ANNUAL REPORT 2017

EximBank

ROMANIA IS GROWING WITH US

PRESIDENT'S MESSAGE

2017 has been a special year for EximBank, celebrating 25 years of active presence on the financial-banking market. It is a moment to celebrate the past and make promises for the future.

April 8, 1992: here starts EximBank's history. A history based on the idea of building an export-import bank having as main shareholder the Romanian State: an institution to support Romania's decisive steps on the new democratic way, having the whole banking portfolio necessary for developing the Romanian exporters' community and the international commerce.

As time has elapsed, EximBank Romania has become more than an export agency, with its unique profile and achieving its targets on the mission roadmap.

During its 25 years of activity, EximBank has developed its portfolio from a few financial products to 40 by enhancing the quality. It has grown from 113 to almost 350 employees and a national network of 21 branches.

By all its accomplishments, EximBank has significantly contributed to the development of Romanian economy, supporting by its products the projects of Romanian companies' especially those multiplying the benefits at local and national economic levels.

Today, having 25 years of relevant experience, EximBank is a strong competitor of other commercial banks, being a modern financial institution that sustains and promotes the development of business environment.

How does EximBank look at 25? A solid business model generating profits, a consistently increased exposure, high quality assets and an increasing market share. In 2017 we have managed to consolidate our positioning as a bank open for business and we have still been going steady and cautious. We have stirred up our activity by keeping our performance indicators: increased financing activity keeping up the profitability and the good quality of assets. In short, we have closed the fifth consecutive year on a growing trend.

As for the future, our mission is to support the development of Romanian business environment with ambitious targets and ongoing self-improvement. We look at our clients as at our business partners, tailoring financial solutions according to their needs. We are planning thoroughly by adapting our solutions as business environment may be unpredictable. We are determined to grow day by day and be better today than the day before. For our clients and for us.

Romania is growing with us!

Traian Halalai,

Executive President

EXECUTIVE BOARD

TRAIAN HALALAI

Executive President of EximBank since November 2012, he has a large experience in the banking sector, as a Deputy CEO and Member of the Board of Directors of Banca Românească SA, part of the National Bank of Greece Group, as well as CFO of ING Romania and Member of various Boards of ING Group Romania entities. Mr. Halalai was part of the team which set up ING Securities in Romania in 1998. He holds an MBA degree from the Bucharest Finance and Banking PhD School and conducted PhD research with the Erasmus University of Rotterdam, the Netherlands. Mr. Halalai holds an executive position in AREX- The Romanian Exporter's Association, since 2014.

FLORIN KUBINSCHI

The Executive Vice President of EximBank has embraced the new challenge since 2016 as a follow-up of his activity in banking: Tiriac Bank – Financial Director and Vice president until 2005, consequently HVB Tiriac and Unicredit Tiriac - Financial Director and Vice president, member of the Board of Directors and President of the Audit Committee up to 2009. He has also hold the positions of Deputy Executive Director of MKB Romexterra Bank – up to 2013 and Financial Director, Vice president of Volksbank, up to 2015. He has graduated the Academy of Economic Studies, Bucharest.

PAUL ICHIM

Executive Vice President of EximBank since March 2009, he ran the Bucur Obor Corporate Branch of ING Bank NV Amsterdam between September 2007 and March 2009. From 2005 to 2007 he managed the Financial Institutions Department of ING Bank NV Amsterdam, Bucharest branch, after having managed the Financial Institutions and Custodial Services Department for the two previous years. Prior to this, Mr. Ichim worked in the Ministry of Public Finances as an advisor for the Secretary of State and the Minister, and then as Secretary of State himself. He is a graduate of the Bucharest University of Economic Studies' Finance, Banking, Insurance and Stock Exchange Department.

SUMMARY

I. GENERAL OVERVIEW OF THE BANK AND THE GROUP 11
I.1. Export-Import Bank of Romania – EximBank SA 11
I.2. Exim Romania Insurance – Reinsurance Company SA 12

II. THE ROMANIAN MACROECONOMIC CONTEXT IN 2017 14

III. COMMERCIAL ACTIVITY IN 2017: OBJECTIVES AND ACHIEVEMENTS 17
III.1. EximBank's activity in 2017 17
III.1.1 Structure analysis 17
III.1.2 Business conducted on Behalf of and to the Benefit of the Bank 19
III.1.3 Business conducted on Behalf and to the Benefit of State 23
III.2. Activity of EximAsig in 2017 25

IV. CONSOLIDATED AND SEPARATE FINANCIALS 27
IV.1. Consolidated and Separate Statement of Financial Position 27
IV.2. Consolidated and Separate Statement of Profit of Loss 29

V. CAPITAL ADEQUACY AND MAIN FINANCIAL INDICATORS DYNAMICS 31

VI. CORPORATE GOVERNANCE 33
VI.1. EximBank 33
VI.2. EximAsig 34

VII. HUMAN RESOURCES 36

VIII. RISK MANAGEMENT 38

IX. INTERNAL CONTROL SYSTEM 41

X. STRATEGY AND PRIORITIES 43

GENERAL OVERVIEW OF THE BANK AND THE GROUP 1

The Export-Import Bank of Romania – EximBank SA Group („Group") includes the Export-Import Bank of Romania – EximBank SA („The Bank" or „EximBank") and the Exim Romania SA Insurance - Reinsurance Company SA („EximAsig").

The Bank which is the parent company of the Group and was set up in 1992 as a specialized institution which provides services in support of the Romanian business environment and international transactions through specific financial, banking and insurance instruments. EximBank is a private law entity, a joint stock company owned 95.374% by the State, through the Ministry of Public Finances.

1.1 EXPORT-IMPORT BANK OF ROMANIA EXIMBANK SA

EximBank operates in accordance with Law no. 96/2000 regarding the organization and functioning of Export - Import Bank of Romania – EXIMBANK SA, republished, with subsequent changes and amendments, with banking legislation requirements, with legislation requirements regarding commercial companies operating in the insurance and reinsurance field, with Law 31/1990 requirements, republished, as well as with its own statutes.

EximBank has a specific business model that combines two complementary ways of sustaining the economy:

- as a State agent - Eximbank intermediates the placing of state funds in the economy, encouraging the development of the Romanian business environment through specific financing, guarantee and insurance products (generically this component is regarded as an activity on behalf of and to the benefit of the State – „BBS");
- As a commercial bank – EximBank has its own portfolio of banking products and services, operating under fair competition rules with other banks of the banking system (generally, this activity is seen as being conducted on behalf of and to the benefit of the Bank – "BBB").

Currently, the product portfolio, focused on three broad lines of action - financing, guarantee, insurance - allows EximBank to support both exports and international transactions but also other activities of small and medium enterprises, companies developing projects within priority areas of the economy or companies that develops projects financed through European Funds. By mobilizing the funds in these converging directions with those of the Romanian Government policy in relation to the European Union and the Organization for Economic Cooperation and Development, the sustainable economic development of the country is pursued by increasing the competitiveness of the Romanian companies. Supporting existing or new economic projects also means engaging the Romanian labor force, maintaining or creating new jobs, implicitly increasing the living standards of the population.

I.2. EXIM ROMANIA INSURANCE – REINSURANCE COMPANY SA

The insurance-reinsurance company was established in 2009 as a specialized entity providing insurance against financial risks both for export operations and domestic operations. The Company became operational in August 2010 and was authorized to provide insurance against risks related to loans and guarantees. The Company has extended its activity throughout 2011 by obtaining authorization to practice 6 new insurance classes, namely: fire and natural disasters insurance, insurances for property damage, civil liability insurance, accident insurance, insurance of goods in transit and financial loss insurance.

The Company's products are addressed to clients developing business with both foreign and domestic counterparties, in various areas such as trading/commerce, goods and products, transportation, constructions/building, oil and gas, IT, etc.

The main shareholder of EximAsig is ExImBank S.A, with a participation of 97.05% of the share capital of RON 37,643,996, the remaining portion being held by private individuals as minority shareholders.

THE ROMANIAN MACROECONOMIC CONTEXT IN 2017

2

Romania's economy continued to grow at a fast pace in 2017, posting an annual real growth rate of 6.8%, compared with 4.8% in 2016. As in the previous quarters, private consumption has been the main driver of economic growth, fueled by three main factors: increasing households' disposable income, a positive evolution of the labor market, with the labor force occupation rate increasing substantially, and consumer lending in local currency, which has exhibited strong dynamics, growing by roughly 10% in 2017.

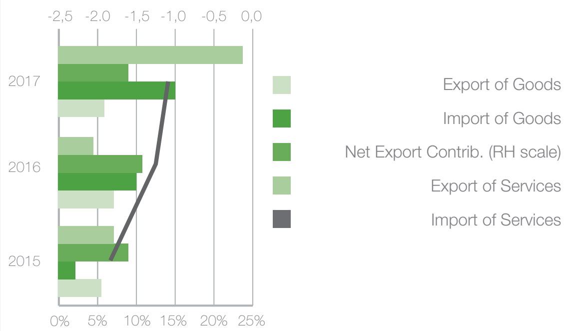
Investment has also notably rebounded in 2017, with a net contribution of gross fixed capital formation to real GDP growth in the region of 1 p.p., following a net contribution of 0.3 p.p. of real GDP in 2016. This effect is mainly attributable to the residential real estate sector and, investment in equipment and machinery aimed at increasing industrial output capacities (most notably in the manufacturing of means of transportation and electrical equipment sectors). Notwithstanding these positive evolutions, public investment contracted in 2017, with weak absorption of EU funds allocated under the 2014-2020 programming period compounding the issue.

The aggregate balance of payments reveals a current account deficit of 3.4% of GDP (up from 2.1% in 2016) which has been wholly covered by non-debt generating flows, i.e. inflows EU structural and investment funds and foreign direct investment (including reinvested profits). The net inflow of FDI amounted to approx. EUR 4.4bn (in line with the previous year); however, it is important to point out that reinvested profits increased by 60% (i.e. from EUR 1.2bn in 2016 to EUR 1.9bn in 2017). At the same time, the net inflow of portfolio investment in 2017 amounted to three times the value of 2016, reaching roughly EUR 3bn, thus highlighting the potential vulnerability of the Romanian economy to volatile foreign investor risk appetite.

Exports increased by 8.7% yoy, at a slightly faster pace than the 2016 rate of 8.2%. While the export of consumer goods slowed down somewhat (annual growth rate of 7.5% in 2017 vs 7.9% in 2016, mostly due to food and related products), this evolution was more than offset by the significant acceleration of exports of services, which increased by 15.2% in 2017 vs 9.8% in 2016.

The evolution of imports was roughy in line with the dynamics exhibited in 2016, with slower advances in the import of goods being offset by a surge in imports of services (23.1% yoy vs only 4.8% in 2016), mainly due to significant purchases of tourism and transportation services by consumers. Against this background, the negative contribution of net export to real GDP growth has decreased slightly, amounting to -1.1 p.p. vs. -1.3 p.p. in 2016.

The evolution of import and exports of Romania 2015-2017



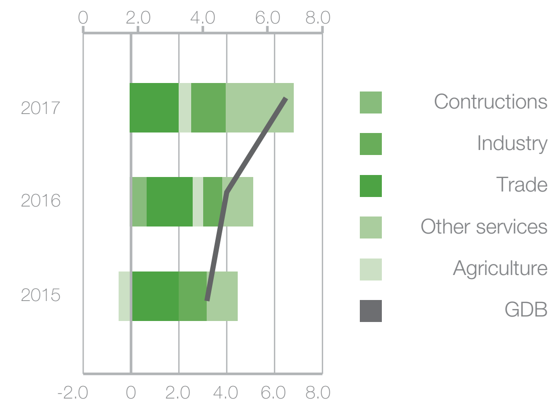
Source: Eurostat, EximBank calculations.

Headline inflation (as measured by CPI) has increased throughout 2017, reaching 3.32% as of December-end and testing the upper bound of NBR's target interval of 2.5% +/- 1 p.p.

The RON/EUR FX rate has also exhibited an increasing trend throughout 2017.

Money market rates were relatively stable in the first part of 2017and started increasing in September 2017 against the backdrop of diminishing excess liquidity in the banking system, increasing uncertainty regarding the evolution of market liquidity and expectations of monetary policy response to increasing inflation expectations as a result of excess aggregate demand. The increase in the yields of Government-issued debt instruments observed during the last quarter of 2017 is mainly attributable to a decline in the demand for these instruments and to an increase in the risk premium demanded by investors due to the uncertainty surrounding the evolution of the Romanian economy.

The sector structures of GDB 2015 - 2017



Source: Eurostat, EximBank calculations.

Private sector lending increased by 5.6% yoy (in nominal terms), compared with an annual increase of 2.2% in 2016 vs 2015. This evolution has been supported by both lending to non-financial corporates (+2.2% yoy) and lending to individuals (+7.8% yoy). It is worth noting that the increase in lending has been generated exclusively by local currency financing, with RON-denominated loans reaching a new post-1996 peak of 62.8% of total private sector lending by commercial banks. In spite of this developments, as well as the existence of a significant debt bearing capacity in the non-financial corporate segment (NBR estimates point to a number of 14,300 companies, out of which 13,400 SMEs, that could take on an additional RON 113bn of bank debt in a sustainable manner), there are signs of an upcoming slowdown in bank lending over the following periods, both as a result of a possible tightening in the lending standards applicable to individuals and an increase in the cost of RON-denominated loans, which has been observed starting with the fourth quarter of 2017.

COMMERCIAL ACTIVITY IN 2017: OBJECTIVES AND ACHIEVEMENTS 3

III.1. EXIMBANK'S ACTIVITY IN 2017

In line with its strategic objectives and the economic and financial context, the Bank's priorities in 2017 continued to focus on promoting exports, Romanian investments abroad, the absorption of European funds, increasing the competitiveness of the Romanian companies, supporting projects whithin the priority areas of the national economy: manufacturing, trading, agriculture, construction, energy, transportation, sanitation and water distribution, information and telecommunications, financial intermediation and insurance, public administration and defense.

