38.202)
Commitments	307	2.292	204.578	470	496	167.843
Financial guarantees		453.102	17.039	-	448.855	19.892

*) Does not include entities with insignificant influence.

<i>In thousands of RON</i>	2015	2014
Remuneration of the Key Management Personnel	3.271	4.843

30 Concentration Of Assets Due From The Government And Central Bank

<i>In thousands of RON</i>	2015	2014
Balances with the Central Bank (Note 13)	1.404.081	1.015.158
Debt securities (Note 18)	1.650.018	1.630.654
Total assets	3.054.099	2.645.812

31 Contingencies and Commitments

Assets pledged/restricted

<i>In thousands of RON</i>	Assets pledged		Related liability	
	2015	2014	2015	2014
Cash Collateral Deposits	18.570	23.410	-	-

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.

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:

<i>In thousands of RON</i>	2015	2014
Letters of guarantee	444.878	502.700
Letters of credit	321	210
Undrawn loan commitments	919.038	1.105.215
Total credit commitments	1.364.237	1.608.125

The letters of Guarantee include letters of guarantee in amount of RON 197.851 thousand (2014: RON 213.193 thousand) issued for credit risk in respect of loans granted by Eurobank Private Bank Luxembourg S.A. to Romanian customers.

31 Contingencies and Commitments (continuing)

Legal proceedings. From time to time and in the normal course of business, claims against the Bank may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that material losses will be incurred in respect of claims, and accordingly a provision has been made in these financial statements, at 31 December 2015 an amount of RON 12,051 thousands (2014: RON 5,229 thousands).

Tax contingencies. 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 7 years. The Bank'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.

Capital expenditure commitments

As at 31 December 2015 the Bank has contractual capital expenditure commitments in respect of equipment and software totalling RON 2,263 thousand (2014: RON 1,610 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:

<i>In thousands of RON</i>	2015	2014
No later than 1 year	33,916	38,973
Later than 1 year and no later than 5 years	106,475	116,296
Later than 5 years	44,000	56,271
Total	184,391	211,540

On 31 December 2015 and 2014 the future minimum lease payments for financial leases were as follow:

<i>In thousands of RON</i>	2015	2014
Up to one year	38	-
From two to five years including	149	-
Total	187	-

Compliance with covenants. The Bank is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Bank including growth in the cost of borrowings and declaration of default. Management believes that the Bank is in compliance with covenants at 31 December 2015 and 31 December 2014.

32 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2015:

	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		Net amount of exposure (e) - (d) - (e)
				Financial instruments (d)	Cash collateral received (e)	
<i>In thousands of RON</i>						
ASSETS						
Derivative Assets	1.671	-	1.671	1.671	1.671	-
Cash Collateral deposits	12.650	-	12.650	12.650	12.650	-
Total assets subject to offsetting, master netting and similar arrangement	14.321	-	14.321	14.321	14.321	-
LIABILITIES						
Derivative Liabilities	14.283	-	14.283	14.283	-	-
Cash Collateral deposits	-	-	-	-	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	14.283	-	14.283	14.283	-	-

32 Offsetting Financial Assets and Financial Liabilities (Continuing)

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)	Cash collateral received (e)	Net amount of exposure (c) - (d) - (e)
<i>In thousands of RON</i>						
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 arrangement	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 arrangement	35.801	-	35.801	17.813	-	17.988

32 Offsetting Financial Assets and Financial Liabilities (Continuing)

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Bank has master netting arrangements with Eurobank Ergasias S.A., the parent Bank, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position. The Bank also made margin deposits as collateral for its outstanding derivative positions. The counterparty may set off the Bank's liabilities with the margin deposit in case of default.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the statement of financial position.

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 impact of the amendments on the income statement and statement of comprehensive income for 2015 and 2014 is shown in the following tables:

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

<i>In thousands of RON</i>	2015	2014
Salaries, wages and other employee benefits	(12.338)	(4.695)
Profit from operations before impairment on loans and advances and nonrecurring valuation losses	(13.338)	(4.695)
Profit/(loss) before tax	(13.338)	(4.695)
Income tax	2.134	751
Net profit/(loss) for the year	(11.204)	(3.944)

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

<i>In thousands of RON</i>	2015	2014
Measurement of the retirement benefit obligations, net of tax	4.340	344
Other comprehensive income for the year	4.340	344

33 Standard Legal Staff Retirement Indemnity Obligations (continuing)

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:

<i>In thousands of RON</i>	2015	2014
Balance at 1 January	4.818	4.255
Current service cost	488	451
Interest cost	202	233
Past service cost and (gains)/losses on settlements	(159)	4.011
Measurements:		
Past service cost arising over last period	12.806	
Actuarial (gains)/losses arising from changes in demographic assumptions	(1.711)	-
Actuarial (gains)/losses arising from changes in financial assumptions	406	788
Actuarial (gains)/losses arising from experience adjustments	6.471	(378)
Exchange differences		
Benefit payments	(796)	(4.542)
Balance at 31 December	22.525	4.818

Significant actuarial assumptions

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

<i>In % (per cent)</i>	2015	2014
Discount rate	3,55	4,21
Price inflation	2,00	2,50
Rate of compensation increase:		
	2016: 1,0%	2015-16: 1,25%
	2017-18: 2,0%	2017-18: 2,5%
	2019+: 3,0%	2019+: 3,0%

Amount, timing and uncertainty of future cash flows

Sensitivity 1 (discount rate plus 0.5%) - % Difference in DBO	- 7,5% -7,6%
Sensitivity 2 (discount rate minus 0.5%) - % Difference in DBO	8,3% - 8,5%
Sensitivity 3 - Inflation growth rate plus 0.5% - % Difference in DBO	0.0% 0.0%
Sensitivity 4 - Inflation growth rate minus 0.5% - % Difference in DBO	0.0% 0.0%
Sensitivity 5 - Salary growth rate plus 0.5% - % Difference in DBO	8,3% - 8,4%
Sensitivity 6 - Salary growth rate minus 0.5% - % Difference in DBO	- 7,6% -7,6%

The average duration of the standard legal staff retirement indemnity obligations at 31 December 2015 is 16,10 years (2014: 16,48 years)

34 Events After the End of the Reporting Period

Subsequent to the end of the reporting period, on 25th of April 2016, the Bank had sub participated non-performing loans to the Group subsidiary ERB New Europe Funding II amounting to LEI 316 million gross book value and LEI 234.6 million net book value. After the transfer . the Bank will continue to act as administrator for these loans.