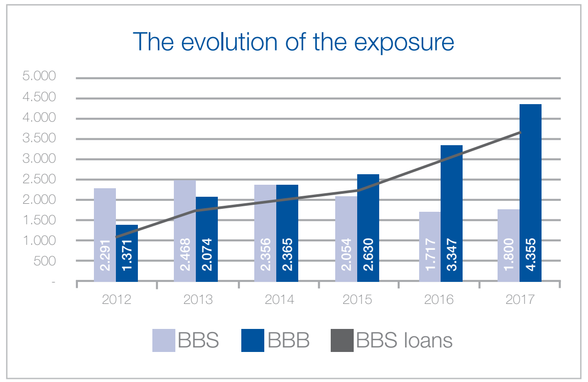
Through integrated and flexible financial solutions, the Bank's efforts have focused on identifying and supporting as many business projects impacting the local community and the economy in general, increasing the customer base, increasing the volumes and the loans market share, as well as diversifying the offer of complementary products and services, all on the basis of competitive, prudent and, at the same time, efficient use of own and State resources.

III.1.1. STRUCTURE ANALYSIS

At the end of 2017, the Bank managed total customers exposures amounting to RON 6,155 million, increasing by 1.1 billion lei (+ 22%) as compared to the end of 2016 and only 1% below the budgeted target, structured as follows:

EXPOSURE UNDER MANAGEMENT	2017		2016		VARIATION	
	RONM	% IN TOTAL	RONM	% IN TOTAL	RONM	%
On Behalf of and to the Benefit of the Bank	**4,355**	**71%**	**3,347**	**66%**	**+1,008**	**+30%**
Financing, of which:	3,641	59%	2,894	57%	+747	+26%
Loans	2,939		2,286		+653	+29%
Guarantees	704	11%	453	9%	+252	+56%
Letters of Credit and Incasso	9	0%	1	0%	+9	>100%
On Behalf of and to the Benefit of the State	**1,800**	**29%**	**1,717**	**34%**	**+83**	**+5%**
Financing	69	1%	68	1%	+0	+1%
Guarantees	1,608	26%	1,628	32%	-20	-1%
Insurance	123	2%	21	0%	+102	>100%
Total	**6,155**	**100%**	**5,065**	**100%**	**+1,090**	**+22%**

Starting in 2012, in the context of the ambitious growth strategy of lending activity on Behalf of and to the Benefit of the Bank, the relationship between BBB's and BBS's commitments reversed in favor of the former, while the increase in total exposures under management, as notes in the chart below:



The number of clients and the number of contracts concluded within BBS specific activity has had a positive dynamics, with the Bank's products covering a broader range of customers, with lower average values per engagement, according to its policies for mitigating and dispersing risks.

Increasing the number of credit customers to 550 is an important target of 2017 year, 90% fulfilled due to a significant increase for both types of activity. Of the increase in customer numbers, 80% are small customers, indicating EximBank's resource orientation to support companies with growth needs and potential, according to the assumed mission, while prudentially reducing the exposure concentration.

Another strategic priority was the development of an attractive range of treasury and cash management products offered to clients along with credit, guarantee and insurance products (cross selling) so as to increase the volume of customer operations, with an impact on the increase of the complementary products' contribution to the bank's profit.

According to the business strategy, the products of the bank's total portfolio were mainly oriented to the following areas of the economy: metallurgy (14%), energy production and distribution (10%), public administration (10%), commerce (10%), construction (8%), financial intermediation (6%), transportation and storage (5%), extractive industry (5%).

Under the assumed strategies, the Bank performed an accelerated sales growth in 2017, achieving a volume of new products of 2,371 million lei, up 32% over the level of 2016, as follows:

SALES VOLUMES	2017		2016		VARIATION	
	RONM	% IN TOTAL	RONM	% IN TOTAL	RONM	%
On Behalf of and to the Benefit of the Bank	**1,833**	**77%**	**1,406**	**79%**	**+428**	**+30%**
Financing	1,153	49%	1,013	57%	+140	+14%
Trade Finance	681	29%	393	22%	+288	+73%
On Behalf of and to the Benefit of the State	**538**	**23%**	**384**	**21%**	**+154**	**+40%**
Financing	-	0%	4	0%	-4	-100%
Guarantees	435	18%	354	20%	+81	+23%
Insurance	103	4%	26	1%	+77	+296%
Total	**2,371**	**100%**	**1,790**	**100%**	**+582**	**+32%**

Regarding new products targets, the Bank exceeded the proposed level by 6%, with BBB sales being 8% above the proposed sales plan. Regarding the Bank's strategic priority, export support, it materialized in 2017 in a volume of exported products to RON 962 million, representing 41% of the total sales of the Bank during the year, increasing compared to the share of 40% of the previous year.

The total 2017 sales of RON 2,371 million were focused on financing and guarantee projects of companies with good financial results, active in the important fields of the Romanian economy, with potential for growth. Thus, 19% of new commitments were invested in construction (excluding real estate transactions, which the bank excluded from financing), 12% in financial intermediation, 9% in commerce, transport and storage, public administration, 8% in metallurgy and agriculture.

SME support remained an important strategic priority in 2017, when SMEs benefited from products totaling RON 1,071 million, accounting for 45% of total sales, compared to 2016 when they accounted for 33%. Referring to the number of these products, support for SMEs is even more evident: they received 84% of the number of contracts concluded in 2017 compared to 67% in 2016.

III.1.2. BUSINESS CONDUCTED ON BEHALF OF AND TO THE BENEFIT OF THE BANK

Exposures on Behalf of and to the Benefit of the Bank (BBB) at the end of 2017 consist of loans, letters of credit, incasso, guarantees and multi-product limits amounting to RON 4,355 million, up from the end of 2016 with 30% as value and 44% as number of commitments assumed.

BBB EXPOSURES	2017		2016		VARIATION	
	RONM	% IN TOTAL	RONM	% IN TOTAL	RONM	%
Financing	**3,641**	**84%**	**2,894**	**86%**	**+747**	**+26%**
No. contracts	878	73%	567	68%	311	55%
Trade Finance	**713**	**16%**	**453**	**14%**	**260**	**57%**
No. contracts	322	27%	266	32%	56	21%
Total	**4,355**	**100%**	**3,347**	**100%**	**+1,008**	**+30%**
No. contracts	1,200	100%	833	100%	367	44%

GENERAL OVERVIEW OF THE BANK AND THE GROUP
THE ROMANIAN MACROECONOMIC CONTEXT IN 2017
COMMERCIAL ACTIVITY IN 2017: OBJECTIVES AND ACHIEVEMENTS
CONSOLIDATED AND SEPARATE FINANCIALS
CAPITAL ADEQUACY AND MAIN FINANCIAL INDICATORS DYNAMICS
CORPORATE GOVERNANCE
HUMAN RESOURCES
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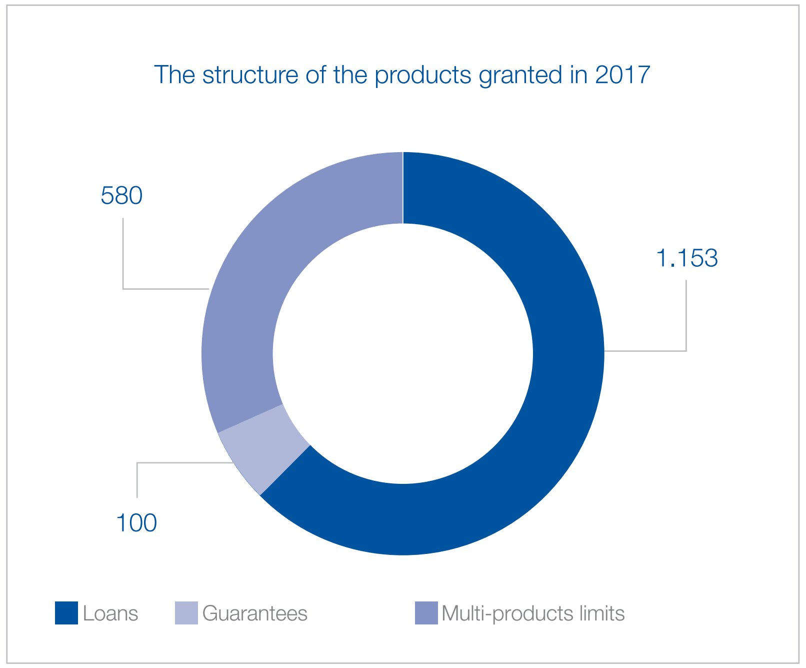


I. FINANCING

The financing granted by EximBank as a commercial bank is the main product of the Bank, being the most concrete way in which EximBank can get involved in supporting Romanian entrepreneurs, assuming specific risks. The total portfolio of loans granted on Behalf of and to the Benefit of the Bank, consisting of drawn and undrawn loans, amounted at the end of 2017 to RON 3,641 million, 26% over the end of the previous year. Under these circumstances, the Bank's market share in corporate lending increases from 2.0% on 31.12.2016 to 2.45% at 31.12.2017, well above the 2.2% level set by the business strategy.

The increase in financing activity is reflected also in the increase of the number of contracts by 55%. The faster acceleration of the number of contracts compared to the exposures was generated by the modification of the credit structure in favor of small and medium-sized companies and implicitly by lowering the degree of risk concentration on the client.

As volumes, the financing of RON 1,153 million granted during the year was mainly oriented to the public administration (18%) and the metallurgical industry (12%), trade (11%), transport and storage (11%), agriculture (7%). A significant amount (17%) was dedicated to financial intermediation, where the Bank recorded a tripling of volumes, in line with strategic priorities to strengthen relations with non-banking financial institutions.

Portfolio quality analysis highlights a non-performing exposure rate, calculated according to the European Banking Authority (EBA) definition, of 8.0% on 31.12.2017, down sharply from 14.9% in 2016. Considering only exposures to non-financial corporations , the rate has the same trend, decreasing from 19.8% on 31.12.2016 to 12.6% at 31.12.2017, lower than the average of the banking system by 15.1% on 30.09.2017 (the latest available date). The decrease by 32% of non-performing loans, doubled by the 29% increase in the loan portfolio indicates an improvement in the quality of the portfolio, being the result of the prudent bank policies and the constant effort to recover debts.

Concerning the coverage of non-performing loans, Eximbank's provisions coverage ratio is 26%, compared to the banking system average of 38% on 30.09.2017 (the most recent available date). It should be emphasized that a large part of EximBank's non-performing exposures are covered by liquid guarantees (guarantees received from the state, collateral deposits, collateral from guarantee funds), as evidenced by the coverage ratio of non-performing exposures related to non-financial companies with provisions and liquid collateral, which is 83% at 31.12.2017.

II. TRADE FINANCE

The total volume of trade finance products committed on Behalf of and to the Benefit of the Bank reached RON 713 million at the end of 2017, up 57% from the beginning of the year. Of these, RON 353 million represent letters of guarantee issued to non-bank clients, RON 92 million letters of guarantee issued to bank clients while RON 260 million represent unused guarantee/multi-product limits.

During 2017 the Bank granted guarantees, letters of credit and guarantee/multi-product limits amounting to RON 681 million, up 73% than the previous year. Of these, 64% are destined for exporting customers, up from the previous year's percentage of 56%

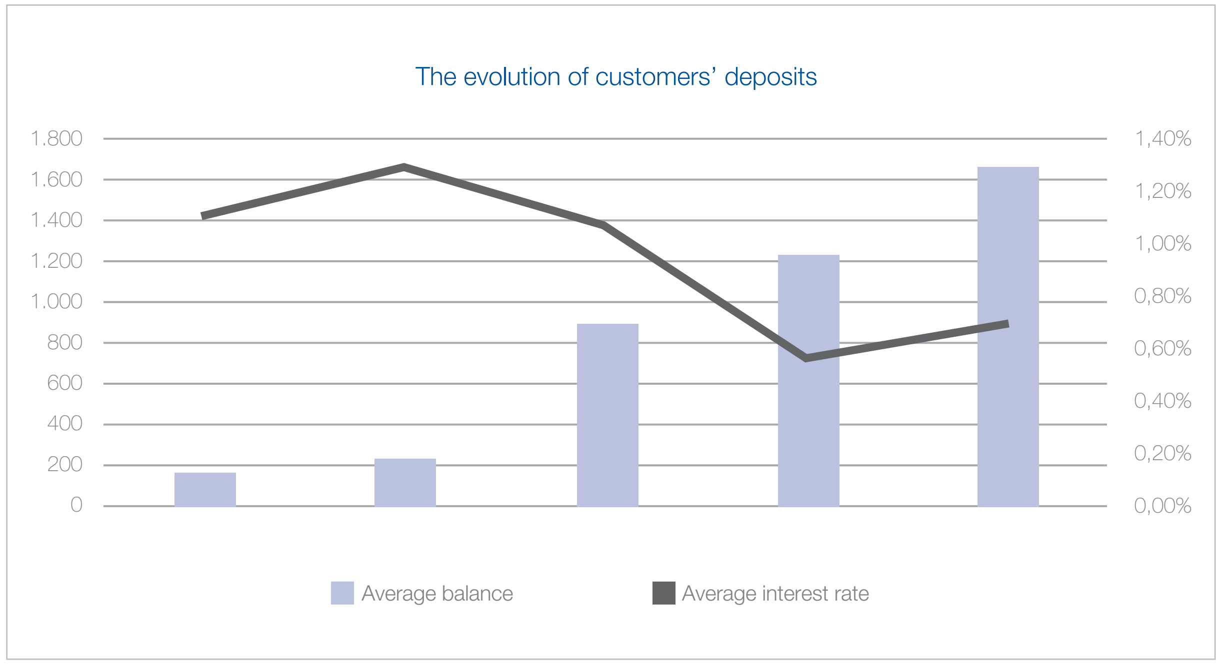
The areas of the national economy supported by guarantees, multiproducts and letters of credit in the year 2017 accounted for 33% of construction, 18% of electrical equipment, 13% of financial intermediation, 9% of metallurgy, 8% of mail and IT, 6% of agriculture.

III. TREASURY AND CAPITAL MARKETS

Treasury activity provides the financial resources needed for financing/guarantee operations, focusing on the effective management of the Bank's balance sheet through the prudent management of investments and the diversification of their sources of financing, along with the development of derivatives, trading of options on the exchange rate and interest rate swap, optimization of the portfolio of government securities.

In 2017, it was intended to increase the share of revenues generated by these transactions through a proactive attitude of the sales team in the territory, prompt and quality services, daily reports sent to customers for information on the evolution of financial markets; the collaboration with the corporate team aimed at identifying the existing clients' treasury potential and attracting them through various quantitative and qualitative offers superior to other banks; orientation to financial institutions and public companies; the process of implementing the new treasury system continued, and it reached its final stage.

The additional financial resources needed to raise assets in the reporting year were secured from the non-bank customer deposits (sight, term, collateral and current accounts), increasing in recent years in line with the bank's strategy on this segment, financing costs following the reference rates curve:



In 2017 EximBank opened new customer accounts for both large companies and non-banking financial institutions (pension funds, investment funds). The range of products for non-bank customers has been adapted to its needs by integrating the Treasury offer into a mix of products, together with cash management and Banking/ Guarantee/Assurance products.

Transactions in the government securities market during the year were materialized in transactions with securities available for sale (banking book) and with securities held for trading (trading book). Total portfolio is growing by RON 399 million, from RON 1,828 million in 2016 to RON 2,227 million by the end of 2017.

The volume of transactions on the interbank foreign exchange spot market increased in 2017 to EUR 2.02 billion, (7.15% of the total volume traded on the interbank market), EximBank continuing to be an active counterpart on this market. The value of the FX swap transactions was of EUR 922 million.

Foreign exchange spot transactions with non-bank customers, facilitated by the launch of the electronic trading platform, had a volume of almost EUR 4.9 billion, derivatives transactions (forward) having an upward trend during 2017.

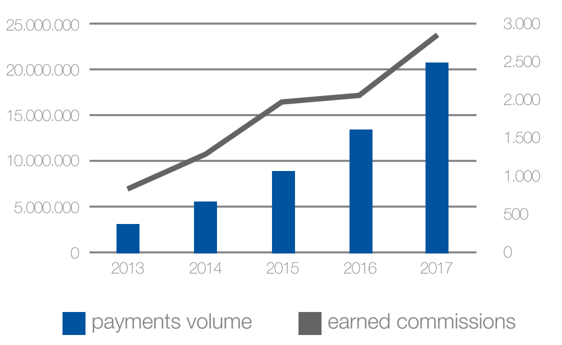
IV. CASH MANAGEMENT

In 2017, cash management continued the upward trend in recent years, following the strategic line of increasing the contribution to the bank's profit as a complementary activity to financing. Thus, new products have been developed, the activity has been extended by taking over the first line support activity for the Internet banking application, as well as increasing the number of meetings with potential and existing clients.

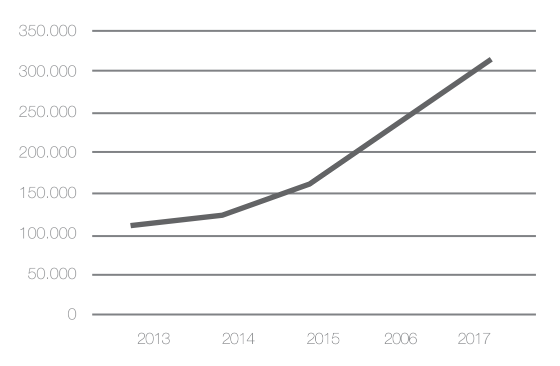
The result of these efforts was the increase in client volumes and, correspondingly, in net cash management revenues by 63% as compared to 2016.

We present on the one hand the evolution of the volume of transactions over the last 5 years compared to the net realized revenues and, on the other hand, the evolution of the number of payments processing through the clients' accounts, both showing an ascending trend of the cash management activity:

Transaction versus earned commissions



Number of operations in the accounts



V. OTHER PRODUCTS

The commercial and credit information activity continued on the two main coordinates, the elaboration and delivery of commercial information reports, both in order to support the Romanian business environment and to support the activity of other structures in the Bank. In 2017, EximBank analysts prepared a number of 978 reports, of which 722 about Romanian companies and 256 about foreign companies.

During the year 2017 there were no complaints from customers or bank structures regarding the commercial information activity, the delivery terms of the reports being respected according to the clients' requests.

III.1.3. BUSINESS CONDUCTED ON BEHALF AND TO THE BENEFIT OF STATE

In order to meet the specific objective of supporting Romania's economy, the Bank acts as a state agent offering to economic agents specific products and services of guarantee, financing and insurance, approved by the Interministerial Committee of Financing, Guarantees and Insurance.

In accordance with the provisions of Law 96/2000, with subsequent changes and amendments, EximBank benefits from from the following funds available to it in the form of deposits from the Ministry of Public Finance (under market conditions):

- Fund for guarantee operations – Law 96/2000 - art. 10 a
- Fund for insurance and reinsurance operations – Law 96/2000 - art. 10 b
- Fund for financing operations - Law 96/2000 - art. 10 c.

The temporary available amounts from the aforementioned funds are fructified through commitments made by EximBank - S.A. in the name and on behalf of the State (BBS), which are not controlled by the bank and do not meet the recognition conditions set by the applicable International Financial Reporting Standards and the IASB General Framework, and are therefore not disclosed in the Bank's financial position.

BBS commitments amounted to RON 1,800 million at the end of 2017 and represent 29% of the total commitments of the Bank of RON 6,155 million, increasing in volume as compared to 2016 but decreasing as a share in the total portfolio of products.

BBS EXPOSURES	2017		2016		VARIATION	
	RONM	% IN TOTAL	RONM	% IN TOTAL	RONM	% IN TOTAL
Financing	69	4%	68	4%	+0	+1%
No. contracts	5	1%	11	4%	-6	-55%
Guarantees	1,608	89%	1,628	95%	-20	-1%
No. contracts	349	95%	257	94%	92	36%
Insurance	123	7%	21	1%	102	474%
No. contracts	14	4%	4	1%	10	250%
Total	**1,800**	**100%**	**1,717**	**100%**	**+83**	**+5%**
No. contracts	368	100%	272	100%	96	35%

If the value of the BBS commitments undertaken by the Bank recorded an increase of 5% compared to the previous year, the number of contracts increased by 35%, ensuring dispersion and reduction of concentration on credit risk.

The BBS Bank Portfolio's products are geared to the EximBank mission and the BBS business strategy objectives approved by H.CIFGA 246/2016. Thus, 48% of BBS products are granted to exporters; on the branches of the national economy, the highest share is occupied by priority fields such as: energy production and distribution (29%), metallurgy (11%), extractive industry (11%); by type of customer, SMEs benefit from 29% of the value of products invested in the national economy and 80% of the number of these products.

During 2017 were concluded new BBS contracts worth 538 million lei, 98% of the sales targets of the year, of which: 41% to construction, 17% to transport and storage, 13% to agriculture and 11% to trade; on a total basis, exporters accounted for 59% of the volume of newly created exposures.

Through EximBank's specific division, the bank acted consistently to promote the products offered on behalf and to the benefit of the State, depending on the specificity of each. Thus, meetings with commercial banks, associative structures of the business environment and other institutions involved in the development of Romanian entrepreneurship were organized, thus creating an efficient indirect channel for the promotion of EximBank's financing, guarantee and insurance.

Considering the characteristics of the activity within the mandate granted by the Romanian state, EximBank initiated during 2017 working groups and partnerships with the authorities to encourage Romanian exporters from different economic sectors, establishing concrete action at the level of both ministries and the bank, in the short and medium term.

Also, in its capacity as an export credit agency, EximBank contributed substantially to the official preparations for Romania's taking the EU's presidency in the first half of 2019, as well as stepping up its efforts to support joining the Organization for Economic Cooperation and Development OECD), actively participating as a Member State in the official meetings of the Export Credit Working Group within the European Union and as a guest member of the OECD similar body.

During 2017 EximBank continued to support the official steps regarding the establishment of the Romanian Development Bank, by providing technical support to the Romanian authorities, by participating in meetings and seminars on the specific topic of the establishment of the National Banks for Promotion.

I. BBS GUARANTEES

The main BBS activity is to guarantee up to 80% of the loans and guarantees granted by financial institutions, including EximBank, like following:

- EximBank guarantee facilitates the obtaining of working capital and investment loans from commercial banks for all target groups, amounting to a maximum of EUR 50 million. The product supports both the development of activity in Romania and the internationalization process;
- EximBank counter-guarantee complements the Romanian companies' collateral requirements by up to 80%, so that commercial banks can issue the necessary bank guarantees for the internal and international transactions of the companies without blocking their liquidity;
- SME guarantee limit facilitates SMEs' access to credit worth up to RON 1.5 million in a simplified procedure implemented in partnership with commercial banks.

II. BBS FINANCING

The loans portfolio on Behalf and to the Benefit of State at the end of 2017 totals RON 69 million, the majority of the beneficiaries of these products being represented by SMEs (99.8%). Within the structure of the national economy, the extractive industry (98%) is preponderant.

In 2017, no new BBS financing was granted in the conditions of maintaining a high degree of liquidity on the banking market throughout the year, which allows potential customers to obtain loans on advantageous terms from commercial banks.

III. BBS INSURANCE

In accordance with the principles and rules of the European Commission regarding the provision of short-term insurance policies, EximBank insures on Behalf and to the Benefit of State the risks that the private insurers' market in Romania can not take over. In this respect, the Romanian state, through EximBank, grants exporters the protection of foreign encashments in accordance with the Government's policy of supporting access to extra-community markets.

EximBank takes over the risk of non-collection of exporters' claims in countries outside the European Union and developed countries members of OECD, countries known to be non-market (typically CIS countries, Middle East, Africa, Asia). At the end of 2017 the insurance exposure amounted to RON 123 million, almost 5 times higher than those at the end of 2016, of which 67% were for construction and 13% for energy production and distribution.

III.2. ACTIVITY OF EXIMASIG IN 2017

EximAsig Romania continues the process of improving the business model, the client and product portfolio, being concerned also about the overall operational framework and resources efficiency.

In 2017 gross premiums written during the reference period amounted to RON 12.83 million (2016: RON 11.6 million), the insured amount being RON 3.4 billion (2016: RON 4.6 billion), of which related to new contracts: RON 2.39 billion. Gross premiums written as a result of attracting new customers amounted to RON 5.74 million.

As of 31.12.2017, the premiums ceded in reinsurance amounted to RON 7.89 million (2016: RON 5 million), representing 61% (2016: 43%) of the value of the gross premiums written in Romania.

EximBank's coordination and control of EximAsig aimed at aligning it with correct business principles, efficiency, procedures and corporate governance applicable across the EximBank group, making specific recommendations.

Thus, the majority shareholder pursued and coordinated:

- the process of integrating EximAsig's financial data into EximBank's consolidated financial statements;
- endorse EximAsig policies and strategies and analyze compliance with the Group's policies and strategies in terms of business, risk management, financial accounting, marketing, internal control, human resources, computerization, procurement and travel activities;
- performance analysis, continuous monitoring of EximAsig associated risks, exposures, concentration of customers and product groups and regular reporting to the Executive Committee and the Board of Directors;
- the correlation of gross written premiums with the evolution of public procurement;
- optimization of the offered products in the sense of their competitiveness and flexible adaptation to the evolution of the financial-banking market, the economic conjuncture and the investment and development needs of SMEs and exporting companies.

CONSOLIDATED AND SEPARATE FINANCIALS 4

The separate and consolidated financial statements of EximBank SA for 2017 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and are based on the accounting records of the Bank and its subsidiary EximAsig.

IV.1. CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

As of 31 December 2017, consolidated balance sheet assets amounted to RON 5,638.5 million, up 23% from RON 4,338.3 million on 31.12.2016, similar to the increase in the bank.

The evolution of the main assets in RON millions is as follows:

ASSETS (RONM)	2017		2016	
	GROUP	BANK	GROUP	BANK
Cash and accounts with the NBR	207.1	207.1	81.3	81.3
Due from banks	203.6	177.0	117.8	88.8
Trading financial instruments	73.9	73.9	17.6	17.6
Available for sale financial instruments	2,153.5	2,153.5	1,810.5	1,810.5
Held to maturity financial instruments	40.5	0.0	15.7	0.0
Loans to customers, net	2,823.7	2,823.7	2,160.0	2,160.0
Investment in subsidiaries, of which:	0.0	44.1	-0.0	29.4
Loan convertible into shares		20.1		
Fixed assets, investment property	57.7	57.5	59.4	59.3
Defferred tax	3.2	3.2	0.0	0.0
Other assets	75.3	14.6	76.0	24.9
Total Assets	**5,638.5**	**5,554.6**	**4,338.3**	**4,271.9**

Compared to the previous year, in 2017, the positive evolution of the Group's assets (+1,300 RON million) is mainly due to the increase in the volume of EximBank loans (+664 RON million) and securities (+424 RON million).

The gross value of the Bank's loan portfolio to non-bank corporations (2,936 RON million), up by 653 RON million (+ 29%) as compared to the previous year, consists mostly of loans denominated in local currency (81%).

At the end of 2017, EximBank's consolidated and separate equity and liabilities, as compared to the end of the previous year, are presented in the table below:

LIABILITIES AND SHAREHOLDERS' EQUITY (RONM)	2017		2016	
	GROUP	BANK	GROUP	BANK
Due to banks	517.5	517.5	497.7	497.7
Deposits from Ministry of Public Finance	1,647.8	1,647.8	1,702.2	1,702.2
Due to customers	2,304.4	2,305.0	962.9	962.9
Other liabilities	146.0	54.5	127.8	48.0
Total liabilities	**4,615.7**	**4,524.9**	**3,290.6**	**3,210.9**
Share capital	1,701.5	1,701.5	1,701.5	1,701.5
Retained earnings, not distributed	6.4	14.0	-8.7	5.2
Retained earnings, adjustment for inflation	-900.7	-900.7	-900.7	-900.7
Reserves	215.1	215.0	255.1	255.0
Total equity attributable to: Equity holders of the Parent company	**1.022,3**	**1.029,7**	**1.047,2**	**1.061,0**
Non – controlling interests	0.5	0.0	0.5	0.0
Non – controlling interests	**1,022.8**	**1,029.7**	**1,047.7**	**1,061.0**
Total liabilities and equity	**5,638.5**	**5,554.6**	**4,338.3**	**4,271.9**

Funding for the Group's assets growth is made almost entirely from the Bank's customers' assets.

Customers' deposits and current accounts, of RON 2,304 million (+1,341 RON million), are mainly denominated in RON (86%), term deposits representing 76%.

The Group's equity amounts to 1,022.8 RON million (2016: RON 1,047.7 million) at the end of the reporting year, of which the amount attributable to shareholders of the parent company is 1,022.3 RON million (2016: 1,047.2 RON million) and the non-controlling interest is 0.5 RON million. Compared to the previous year, equity decreases by 24.9 RON million, the variation having the following breakdown: RON -5 million distribution of dividends, RON +21.2 million profit of the year, RON -41.1 million AFS revaluation.

Contingent liabilities/commitments of the Bank/Group show a positive development for the main product categories, noting the lending commitments:

CONTINGENT LIABILITIES/COMMITMENTS (RONM)	2017		2016	
	GROUP	BANK	GROUP	BANK
Letters of guarantee issued to customers	612.6	612.6	452.3	452.3
Letters of guarantee issued to banks	91.6	91.6	0.3	0.3
Undrawn loans commitments	702.4	702.4	607.7	607.7
Letters of credit	7.9	7.9	0.1	0.1
Contingent liabilities/commitments	**1,414.4**	**1,414.4**	**1,060.4**	**1,060.4**

IV.2. CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OF LOSS

The net consolidated profit of 2017 is RON 21.2 million (2016: RON 4.3 million), comprising the Bank's profit in the amount of RON 14.8 million (2016: RON 5.3 million), the elimination for consolidation of the provision depreciation of the investments in subsidiaries amounting RON 5.4 million and the profit (IFRS) of RON 1.0 million (2016: RON -14.6 million) of the subsidiary, EximAsig.

The dynamics of the Bank's and consolidated financial results is as follows (RON million):

STATEMENT OF PROFIT OR LOSS (RONM)	2017		2016	
	GROUP	BANK	GROUP	BANK
Net interest income	107.3	106.5	105.1	104.4
Net fee and commission income	24.1	24.2	23.7	23.8
Net income from insurance activities	9.1	0.0	-6.0	0.0
Net gain/(loss) from foreign exchange differences	16.4	16.0	9.1	9.2
Net gain/(loss) from derivatives	-4.0	-4.0	3.3	3.3
Net gain on available for sale financial assets	4.3	4.3	26.3	26.3
Gain/(loss) on investment property	0.5	0.5	1.9	1.9
Other income	6.7	6.5	8.1	6.0
Net operating income	**164.3**	**153.9**	**171.3**	**174.8**
Salaries and other similar expenses	-68.9	-64.1	-66.1	-60.7
Depreciation and amortization	-6.6	-6.6	-8.0	-7.9
Other operating expenses	-31.5	-28.8	-29.6	-24.4
Operational expenses	**-107.0**	**-99.5**	**-103.6**	**-92.9**
Net result before depreciation	**57.3**	**54.4**	**67.7**	**81.9**
Gain/(loss) on impairment	-30.4	-34.0	-63.9	-77.1
Gross profit before tax	**26.8**	**20.4**	**3.7**	**4.7**
Income tax	-5.6	-5.6	0.5	0.5
Net profit	**21.2**	**14.8**	**4.3**	**5.3**

In 2017, the Bank obtains a net operating income of RON 153.9 million, down by RON 20.9 million as compared to the results of the previous year, the effect of the contraction of the gains from available for sale financial assets activity (RON -22.0 million). At group level, operating income drops by only RON 0.7 million, as a result of the positive results recorded by the group in the insurance business.

The variation of the results registered in 2017 compared to the previous period is marked by the significant reduction of the impact of the depreciation of financial assets, from RON 63.9 million to RON 30.4 million, amid the improvement of asset quality.

In 2017, the Group's operating costs increased by RON 3.4 million, cumulating the increase of RON 6.6 million in the Bank's operating expenses and the decrease by RON 3.2 million of the EximAsig operating expenses (lower losses from claims).

The operating expenses of the Bank increased by RON 6.6 million (+ 7%) as compared to the previous year, as a result of the higher volume of activity, but also of a contribution to the Resolution Fund substantially increased (+RON 3.8 million).

CAPITAL ADEQUACY AND MAIN FINANCIAL INDICATORS DYNAMICS 5

The Bank's capital adequacy indicator on 31.12.2017, calculated in accordance with Regulation 575/2013, indicates a solid solvency ratio of 35.4%.

The evolution of the main performance indicators of the Group/Bank during the year 2017 is presented below compared to the previous year and the average of the system:

INDICATORS	2017			2016	
	GROUP	BANK	SYSTEM	GROUP	BANK
ROA (%)	0.4%	0.3%	1.3%	0.1%	0.1%
ROE (%)	2.1%	1.3%	12.7%	0.4%	0.5%
Cost to income	65.1%	64.6%	54.9%	60.5%	53.2%
Immediat liquidity	--	48.5%	--	--	57.0%
Capital ratio	--	35.4%	18.9%	--	48.3%
Market share – assets	--	1.4%1		--	1,1%
Market share – corporate loans	--	2.4%	--	--	1.9%
NPL ratio (EBA)	--	8.0%	6.4%	--	14.9%
NPL ratio (EBA) – non-financial companies	--	12.6%	15.1%	--	19.8%

CORPORATE GOVERNANCE 6

VI.1. EXIMBANK

The Board of Directors (BoD) is the the leading management body of Eximbank, exercising general management of the bank's activity. BoD consists of 7 members, individuals (of which 3 executive directors and 4 non-executive directors) appointed by General Shareholders Meeting for a four-year term, which may be renewed.

During 2017, the Board of Directors was formed as follows:

- Traian Sorin Halalai - Executive President
- Paul Ichim - Executive Vice-president
- Florian Raimund Kubinschi - Executive Vice-Chairman
- Vasile Secăres - Chairman of the Board of Directors
- Emilian Bădică - Non-executive member
- Nina Puiu - Independent non-executive member
- A vacant non-executive administrator post

The Executive Committee (ExC) is the operational management body of Eximbank - SA acting based on delegation from the Board and under its supervision, except for duties in the express competence of the General Meeting of Shareholders and Board of Directors (BoD). The Executive Committee comprises three members: the executive president and two executive vice-presidents.

The composition of the Executive Committee in 2017 is as follows:

- Traian Sorin Halalai - Executive President
- Paul Ichim - Executive Vice-president
- Florian Raimund Kubinschi - Executive Vice-president.

The Inter-ministerial Committee for Financing, Guarantees and Insurance (ICFGI) examines and approves the internal regulations, the activity and the products granted on behalf and to the benefit of the State. The Committee is made up of representatives of the specialized bodies of central public administration and of ExImBank. Both the designation of members and the activity of this body are subject of Government's decision.

VI.2. EXIMASIG

By the Decision of the Extraordinary General Meeting of Shareholders no. 2/28.12.2016 was approved the modification of the management system of Compania de Asigurări Reasigurări Exim România SA from dual system to unitary system, the company being managed by a 5-member Board of Directors.

The Board of Directors was appointed by the Decision of the General Meeting of Shareholders no. 2/30.05.2017, the composition of which is as follows:

• Bogdan Iulian Popa – President
Non executive member;

• Andrei Răzvan Micu – Executiv member;

• Adrian Răzvan Florescu – Executiv member;

• Gabriel Vasile Oltean – Non executive member.

The Executive Committee provided the executive management of EximAsig during 05.12.2017 - 31.12. 2017 on the basis of delegation and under the control of the Board of Directors. The Executive Committee is made up of 2 members appointed by mandate for a period of 4 years:

• Andrei Răzvan Micu – General Manager;

• Adrian Răzvan Florescu – Deputy General Manager.

During the interim periods between the date of the modification of the management system and the date of the appointment of the members of the Board of Directors and the Executive Committee, the management of EximAsig was successively insured by the Directorate (01.01.2017 - 08.07.2017) and Andrei Răzvan Micu (08.07.2017 - 14.08.2017). Between 14.08.2017 - 06.10.2017, EximAsig did not have management bodies authorized by the Financial Supervisory Authority, but the members of the Executive Committee, appointed in the General Meeting of Shareholders meeting dated 30.05.2017, supervised the execution of the the company's activity, thus ensuring its continuity and avoiding a blockage in activity.

The management of the company in a dualistic system between 2016 and 2017 was achieved through the Supervisory Board and the Directorate.

The Supervisory Board, as EximAsig's management board, was composed of 3 members, individuals appointed by the General Shareholders' Meeting for a renewable term of four years. The composition of the Supervisory Board in the years 2016 - 2017 was as follows:

• Traian Sorin Halalai – President (14.02.2017 terminated by the term of the mandate contract);

• Paul Ichim – member (14.02.2017 terminated by the term of the mandate contract);

• Tudor Baltă – member (07.01.2016, terminated by the term of the mandate contract).

Directorate provides the executive management of EximAsig during 01.01.2017 - 08.07.2017 based on the delegation and under the control of the Supervisory Board. The Directorate was composed of three members appointed by mandate for a period of 4 years. The composition of the Directorate in 2017 was as follows:

• Andrei Răzvan Micu – President (14.08.2017 terminated by the term of the contract);

• Dan Dobrea – Member (08.07.2017 terminated by the term of the contract);

• Ionuț Losonti Boncea – Member (08.07.2017 terminated by the term of the contract).

HUMAN RESOURCES 7

VI.1. EXIMBANK

The strategies and policies in the human resources field provide quantitative and qualitative resources to meet the Bank's business objectives through an appropriate motivational framework, through appraisal and training focused on the development of managerial, technical and linguistic skills of employees, ensuring optimal security and health conditions at work.

EximBank's remuneration policy is based on the Nomination and Remuneration Committee's views to support the establishment of sound remuneration practices by issuing competent and independent opinions on remuneration policies and practices and on the incentives created for risk, capital and liquidity management, taking into account the long-term interests of the shareholders.

In order to prevent conflicts of interest, supervision of the implementation of the remuneration policy is done at all higher levels in the sense that the General Meeting of Shareholders decides the terms and conditions of the remuneration of the members of the Board of Directors, the Board of Directors for the members of the Executive Committee and the members of the Executive Committee for middle-management and execution positions.

The EximBank remuneration system has, in addition to the fixed base component, a variable component, which can not exceed the fixed component for each employee, which is preponderant. The variable component is correlated with the individual performance of each employee and other criteria related to the Bank's risk profile, financial performance and medium/long-term outlook.

The Bank applies a flexible policy that can considerably reduce or even cancel the payment of the variable component in case of low or negative financial performance, including malus or clawback agreements.

Given the criteria of size, internal organization, nature, scale and complexity of the activities, EximBank fulfills the conditions for the neutralization of the requirement stipulated by the NBR Regulation no. 5/2013 art. 171 (1), paragraph 1, the Bank's remuneration policy not including variable non-cash remuneration in the form of shares, securities or equity-linked instruments.

EximBank operates through the Bank's Head Office and through the territorial network of 21 territorial units at the end of 2017. At this date, the Bank had a total of 354 employees, including executive directorate, of which 350 were indefinite and 4 were hired for a determinated period; in terms of location, 263 employees operate in the Head Office (including executive management of the Bank) while 91 employees in territorial units. At the end of the year, out of a total of 354 employees, 64% were women. Higher education employees account for 96% of the total.

As for the EximAsig subsidiary, on 31.12.2017 the number of employees remained the same as in 2016, respectively 34 employees (including the members of the management bodies), continuing the process of streamlining the activities within the internal structures of EximAsig in order to meet the objectives assumed for the current and future period.

8 RISK MANAGEMENT

Risk management is an integral part of all decision-making and business processes within the EximBank Group. The Group's management and structures continuously assess the risks to which its activity may be exposed by affecting its objectives and take steps on any changes of the conditions under which the bank operates.

Within the Bank, risk management activities are conducted mainly at the following levels:

- the duties of the Board of Directors (BoD) and of the Risk Management Committee as advisory and assisting body of the BoD for periodically approving and revising the Bank's risk profile, appetite or tolerance;
- the responsibility of the Executive Committee (ExC) to ensure the implementation of the significant risk management strategy and policies approved by BoD and to develop procedures and methodologies for risk identifying, measuring, monitoring and controlling risk so that the bank has effective risk management processes in line with the nature and complexity of the relevant activities;
- In the decision-making process, the risk management function ensures that risk issues are duly taken into account, but the responsibility for the decisions taken remains at the operational units, the supporting functions and, ultimately, at the governing body of the Bank;
- Managing the exposure of the Bank to currency risk, interest rate risk, liquidity risk, etc. by Asset and Liability Management;
- Operational risk management, at the level at which they are created, through permanent supervision;
- The independent review function of the Internal Audit Department.

The Strategic Risk Management Strategy sets out the risk profile that EximBank regards as acceptable, the tolerance and risk appetite for the significant risk categories assumed by the bank in order to optimize the risk-to-profit ratio as well as the correlation of the risk profile assumed with the capital requirements calculated by the bank under the conditions of a sound and prudent banking activity.

The management and control of credit risk in EximBank is realized through a series of means and regulations, including:

- an appropriate system of exposure concentration limits (on counterparties, large exposures, related parties, asset quality, by sectors of activity, by product, by currency, country, by collateral provider, etc.) consistent with risk appetite, risk tolerance, risk profile and soundness of the Bank's capital;
- a system of approval of each exposure/transaction, regulations on the implementation of approvals, continuous management and monitoring of exposures, non-performing loans and their recovery, etc.
- regulations on the analysis of individual loan applications, the collateral accepted by the bank, as well as the assessment of collateral.

Due to its profile, the Bank's portfolio is formed exclusively from exposures to legal entities. Credit risk includes residual risk, country and transfer risk, concentration risk, settlement risk and currency risk associated with the foreign currency lending process.

The Bank measures the interest rate risk by means of the following indicators:

- the potential change in the economic value to a standard shock of 200 basis points (the standardized method according to the NBR Regulation no. 5/2013)
- gap analysis and net interest income and net interest margin indicators.

In order to quantify the vulnerability of the balance sheet structure to losses under adverse changes in interest rates, the bank periodically conducts the appropriate stress tests and seeks to keep the level of the capital permanently covered by this risk.

In EximBank the measurement, monitoring and control of the foreign exchange risk is carried out by means of the indicators the individual currency position, the total foreign exchange position and V@R (the estimated maximum potential loss with 99% probability that the Bank could record by maintaining the current foreign currency positions For 1 day).

Liquidity risk management aims to maintain an optimal ratio between effective liquidity and profitability objectives, while respecting the prudential requirements for minimum reserves and regulated liquidity ratios.

Supervision and limitation of liquidity risk is achieved through a system of limits of liquidity positions, on a daily basis and over a predetermined time horizon, maintaining a stock of liquid assets, not covered by obligations, consisting of government securities, in order to act as liquidity reserves, to obtain guaranteed financing such as: intraday, overnight, collateralised loans, repo; In addition, the following indicators are monitored: liquidity coverage requirement (LCR), stable net funding (NSFR), early warning indicators.

The risk associated with excessive leverage is managed through the correct dimensioning of assets and off-balance sheet obligations to pay, provide a service, or offer real collateral in relation to the Bank's own funds; The leverage effect indicator, calculated according to Basel III requirements, is monitored to assess this risk.

The Bank uses key indicators, with limits, specific to each category of risk, permanently adapted to the evolution of activity and the economic environment. They are regularly monitored in a self-evaluation process and related controls, taking into account, in particular, the implications of operational risk, reputational risk, risk associated with outsourced activities, strategic risk, and compliance risk.

Risk mitigation actions are required for high-risk indicators.

With regard to risk management at EximAsig, it consists of identifying, evaluating, monitoring, controlling and reporting to the management body of the risks (generated by internal or external factors) that could have a negative impact on the company's activity. In this respect at EximAsig we aim at sizing the technical reserves in terms of percentages, setting maximum concentration limits on insurance classes/risks, on top clients/exposures, on currencies as well as framing the risk indicators within the limits set for the tolerance at risk. The management of the company is actively involved in the risk management process, especially in the periodic (at least annually) process of amending/updating the Significant Risk Policy and Strategy, respectively the ORSA Policy and the Outside Activities Policy. At the same time, all identified (including potential) risk events as well as the monitoring of risk indicators for the significant risks identified by the company are reviewed quarterly in the Risk Management Committee meetings (Committee of non executive members of the Steering Committee) and subsequent reporting to Board of Directors.

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INTERNAL CONTROL SYSTEM 9

The Bank develops and maintains a robust system, comprehensive framework of internal control, including specific independent control functions of appropriate authority to perform their attributions. In organizing and maintaining an internal control system, EximBank has observed the independence of the three functions: risk management, compliance and internal audit.

The internal control framework is structured on three levels:

- The first level of control is implemented to ensure that transactions are correctly performed. Controls are performed by the entities that take risks and are incorporated into specific procedures. Responsibility for this area is delegated to each internal structure;
- The second level is exercised by the Risk Management and Compliance Function;
- The third level of checks is carried out by the Internal Audit Function that assesses and periodically checks the completeness, functionality and adequacy of the internal control framework.

Internal control framework ensures the deployment of efficient and effective operations, proper control of risks, prudent conduct of business, credibility of financial and non-financial information, reported both internally and externally, and compliance with legal and regulatory frameworks, as well as requirements, rules and internal decisions of the Bank.

Regarding the internal control of the subsidiary EximAsig, the same procedure of harmonizing strategies and policies is applied for all activities performed, through approval by the relevant organizational structures at the Bank level, the Group following the harmonizing of processes and the governance framework at the level of all structures and entities. In applying the harmonized strategies, policies and procedures at Group level, the internal control functions of the Bank perform, at the request or with the approval of the managing body of the Bank, inspection missions at the headquarters of EximAsig, taking control measures to remedy the deficiencies found or to establish a plan of measures, with deadlines and responsible persons.

STRATEGY AND PRIORITIES 10

ExImBank further strengthens its position in the corporate finance solutions market and its strategic priorities are aligned with governmental coordinates and macroeconomic objectives, while taking into account the requirements and constraints of the market in the current context.

Through its business strategy for 2018-2019, EximBank primarily aims to consolidate its product portfolio and customer loyalty on prudential conditions, using the resources in a controlled way for business development.

In order to quantify the objectives of the activity plan for 2018, the dimensioning of the necessary capacities and of the Bank's budget, normative parameters and indicative benchmarks for the performance of the commercial activity for 2018, separate for the NCP and NCS activity were established.

Regarding the BBB activity of EximBank, the following quantitative indicators were established:

- increase revenue generated by financing, letters of guarantee and letters of credit;
- increasing the income from complementary products (cash management, treasury activities);
- maintaining the quality of the portfolio;
- increasing the market share on the corporate segment - EximBank aims to continue the organic growth so that by the end of 2018 the market share on the corporate segment will reach to 2.5%.

EximBank's activity as State agent, as a member of the European Union is in line with the National Export Strategy for the 2014-2020 horizon and with the Sectoral Operational Programs with European financing for the same period, and in this way following also to increases its role in supporting the objectives of public interest, in the sustainable development of the economy, in the growth of exports and the absorption of European funds, in increasing the competitiveness of SMEs. In 2018, EximBank aims to take an active role in international working groups in the field of financing and export guarantees, and in groups specialized in promotional and development banks, in order to support Romania's priorities and for the consistency of the public message in the international dialogue.

The monitoring of this activity will have the coordinates of the following quantitative indicators:

- an increase in the number of partner commercial banks - to facilitate access to finance for SMEs, exporters and companies that carry out projects with European funds;
- an increase in 2018 of new volumes of financing, guarantees, SME guarantee limits, counter-guarantees and insurance; the product portfolio will be tailored to the actual needs of the target customers, in line with regulatory developments and best practices at EU and OECD level;
- increasing number of target customers.

The development of both BBB and BBS activity requires optimization and streamlining of the resources and of the means to achieve the objectives, reflected in the following measures and qualitative indicators:

- increasing the number of territorial units, ensuring the presence of EximBank on the regional markets and increasing its sales volumes;
- increasing the number of employees in the extended network of territorial units and motivating the sales force;
- increasing the quality of services offered to EximBank customers - by increasing the degree of automation of the workflows and the development of alternative channels with technological support;
- standardized and critical approach to small customers; simplified approach to medium-sized custom-

GENERAL OVERVIEW OF THE BANK AND THE GROUP
THE ROMANIAN MACROECONOMIC CONTEXT IN 2017
COMMERCIAL ACTIVITY IN 2017: OBJECTIVES AND ACHIEVEMENTS
CONSOLIDATED AND SEPARATE FINANCIALS
CAPITAL ADEQUACY AND MAIN FINANCIAL INDICATORS DYNAMICS
CORPORATE GOVERNANCE
HUMAN RESOURCES
RISK MANAGEMENT
INTERNAL CONTROL SYSTEM
STRATEGY AND PRIORITIES

ers customized approach for customers with large volume products and for Local Public Authorities (LPAs) through a specific policy that correlates transaction, price, bank competition and proposed loan times;

- promoting investment financing and supporting the attraction of structural funds by companies with good financial results, active in the important fields of the Romanian economy;
- increasing the profitability of the existing portfolio by improving cross-selling and proactively diminishing the cost of risk;
- updates and developments of standardized products, credit product packages, differentiated according to customer typology and continued product streamlining.

EximAsig has established for 2018:

- Continuation of the development process through the cultivation of partnerships with private and state institutions, especially with the structures of public authorities and their subordinated companies benefiting from various sources of financing for infrastructure works or development of the area;
- Intensifying relations with the Association of Construction Entrepreneurs, with various professional associations working in the field of construction or service provision in the construction field (professional responsibilities such as those of architects or construction companies, etc.);
- Initiating and developing a bancassurance distribution channel in partnership with prestigious commercial banks; manifestation of openness to co-insurance partnerships;
- Development of new products to secure commercial claims (umbrella policies, discretionary limits);
- Increasing the efficiency of the departments and the degree of securitization of the policies;
- Performing profitability analyzes for each product and removing economically ineffective products from the company portfolio; optimization of reinsurance programs.

BOARD OF DIRECTORS

Vasile SECĂREȘ | President

BANCA DE EXPORT IMPORT A ROMÂNIEI EXIMBANK S.A. 11

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2017

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ENDORSED BY THE EUROPEAN UNION

CONTENTS

I. CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS 54

II. CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 55

III. CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION 56

IV. CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY 58

V. CONSOLIDATED AND SEPARATE CASHFLOW STATEMENT 62

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS 63

01. General information 63
02. Accounting principles, policies and methodology 63
03. Interest income 85
04. Interest expense 86
05. Gain/(loss) on impairment of financial assets and guarantees 86
06. Gain/(loss) on foreign exchange differences, derivative financial instruments and trading 86
07. Net gain on available for sale financial assets 87
08. Net fee and commission income 87
09. Net income from insurance activities 88
10. Other income 88
11. Salaries and similar expenses 88
12. Other operating expenses 89
13. Income tax 89
14. Accounts with the National Bank of Romania 91
15. Due from banks 91
16. Derivative financial instruments 92
17. Loans 92
18. Investments 95
19. Property, plant and equipment and intangible assets 98
20. Investment property 106
21. Other assets 106
22. Due to banks 107
23. Deposits from MPF 107
24. Commission receivable from the State 109
25. Due to customers 109
26. Provisions 110
27. Other liabilities 111
28. Other sundry liabilities 112
29. Deferred income and accrued expenses 112
30. Share capital 113
31. Dividends 113
32. Retained earnings 113
33. Reserves 114
34. Available for sale reserve 114
35. Contingent liabilities, commitments and leasing arrangements 115
36. Risk management 116
37. Credit risk 120
38. Liquidity risk 127
39. Market risk 133
40. Own funds 143
41. Capital requirements 143
42. Subsequent Events 146

STATEMENT REGARDING RESPONSIBILITY FOR THE PREPARATION OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Article 10, paragraph 1 of the Accounting Law No.82/1991, the administrator, authorized officer or another person which has the obligation to manage the entity, holds the responsibility to organize and manage the accounting operations.

As President of the Export - Import Bank of Romania - EximBank S.A., in accordance with Articles 30 and 31 of Accounting Law No. 82/1991, I take responsibility for the preparation of Export – Import Bank of Romania EXIMBANK S.A. Group consolidated financial statements and for the Export – Import Bank of Romania EXIMBANK S.A. separate financial statements for the year ended 31 December 2017, and confirm that:

a) The accounting policies used in the preparation of the separate and consolidated financial statements as at 31 December 2017 are in accordance with the International Financial Reporting Standards as endorsed by Europeam Union as at 31 December 2017 and implemented through the Order of the National Bank of Romania no. 27/2010, with subsequent changes and amendments;

b) The consolidated and separate financial statements as at 31 December 2017 present fairly the financial position, financial performance and other information related to the operations carried out;

c) The Export – Import Bank of Romania EXIMBANK S.A. Group, respectively the Export – Import Bank of Romania EXIMBANK SA operate as a going concern.

The Export – Import Bank of Romania EXIMBANK SA Group comprises the Export – Import Bank of Romania EXIMBANK SA and the Exim Romania SA Insurance - Reinsurance Company.

The Export – Import Bank of Romania EXIMBANK SA is the parent company of the Group, with the headquarters located at 6A, Barbu Delavrancea Street, District 1, Bucharest, Romania and is registered with the Commerce Registry, under registration number J40/8799/1992.

The Exim Romania SA Insurance - Reinsurance Company is the subsidiary of EximBank, with the headquarters at Aviatorilor Blvd., No. 33, District 1, Bucharest, Romania, and is registered at the Commerce Registry, registration number J40/3151/2009.

Chief Executive Officer,
Traian Sorin Halalai

KPMG Audit SRL
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Independent Auditors' Report

(free translation[1])

To the Shareholders of Banca de Export Import a Romaniei - EximBank S.A.
Headquarters: 6A Barbu Delavrancea, Bucharest, District 1
Unique Registration Code: 199915

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the accompanying consolidated and separate financial statements of Banca de Export Import a Romaniei - EximBank S.A. ("the Bank") and its subsidiary (collectively, "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2017, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "financial statements").

The financial statements as at and for the year ended 31 December 2017 are identified as follows:

- Total assets (Group): RON 5,638,489 thousand
- Total assets (Bank): RON 5,554,591 thousand
- Net profit for the year (Group): RON 21,240 thousand
- Net profit for the year (Bank): RON 14,809 thousand

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and unconsolidated financial position of the Group and the Bank, respectively, as at 31 December 2017, and of their respective consolidated and unconsolidated financial performance and their consolidated and unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version and refers to the Romanian official and binding version of the financial statements.

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Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing („ISAs"), Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Bank in accordance with *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants („IESBA Code")* together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans (consolidated and separate financial statements)

As at 31 December 2017, the consolidated financial statements include gross loans of RON 2,938,910 thousand, impairment allowances of RON 115,228 thousand and impairment loss recognized in the statement of profit or loss of RON 41,746 thousand (31 December 2016: gross loans: RON 2,286,217 thousand, impairment allowance: RON 126,238 thousand, impairment loss recognized in the statement of profit or loss: RON 73,823 thousand).

As at 31 December 2017, the separate financial statements include gross loans of RON 2,938,910 thousand, impairment allowances of RON 115,228 thousand and impairment loss recognized in the statement of profit or loss of RON 41,746 thousand (31 December 2016: gross loans: RON 2,286,217 thousand, impairment allowance: RON 126,238 thousand, impairment loss recognized in the statement of profit or loss: RON 73,823 thousand).

See Notes 2m, 5, 17, 36 and 37 to the financial statements for the accounting policies and financial disclosures.

Key audit matter	How the matter was addressed in our audit
Impairment allowances represent the management's best estimate of the losses incurred within the loans portfolios at the reporting date. As required by relevant financial reporting standards, the Group and the Bank estimate these allowances both on an individual and collective basis. We consider impairment of loans to be our key audit matter due to the magnitude of the related balances as well as the complexity and subjectivity involved in estimating the timing of recognition and	Our audit procedures in the area included, among others: • Assessing and testing the design, implementation and effectiveness of the key controls in the Group's and the Bank's loan impairment process. This included (i) testing the controls over the completeness and accuracy of data input (mainly for loan exposures, collaterals and interest rates data), (ii) approval of loans and (iii) system computation of debt service. • Assessment of the Group's and the Bank's methodology for identification of impairment

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the amounts of any such impairment.

Specifically, estimating the impairment loss allowances on individual exposures requires management to make judgements as to whether there is an objective evidence of impairment, based primarily on the assessment of the borrower's debt service and financial condition, and as to the future cash flows expected from the borrower (for non-performing exposures based on the estimation of the fair value of the related collateral and on the estimation of the borrowers future cash flows from operations).

The collective impairment allowance relates to losses incurred but not yet identified on the level of individual exposures, and are determined based on a statistical model using the Group's and the Bank's historical credit loss data, for loan portfolios with similar credit risk characteristics. The Management Board's key assumptions in this area are the probability of the borrower default and the assessment of the amount non-recoverable from the borrower in the event of a default ("loss given default").

indicators, and estimation of specific and collective impairment allowances.

- For impairment allowances that are calculated individually:
  - Selecting a sample of individual loans, with focus on those exposures with the greatest potential impact on the financial statements due to their magnitude and risk characteristics such as, among other things, their classification into performing/non-performing.
  - For the sample selected, critically assessing, by reference to the underlying documentation (loan files) and through inquiries of the credit risk management personnel the existence of any impairment triggers as at 31 December 2017.
  - For those loans where an impairment trigger was identified, challenging key assumptions applied in the Group's and the Bank's estimates of future cash flows used in the impairment calculation, such as collateral values, where relevant, with the assistance of our own valuation specialists.
  - Re-performing of the Group's and the Bank's impairment allowance calculations, considering the allocation and discounting of collaterals.
- For collective impairment allowance:
  - Assessing the reasonableness of the model for determining the collective impairment allowance and its compliance with the requirements of the relevant financial reporting standards and market practice.
  - Testing the accuracy and completeness of underlying data and the reasonableness of the parameters used in the Group's and the Bank's collective impairment models, such as the probability of default and loss given default, by reference to the Group's and the Bank's historical credit loss experience ("back-tests").
- Assessing the accuracy and completeness of the loan impairment-related financial statements disclosures against the requirements of the relevant financial reporting standards.

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Other information – Board of Directors' Report ("Administrators' Report")

Administrators are responsible for the preparation and presentation of other information. The other information comprises the Administrators' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Administrators' Report, we read and report whether the Administrators' Report is prepared, in all material respects, in accordance with the requirements of the National Bank of Romania Order No. 27/2010 articles 11, 12, 13, 131, 14, 37(2), 37(3) of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion:

a) The information given in the Administrators' Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements;

b) The Administrators' Report has been prepared, in all material respects, in accordance with National Bank of Romania Order No. 27/2010 articles 11, 12, 13, 131, 14, 37(2), 37(3) of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

In addition, in light of the knowledge and understanding of the Group and the Bank and their environment obtained in the course of our audit, we are required to report if we have identified material misstatements in the Administrators' Report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Group and the Bank is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union 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.

In preparing the financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and/or the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

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audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and/or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements - Public Interest Entities

We were appointed by the General Shareholders' Meeting on 20 April 2017 to audit the financial statements of Banca de Export Import a Romaniei - EximBank S.A. for the year ended 31 December 2017. Our total uninterrupted period of engagement is 4 years, namely the years ended 31 December 2014 to 31 December 2017.

We confirm that:

- Our audit opinion is consistent with the additional report presented to the Audit Committee of the Group and the Bank, which we issued on the same date as the date of issuance of this independent auditors' report. We also remained independent of the audited entities in conducting the audit.
- We have not provided to the Group and the Bank the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

Other matters

This independent auditors' report is made solely to the Bank's shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for the report on the audit of the consolidated and separate financial statements and the report on other legal and regulatory requirements or for the opinion we have formed.

For and on behalf of KPMG Audit S.R.L.:

Refer to the original signed Romanian version	**Refer to the original signed Romanian version**
Furtuna Cezar-Gabriel	**KPMG AUDIT S.R.L.**
registered with the Chamber of Financial Auditors of Romania under no 1526/20.11.2003	registered with the Chamber of Financial Auditors of Romania under no 9/2001

Bucharest, 13 April 2018

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(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

I. CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS

	NOTA	31-DEC-17		31-DEC-16	
		GROUP	BANK	GROUP	BANK
Interest income	3	137,552	136,777	129,036	128,332
Interest expense	4	-30,265	-30,268	-23,953	-23,977
Net interest income		**107,287**	**106,509**	**105,083**	**104,355**
Fee and commission income		26,678	26,679	25,543	25,543
Fee and commission expense		-2,552	-2,514	-1,812	-1,778
Net fee and commission income	**8**	**24,126**	**24,165**	**23,731**	**23,765**
Gross written premium, net of reinsurance		4,944	-	6,642	-
Gross written premium income		12,831	-	11,625	-
Premiums ceded to reinsurance		-7,885	-	-4,983	-
Variation of technical reserves, net of reinsurance		4,058	-	-9,795	-
Income from reinsurance commissions		1,523	-	824	-
Acquisition and other underwriting expenses		-1,243	-	-3,266	-
Other technical expenses, net of reinsurance		-172	-	-427	-
Claims related to insurance contracts		-18,329	-	-12,866	-
Claims ceded to reinsurance		18,157	-	12,439	-
Net income from insurance activities	**9**	**9,112**	**-**	**-6,022**	**-**
Net gain/(loss) from foreign exchange differences	6	16,361	15,992	9,058	9,202
Net gain/(loss) from derivatives	6	-3,977	-3,977	3,274	3,274
Net gain on available for sale financial assets	7	4,279	4,279	26,275	26,275
Gain/(loss) on investment property	20	455	455	1,869	1,869
Other income	10	6,661	6,488	8,050	6,035
Net operating income		**164,304**	**153,911**	**171,318**	**174,775**
Salaries and other similar expenses	11	-68,881	-64,087	-66,051	-60,689
Depreciation and amortization	19	-6,636	-6,591	-7,952	-7,855
Other operating expenses	12	-31,508	-28,824	-29,628	-24,358
Gain/(loss) on impairment of financial assets, commitments and guarantees	5	-30,444	-34,005	-63,945	-77,144
Gross profit before tax		**26,835**	**20,404**	**3,743**	**4,729**
Income tax	13	-5,595	-5,595	544	544
Net profit		**21,240**	**14,809**	**4,287**	**5,273**

The financial statements were approved by the Board of Directors on 13 April 2018.

II. CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31-DEC-17		31-DEC-16	
	GROUP	BANK	GROUP	BANK
Net profit for the period	**21,240**	**14,809**	**4,287**	**5,273**
Other comprehensive income, net of tax	**-41,065**	**-41,065**	**-10,436**	**-10,436**
Items that may be reclassified to profit or loss	**-41,065**	**-41,065**	**-10,964**	**-10,964**
Net gain from the revaluation of available for sale financial assets	-48,887	-48,887	-13,052	-13,052
Deferred tax on the revaluation of available for sale financial assets	7,822	7,822	2,088	2,088
Items that will never be reclassified to profit or loss	**-**	**-**	**526**	**526**
Revaluation surplus	-	-	626	626
Deferred tax on revaluation surplus	-	-	-100	-100
Other items			**2**	**2**
Total comprehensive income for the period	**-19,825**	**-26,256**	**-6,149**	**-5,163**
Profit attributable to:	**21,240**	**-**	**4,287**	**-**
Non – controlling interests	30	-	-431	-
Total comprehensive income attributable to:	**-19,825**	**-**	**-6,149**	**-**
Non – controlling interests	30	-	-431	-

The financial statements were approved by the Board of Directors on 13 April 2018

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

III. CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

	NOTA	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
ASSETS		**GROUP**	**BANK**	**GROUP**	**BANK**
Cash and cash equivalents		424	405	554	528
Derivative financial instruments	**16**	1,627	1,627	1,366	1,366
Accounts with the National Bank Romania	**14**	206,689	206,689	80,792	80,792
Due from banks	**15**	203,634	177,027	117,804	88,843
Trading financial instruments	**18**	73,909	73,909	17,582	17,582
Available for sale financial instruments	**18**	2,153,458	2,153,458	1,810,507	1,810,507
Held to maturity financial instruments	**18**	40,501	-	15,666	-
Loans and advances to customers, net	**17**	2,823,682	2,823,682	2,159,979	2,159,979
Investments in subsidiaries, out of which	**18**	-	44,123	-	29,432
Loan convertible into shares	**18**	-	20,080	-	-
Property, plant and equipment, net	**19**	12,752	12,596	14,200	14,080
Intangible assets, net	**19**	5,230	5,205	5,945	5,940
Investment property, net	**20**	39,724	39,724	39,269	39,269
Other assets	**21**	73,649	12,936	74,206	23,572
Deffered tax asset	**13**	3,210	3,210	-	-
Total assets		**5,638,489**	**5,554,591**	**4,338,260**	**4,271,890**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Derivative financial instruments	**16**	3,008	3,008	1,941	1,941
Due to banks	**22**	517,461	517,461	497,717	497,717
Deposits from Public Ministry of Finance	**23**	1,647,841	1,647,841	1,702,187	1,702,187
Due to customers	**25**	2,304,377	2,305,044	962,939	962,940
Deferred income and accrued expenses	**29**	14,626	14,620	11,962	11,944
Provisions	**26**	20,552	16,104	21,550	17,214
Other liabilities	**27**	107,825	20,790	91,545	16,173
Deferred tax liability	**13**	-	-	758	758
Total liabilities		**4,615,690**	**4,524,868**	**3,290,599**	**3,210,874**
Share capital	**30**	1,701,474	1,701,474	1,701,474	1,701,474
Retained earnings, not distributed	**32**	6,426	13,994	-8,715	5,243
Retained earnings, adjustment for inflation of share capital under IAS 29	**32**	-900,714	-900,714	-900,714	-900,714
Reserves	**33**	226,422	226,282	225,390	225,261
Revaluation reserve	**33**	25,661	25,661	25,661	25,661
Reserves from available for sale assets	**34**	-36,974	-36,974	4,091	4,091
Total equity attributable to: Equity holders of the Parent company		**1,022,295**	**1,029,723**	**1,047,187**	**1,061,016**
Non – controlling interests		**504**	**-**	**474**	**-**
Total equity		**1,022,799**	**1,029,723**	**1,047,661**	**1,061,016**
Total liabilities and equity		**5,638,489**	**5,554,591**	**4,338,260**	**4,271,890**

The financial statements were approved by the Board of Directors on 13 April 2018.

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

IV. CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

GROUP – 2016	SHARE CAPITAL	REVALUATION RESERVE	RESERVES FROM AVAILABLE-FOR SALE ASSETS	RESERVES	RETAINED EARNINGS, ADJUSTMENT FOR INFLATION UNDER IAS 29	RETAINED EARNINGS	TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	NON – CONTROLLING INTERESTS	TOTAL EQUITY
Balance as at 1 January 2016	**1,701,474**	**25,135**	**15,055**	**225,149**	**-900,714**	**26,230**	**1,092,329**	**665**	**1,092,994**
Reserves from available-for sale assets	-	-	-10,964	-	-	-	-10,964	-	-10,964
Revaluation of land/ buildings	-	526	-	-	-	-	526	-	526
Other movements in retained earnings	-	-	-	1	-	1	2	-	2
Profit for the year	-	-	-	236	-	4,482	4,718	-431	4,287
Comprehensive income – subtotal	**-**	**526**	**-10,964**	**237**	**-**	**4,483**	**-5,718**	**-431**	**-6,149**
Dividends paid to shareholders	-	-	-	-	-	-39,197	-39,197	-	-39,197
Share capital increase	-	-	-	-	-	-	-	13	13
Minority interest change	-	-	-	4	-	-231	-227	227	-
Balance as at 31 December 2016	**1,701,474**	**25,661**	**4,091**	**225,390**	**-900,714**	**-8,715**	**1,047,187**	**474**	**1,047,661**

GROUP – 2017	SHARE CAPITAL	REVALUATION RESERVE	RESERVES FROM AVAILABLE-FOR SALE ASSETS	RESERVES	RETAINED EARNINGS, ADJUSTMENT FOR INFLATION UNDER IAS 29	RETAINED EARNINGS	TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	NON – CONTROLLING INTERESTS	TOTAL EQUITY
Balance as at 1 January 2017	**1,701,474**	**25,661**	**4,091**	**225,390**	**-900,714**	**-8,715**	**1,047,187**	**474**	**1,047,661**
Reserves from available-for sale assets	-	-	-41,065	-	-	-	-41,065	-	-41,065
Revaluation of land/ buildings	-	-	-	-	-	-	-	-	-
Other movements in retained earnings	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	1,032	-	20,178	21,210	30	21,240
Comprehensive income – subtotal	**-**	**-**	**-41,065**	**1,032**	**-**	**20,178**	**-19,855**	**30**	**-19,825**
Dividends paid to shareholders	-	-	-	-	-	-5,037	-5,037	-	-5,037
Share capital increase	-	-	-	-	-	-	-	-	-
Minority interest change	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	**1,701,474**	**25,661**	**-36,974**	**226,422**	**-900,714**	**6,426**	**1,022,295**	**504**	**1,022,799**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

BANK - 2016	SHARE CAPITAL	REVALUATION RESERVE	RESERVES FROM AVAILABLE-FOR SALE ASSETS	RESERVES	RETAINED EARNINGS, ADJUSTMENT FOR INFLATION UNDER IAS 29	RETAINED EARNINGS	TOTAL EQUITY
Balance as at 1 January 2016	**1,701,474**	**25,135**	**15,055**	**225,024**	**-900,714**	**39,402**	**1,105,376**
Reserves from available-for sale assets	-	-	-10,964	-	-	-	-10,964
Revaluation of land/ buildings	-	526	-	-	-	-	526
Other movements in retained earnings	-	-	-	1	-	1	2
Profit for the year	-	-	-	236	-	5,037	5,273
Comprehensive income – subtotal	**-**	**526**	**-10,964**	**237**	**-**	**5,038**	**-5,163**
Dividends paid to shareholders	-	-	-	-	-	-39,197	-39,197
Balance as at 31 December 2016	**1,701,474**	**25,661**	**4,091**	**225,261**	**-900,714**	**5,243**	**1,061,016**

BANK - 2017	SHARE CAPITAL	REVALUATION RESERVE	RESERVES FROM AVAILABLE-FOR SALE ASSETS	RESERVES	RETAINED EARNINGS, ADJUSTMENT FOR INFLATION UNDER IAS 29	RETAINED EARNINGS	TOTAL EQUITY
Balance as at 1 January 2017	**1,701,474**	**25,661**	**4,091**	**225,261**	**-900,714**	**5,243**	**1,061,016**
Reserves from available-for sale assets	-	-	-41,065	-	-	-	-41,065
Revaluation of land/ buildings	-	-	-	-	-	-	-
Other movements in retained earnings	-	-	-	-	-	-	-
Profit for the year	-	-	-	1,021	-	13,788	14,809
Comprehensive income – subtotal	**-**	**-**	**-41,065**	**1,021**	**-**	**13,788**	**-26,256**
Dividends paid to shareholders	-	-	-	-	-	-5,037	-5,037
Balance as at 31 December 2017	**1,701,474**	**25,661**	**-36,974**	**226,282**	**-900,714**	**13,994**	**1,029,723**

The financial statements were approved by the Board of Directors on 13 April 2018.

V. CONSOLIDATED AND SEPARATE CASHFLOW STATEMENT

	NOTA	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax		26,835	20,404	3,743	4,729
Adjustments for:		**48,226**	**51,742**	**79,750**	**92,852**
Depreciation and amortization	19	6,636	6,591	7,952	7,855
Net impairment allowances for financial assets and guatnatees granted	5	42,356	45,917	79,520	93,148
Other provisions		-311	-311	-5,227	-5,656
Other non-cash adjustments		-455	-455	-2,496	-2,496
Change in operating assets		**-760,818**	**-749,494**	**-408,349**	**-405,283**
Decrease/(increase) in loans and advances to customers		-705,450	-705,450	-391,482	-391,482
Decrease/(increase) in trading assets		-56,328	-56,328	-19,124	-19,124
Decrease/(increase) in other assets		960	12,284	2,212	5,323
Change in operating liabilities		**1,321,811**	**1,310,160**	**509,715**	**497,860**
(Decrease)/increase in due to banks		19,744	19,744	483,199	483,199
(Decrease)/increase in due to customers		1,342,104	1,342,104	-13,434	-13,434
(Decrease)/increase in other liabilities		-40,036	-51,687	39,949	28,094
Income tax paid		**8,858**	**8,858**	**-16,848**	**-16,848**
Net cash flows used in operating activities		**644,912**	**641,670**	**167,966**	**173,310**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of investment securities		-1,641,343	-1,616,507	-2,248,938	-2,238,981
Proceeds from sale and buy back of investment securities		1,217,725	1,217,725	2,158,473	2,158,473
Cash paid for share capital increase of the subsidiary	18	0	-20,000	13	-19,987
Acquisition of property, plant and equipment and intangible assets		-4,476	-4,375	-5,031	-5,031
Proceeds from the sale of property, plant and equipment and intangible assets		0	0	61	61
Dividends cashed in	10	483	483	443	443
Net cash flows used in investing activities		**-427,612**	**-422,675**	**-94,980**	**-105,023**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		-5,037	-5,037	-39,197	-39,197
Net cash flows used in financing activities		**-5,037**	**-5,037**	**-39,197**	**-39,197**
Change in cash and cash equivalents		**212,263**	**213,958**	**33,789**	**29,090**
Balance at the beginning of the period		198,484	170,163	165,361	141,073
Balance at the end of the period		**410,747**	**384,121**	**199,150**	**170,163**
Cash and cash equivalents		**410,747**	**384,121**	**199,150**	**170,163**
Cash		424	405	554	528
Accounts with the National Bank of Romania	14	206,689	206,689	80,792	80,792
Due from banks – maturity less than 3 months	15	203,634	177,027	117,804	88,843
ADDITIONAL INFORMATION:					
Interest received		181,545	180,770	183,007	182,303
Interest paid		27,239	27,236	26,272	26,248

The financial statements were approved by the Board of Directors on 13 April 2018.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

01. GENERAL INFORMATION

Export – Import Bank of Romania – EximBank SA was founded in 1992 as a joint stock company having the Romanian State as majority shareholder, through the Ministry of Public Finances (MPF). The State participation is of 95.374% of the share capital.

In accordance with Law 96/2000 and subsequent amendments, the Bank operates both as an agent of the State and also on its own behalf offering to the corporate clients, residents and non-residents, financing, cofinancing, refinancing, guarantees and other banking products, insurance and reinsurance for export operations.

The head office of the Bank is at 6A, Barbu Delavrancea Street, District 1, Bucharest, Romania. The Bank is registered under the Commerce Register under number J40/8799/1992. At 31 December 2017, the Bank has branches in Bucharest and 20 branches throughout the country located in Bucharest, Bacau, Brasov, Buzau, Cluj, Constanta, Craiova, Oradea, Timisoara, Iasi, Sibiu, Pitesti, Targu Mures, Ploiesti, Galati, Deva, Arad, Ramnicu-Valcea, Bistrita, Baia-Mare and Suceava.

The Export - Import Bank of Romania - Eximbank SA Group („Group") comprises Export - Import Bank of Romania - Eximbank SA („Bank" or „Eximbank") and the Exim Romania SA Insurance - Reinsurance Company („EximAsig"). Export - Import Bank of Romania - EXIMBANK SA is the parent company of the Group, and is not subject to consolidation as a subsidiary of another Group.

The Exim Romania SA Insurance - Reinsurance Company („EximAsig") was founded in 2009 as an entity specialized in providing financial risk insurance for both domestic and foreign operations. The subsidiary became operational in August 2010, and was authorized for the insurance activity of loans and guarantees. Its products are designed for companies that operate in commerce, manufacturing, transportation, construction, factoring, oil and gas industry and IT services and enter business relations with internal and external partners. The headquarter of the subsidiary is in Bucharest, district 1, Aviatorilor Blvd., No. 33.

The Bank controls the activity of its subsidiary, EximAsig, holding as at December 31, 2017 holding 97.05% of its share capital (December 31, 2016: 97.05%).

The consolidated and separate financial statements of the Bank, respectively of the Group, for the year ended 31 December 2017 were authorized by the Board of Directors on 13 April 2018.

The Group had 388 employees at 31 December 2017 (of which 354 are employees of the Bank and respectively 34 are employees of EximAsig), whereas at 31 December 2016 the Group had 382 employees (of which 348 were Bank's employees and respectively 34 were employees of EximAsig).

02. ACCOUNTING PRINCIPLES, POLICIES AND METHODOLOGY

A. BASIS OF PREPARATION

The separate and consolidated financial statements (hereinafter referred to as „financial statements") are prepared and presented in thousands of Romanian Lei ("RON'000"), the functional and presentation currency of the Bank/Group, rounded to the nearest thousand.
The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union as at 31 December 2017, on a historical cost basis, modified under IAS 29, except for property, plant and equipment, representing buildings or investment property which are valued at their revalued value, and derivative financial instruments, as well as available for sale financial assets which are measured at fair value.
The Bank's accounting records are kept in RON, in accordance with the Romanian Accounting Law and banking regulations issued by the National Bank of Romania („NBR") and are based on International Financial Reporting Standards as endorsed by the

European Union (hereinafter referred to as "IFRS"), implemented as accounting framework under the Order of National Bank of Romanian No. 27/2010 with subsequent amendments.

EximAsig accounting records are prepared in accordance with the Romanian Accounting Law and specific regulations issued by the Financial Supervisory Authority, restated and adjusted accordingly, in all material respects, in order to be consolidated within the financial statements of the Group.

B. BASIS OF CONSOLIDATION

The Group's consolidated financial statements comprise the financial statements of Eximbank S.A. and of its subsidiary as at 31 December 2017.

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the parent company. The financial statements of the subsidiary are prepared for the same reporting period as for the Bank, using consistent accounting policies and balances, transactions, income and expenses within the group, which are compensated at full value. Non-controlling interests are disclosed in the consolidated statement of financial position, separately from the equity of the Group, proportionally with the participation percentage. Non-controlling interests are disclosed separately in the Group's profit or loss account of the Group, pro-rata according to the ownership percentage.

If losses attributable to non-controlling interests exceed the non-controlling interests in the relevat subsidiary's equity position, the excess or any further losses attributable to non-controlling interests are posted on the Group's accounts, excepting the case when a liability with legal implications exists, or losses absorbing capacity exists. If excess losses have been covered by the Group, and the subsidiary subsequently reports profits, all such profits are allocated to the Group until prior Group covered losses attributable to the minority's interests, have been recovered. In the separate financial statements, the Bank discloses its participation in subsidiaries as Investments in Subsidiaries, valued at cost according to paragraph 38 of IAS 27 „Separate and consolidated financial statements", performing annual impairment tests to assess whether there is objective evidence of impairment of the investment.

Concerning the consolidation method applicable for investments in subsidiaries, the Bank applies "the global consolidation - purchase method" as described by the International Financial Reporting Standard 10 „Consolidated financial statements". The consolidation process involves the restatement of accounts and statutory financial statements of subsidiaries, whenever national accounting regulations significantly differ from International Financial Reporting Standards.
Settlements and transactions within the Group, as well as unrealized profits as a result of transactions within the group, are eliminated entirely from the consolidated financial statements. The unrealized profits resulting from transactions with related or jointly controlled parties, are eliminated based on the Group's participation percentage. The unrealized profits as a result of transactions with a related party, are eliminated as well as the investment in that related party. Unrealized losses are eliminated in the same manner as unrealized profits, provided that no objective evidence of impairment exist.

C. ACCOUNTING FOR YPERINFLATION

IFRS requires that financial statements prepared on a historical cost basis are adjusted to take into account the effects of inflation, if significant. Based on IAS 29 "Financial Reporting in Hyperinflationary Economies", financial statements are restated based on the a general price index which reflects the changes in general purchasing power.

The Bank has applied hyperinflation accounting until 1st of July, 2004. Effectively that date, Romanian economy ceased to be hyperinflationary and has been officially declared as such.

D. JUDGMENTS AND ACCOUNTING ESTIMATES

By applying Bank's/Group's accounting policies, management uses professional judgment and estimates, which may have a significant impact on the amounts recognized in the financial statements. These judgments and estimates are reviewed on a timely basis and changes in estimates are recognized when become known. The most significant use of judgments and estimates are as follows:

Allowances for impairment of loans and advances to customers
The Bank/Group periodically reviews its loans and receivables portfolio to identify objective evidence in respect of estimated unrecoverable receivables, related to individual loans or portfolios of homogeneous loans. Evidence includes the customer's payment history, the overall financial position and the recoverable value of collaterals. If such evidence exists, the recoverable amount is estimated and the impairment is set up and posted as charge in the profit and loss account. The review of credit risk process is continuous. The methodology and assumptions used for estimating allowances are reviewed regularly to narrow down any differences between estimated and actual losses.

Impairment of investments in subsidiaries
As at each reporting date, the Bank and Group assesses whether evidence of impairment exists in relation to its investments in subsidiaries.
The impairment of investments in subsidiaries is derived as the difference between net book value of the investments and the net present value of of the future cash flows, discounted at market rate of comparable financial assets. Bank/Group makes such estimates based on projected bugdet and medium term business plan. Impairment test is performed by authorised external valuators.

Impairment of financial assets available for sale
At each reporting date, the Bank and Group assess whether evidence of impairment exists in relation to debt securities classified as available for sale.

The Bank/the Group books impairment charges on available for sale equity investments when there has been a significant or persisted decline in the fair value of these investments, below their cost. The identification of what is "significant" or "persisted" is based on management professional judgment. In making such a judgment, the Bank/the Group assesses, among the other factors, the historical financial instrument price movements and to what extent the fair value of an investment is lower than its cost.

Taxation
The value payable or receivable income tax is based on the assumptions regarding the recovery value of loans and on the existence of appropriate taxable profits. Estimates are required in deriving the tax provision as at the reporting date, and therefore, the tax calculation is uncertain. When the final tax value is different from the amounts that were initially recognised, such differences impact profit and loss, current and deferred tax assets/liabilities for the period in which the final tax amount is set.

Provisions for retirement benefits
The Bank/Group calculates the provision for retirement benefits in accordance with IAS 19, "Employee Benefits" using actuarial techniques based on assumptions about discount rates, inflation rates, and future increases in staff salaries.

Financial guarantees
The Bank/Group periodically reviews its portfolio of letter of guarantees in order to identify objective evidence, based on which are estimated probabilities of specific payments towards the beneficiary of the financial guarantee, with the purpose of compensating the beneficiary's loss in case a specific debtor is unable to fulfill his obligations towards the beneficiary. If objective evidences of impairment are identified, the Bank/Group will recognize an impairment adjustment, which is booked as a charge in the profit or loss account.

Insurance technical reserves
The professional judgment and Group estimates regarding the level of technical reserves for insurance activities, are as follows:

- **Premium reserve**

The premium reserve is determined on a monthly basis, by adding the installments of gross written premiums corresponding to the remaining period of the insurance contracts, so that the difference between the volume of gross written premiums and this reserve reflects the gross premiums assigned to the part of expired risks, as at the reporting date.

- **Reserve for Reported but not settled claims (RBNS)**

The RBNS reserve is set up and updated on a monthly basis, through estimated claim notifications received by the insurer. The RBNS reserve is set up for reported claims and which have not yet been settled; it is calculated for each insurance contract where the insured event has been notified, starting with the predictable expenses to be incurred in the future, in order for these claims to be settled.

- **Reserve for Incurred but not reported claims (IBNR)**

The IBNR reserve is set up and updated at least at the end of each reporting period, based on the insurer's estimates, statistical data and actuarial calculations for claims which have occurred, but are not yet reported. In order to estimate this reserve the following methods are used, based on the insurance class: the Chain-Ladder method (without inflation and adjusting the claims spread), and the Bornhuetter – Ferguson method.

- **Unexpired risks reserve**

The unexpired risks reserve is computed based on the claims estimates which have not yet occurred as at the reporting date, and in respect of which the subsidiary assumes future estimated claims will exceed premium reserves currently set up and, as a result, the next years' premium reserve will not be sufficient to cover the claims which incur in upcoming financial years.

- **Benefits and rebates reserve**

The benefits and rebates reserve is established for insurance contracts where premium discounts are foreseen, where there are renewals and/or premium refunds, as well as the participation of the insured to the insurers' profit.

E. CHANGES IN ACCOUNTING POLICIES

The Bank/Group ensures the update of its accounting policies with changes in international financial reporting standards, whenever required. IASB has issued a series of standards, detailed in the section below, which however, do not significantly impact the Group's or Bank's financial statements, for the financial year ended 31.12.2016, nor do they require the significant review of the Goup's/Bank's accounting policies.

A. Standards and interpretations not yet implemented

The following new standards, interpretations and modifications have not yet entered into force for annual financial reporting period ended as at 31st of Decembrer 2017 and they have not been applied in the prepation of these financial statements:

IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018: 1st of January 2018)

IFRS 9 Financial Instruments was issued in 2014 and replaces, starting with January 1, 2018, IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting until the standard resulting from the IASB's project in macro hedge accounting is effective.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

In order to test these conditions, the Bank analyses the lending arrangements by evaluating the payments of principal and interest (SPPI test).

Otherwise, for example in the case of equity instruments of other entities, a financial asset will be measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, other than assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets – such remeasurement gains and losses are recognized in OCI.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking an 'expected credit loss' (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets under IFRS 16.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items. Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The Bank implemented, starting with January 1, 2018, IFRS 9, while the subsidiary EximAsig did not adopt the new standard using the exception from IFRS 17. The impact in the financial statements from implementing IFRS 9 is detailed in the note 2 ii The impact of IFRS 9 implementation.

IFRS 15 Revenue from Contracts with Customers and Clarifications to IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018)

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard. The adoption of IFRS 15 does not have impact on Group/Bank financial statements.

Amendments to IFRS 4: the adoption of IFRS 9 Financial instruments and IFRS 4 Insurance contracts (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively)

The amendments address concerns arising from implementing IFRS 9 before implementing the replacement standard that the IASB is developing for IFRS 4. The amendments introduce two optional solutions. One solution is a temporary exemption from IFRS 9, effectively deferring its application for some insurers. The other is an overlay approach to presentation to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming insurance contracts standard.

EximAsig, insurance subsidiary, has not adopted the new standard IFRS 9, using IFRS 17 exception.

IFRS 16 Leasing

(Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15)

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The Group / Bank has not identified a significant impact from implementation of IFRS 16 Leasing.

B. Annual Improvements to IFRS 2014-2016 Cycle

(Effective for annual periods beginning on or after 1 January 2018 except for the changes to IFRS 12 that shall be applied for annual periods beginning on or after 1 January 2017)

The Improvements to IFRSs (2014-2016) contains 3 amendments to standards. The main changes were to:

- delete short-term exemptions for first-time adopters (IFRS 1 First-time Adoption of International Financial Reporting Standards) relating, inter alia, to transition provisions of IFRS 7 Financial Instruments - Disclosures regarding comparative disclosures and transfers of financial assets, and of IAS 19 Employee Benefits; The exemptions were deleted due to the fact that these reliefs had been available to entities only for reporting periods that had passed;
- clarify that requirements of IFRS 12 Disclosure of Interest in Other Entities (with an exception of disclosure of summarized financial information in accordance with paragraphs B10-B16 of that standard) apply to entities that have an interest in subsidiaries, or joint arrangements, or associates, or unconsolidated structured entities, which are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; and
- clarify that election of exemption from applying the

equity method per IAS 28 Investments in Associates and Joint Ventures shall be made separately for each associate or joint venture at initial recognition of the associate or joint venture.

The Bank/Group does not expect any significant impact on its financial statements, arising from any of these ammendments.

F. EXCHANGE RATES

Transactions in foreign currencies are translated to the functional currency of the Bank / Group at exchange rates valid on transaction dates. Foreign exchange translation differences are recognized in the profit or loss account based on the foreign exchange rate at the respective date.
Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated to the functional currency at the exchange rate as at reporting date, using the NBR closing exchange rate. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency and translated using the exchange rate as at the date of the transaction.
At 31 December 2017, and 31 December 2016 respectively, the exchange rates of the main foreign currencies were:
- 1 EUR = 4.6597 RON (December 31, 2016: 1 EUR = 4.5411 RON).
- 1 USD = 3.8915 RON (December 31, 2016: 1 USD = 4.3033 RON).

Gains and losses arising from foreign exchange differences on the translation of monetary assets and liabilities are presented in the profit or loss account for the reporting period.

G. INTEREST INCOME AND INTEREST EXPENSES

Interest income and expense related to financial instruments are recognized in the statement of profit or loss on an accrual basis, using the effective interest rate method. Interest income and expense include the amortization of any discount, premium, or any difference between the initial value of the financial instrument and the value at maturity, as well as the deferred commissions or charges for financial services which are part of the effective interest rate using the interest rate method.

The effective interest rate is the rate at which estimated future cash payments or receipts are discounted during the expected life of the financial instrument, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and that are an integral part of the effective interest rate, without considering however future credit losses.

For other items of the Bank's financial position, such as credit lines, placed or drawn deposits on money market and deposits from customers, the Bank considers the contractual interest rate as an appropriate estimate of the interest rate computed through the effective interest rate method.

Commissions which are part of a financial instrument's effective interest rate, represent a compensation for operations such as the analysis of the debtor's financial performance, the valuation and booking of collaterals, negotiation of the financial instrument terms, the drafting and processing of contracts, as well as granting loans, commitment fees received for granting loans.

These commissions, together with the corresponding transaction fees, are deferred and recognized as an interest income adjustment, using the effective interest rate. The unamortized part of these commissions, is presented as a deferred amount.

Transaction costs are incremental costs that are directly attributable to the granting of a loan, which would not occur if the Bank would not grant the loan. Transaction costs include fees and commissions paid to third parties and do not include financing costs or internal administrative costs.
The unamortized part afferent to these commissions is reflected as an amount to be amortized.

Once a financial asset, or a group of financial assets recorded an impairment loss, the interest income is subsequently recognized by using the interest rate to update the future cash flows, in order to measure the impairment loss applied to the net book value of the asset.

H. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commissions income is recognized based on commitment accounting, once the service has been performed. The income from this category includes commission income and charges for banking services, such as: loans, guarantees, letters of credit, client transactions, foreign exchange, mandate operations etc.

Fee and commission expense mainly includes commissions with services rendered by third parties, such as:

- Commissions for guarantees and securities transactions settled by the Bank on behalf of its customers.

- Commissions for processing payment orders and other account management charges
- Commissions charged for foreign exchange operations.

Loan origination fees and direct incremental expenses are part of the effective interest rate, therefore deferred over the tenor of the loan and recognized as interest income.

I. DIVIDEND INCOME

Dividend income is recognized in the statement of profit or loss, at the date the right to receive the payment is established. Dividends are presented as a component of other operating income.
Income from shares and investments other than fixed income securities are recognized as dividend income only at record date.
Dividends are treated as an appropriation of profit in the period they are distributed and approved by the Shareholders General Assembly.

In case of subsidiaries, the only profit available for distribution is the current year profit, as per the statutory financial statements, which is different from the profit included in consolidated financial statements prepared in accordance with IFRS as endorsed by the European Union, due to differences between the Romanian accounting standards and IFRS.

J. FINANCIAL INSTRUMENTS – INITIAL RECOGNITION, CLASSIFICATION AND SUBSEQUENT MEASUREMENT

(i) Date of recognition
Purchases or sales of financial assets that require delivery of assets within a time frame, generally established by regulation or convention in the marketplace, are recognized on settlement date, as on this date the contract is settled through the actual delivery of instruments.
Derivatives are recognized as at trade date, which is the date on which the Bank/ Group commits itself to buy or sell the derivatives.

(ii) Initial recognition of financial instruments
All financial instruments are measured initially at their fair value plus, in case of financial assets and financial liabilities not recorded at fair value through profit or loss, any directly attributable incremental acquisition or issue costs.

(iii) Classification and measurement of financial assets
The initial classification of financial instruments depends on their features and the purpose for which they were acquired.
The Bank and Group classify financial assets in the following categories:
a) Loans and receivables;
b) Financial assets or financial liabilities at fair value through profit or loss:
- Financial instruments designated at fair value through profit or loss upon initial recognition;
- Held for trading financial instruments;
c) Held to maturity investments;
d) Available for sale financial assets.

Loans and Receivables represent non-derivative financial assets with fixed or determined payments, not traded on an active market, which are not held for trading, nor are designated at fair value through the profit and loss account nor available for sale.
Loans and advances to customers, originated by providing cash directly to the debtors, are measured initially at fair value including discounts or premiums, commissions or acquisition costs. Loans and advances are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Financial instruments at fair value through profit or loss account include:
– Financial instruments designated at fair value through profit or loss upon initial recognition
– Financial instruments held for trading

The Bank/Group initially recognizes a financial asset or liability as a financial instrument at fair value through profit or loss account if:
- Eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains and losses on a different basis or
- The assets and liabilities are part of a group of financial assets, respectively financial liabilities, or both, which are managed and the performance of which is measured on a fair value basis, in accordance with risk management or investment strategy, and information about the respective group of assets is delivered internally on that criteria, towards the key management personnel of the Bank/ Group.
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear with little or no analysis, that it would not be separately recognised.

The Bank and Group classify a financial asset or liability as held for trading, if that instrument is:
- acquired to be sold or redeemed in the near future;
- part of an identified financial instruments portfolio, managed together, for which there is evidence of a real and recent pattern of realizing profit in the short term;

- a derivative (with the exception of a derivative which is a financial guarantee contract, or a hedging instrument).

The Bank and Group includes derivatives in the Held-for-trading category with the purpose of financing operations or mitigating currency risk and interest rate risk.
Derivatives are initially recognized at fair value as at the derivative contract date and are subsequently remeasured at their fair value. Fair value is computed based on valuation techniques, including discounted cash flow models. All derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.
Gain or loss on derivative instruments, whether realized at the moment of the transaction, or unrealized and derived from changes in fair value of derivative instruments are recognized immediately in profit or loss, in net income from trading caption.

Certain derivatives embedded in other financial instruments, such as the conversion option of 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 statement of profit or loss. No embedded derivatives exist at reporting date.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Bank/Group has both the intention and ability to hold to maturity. Assets classified in this category are measured at amortized cost using the effective interest method, calculating provisions for impairment, other than temporary. These instruments are measured at amortized cost and include treasury bills issued by the Ministry of Public Finance.

The Bank/Group does not classify as held-to-maturity assets from which the Bank/Group has sold or reclassified, in the current year or past two financial years, more than one insignificant amount (insignificant amount as compared to the total value of held – to – maturity investments), except for the following sales or reclassifications:
i) Sales/reclassifications which are close to the maturity or the anticipated redemption of the financial asset (e.g. less than 3 months to maturity), and as such variations in the market interest rate do not have a significant impact on the fair value of the financial asset ;
ii) Sales/reclassifications which take place after the entity has collected most of the initial value of the financial asset, through regular payments or early redemptions ; or
iii) The sale or reclassification is attributable to an isolated event, which is not under the control of the entity, unlikely to repeat itself and that could not have been foreseen reasonably by the Bank/Group.

The Bank/Group recognise accrued interest at acquisition in the „Accrued interest" account. Interest subsequently computed (based on the coupon rate or contractual interest rate) is recognised as „accrued interest", and the Bank/Group also recognizes the corresponding interest income. All other amounts which are part of the effective interest rate are recognised similarly in financial assets caption, the respective income being included in the „Interest income" caption.

If there is an objective evidence for an equity instrument not quoted and not recognized at fair value, the impairment loss is calculated as diference between the carrying value of the financial instrument and the net present value of the future cash flows discounted at the cost of capital for similar financial assets.

Available-for-sale financial assets are financial assets which are not classified in any of the previous categories. Available-for-sale financial assets are investments designated to be sold, or which are not classified in any of the other three categories. After initial recognition, these financial assets are carried at fair value, gains and losses exempt from tax being recognized as a separate component of equity, until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the statement profit or loss.

Available-for-sale investments are measured at fair value, based on the market price of listed securities. The fair value of unlisted securities is estimated using appropriate models or valuation methods adopted to match the specific financial results of the investor, conditions and prospects compared to those of similar companies, for which quoted market prices are available.

In order to determine the fair value of available-for-sale financial assets, for which no market prices are available or it was established that the conditions are not met to consider the market of those securities as liquid, the Bank employs valuation methods and techniques based on indirectly observed data entries, and establishes the prices indirectly based on the observed data (interest rates, swap quotes, CDS quotes), applicable on the markets specific to the currencies of the denominated securities owned.

Available – for – sale investments are deemed impaired when there is a significant and prolonged decline in their fair value. The amount of cumulative loss in respect of treasury bills and discount certificates which is reclassified from equity to profit or loss is represented by the difference between the acquisition cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss on that financial assets previously recognized in the statement of profit or loss.

Impairment losses recognized in profit or loss for an equity instruments classified as available-for-sale are not reversed through revenue accounts.

Repurchase agreements Financial Assets and Reverse repurchase agreements
Securities sold with a repurchase agreement, at a specified future date (repos) continue to be recognized in the balance sheet as securities and are measured in accordance with the accounting policy applicable to that class of financial instruments. The obligation to repay the cash received is recognized under liabilities as repo operations reflecting the economic substance of a loan received by the Bank/Group.

Securities purchased under a similar commitment, to resell at a specified date (reverse repos), are not recognized in the statement of financial position and the receivables corresponding to the cash advance are recognized as asset in the statement of financial position as a reverse repo operation.

(iv) Reclassification of financial assets
Under certain circumstances, the Bank/Group may reclassify non-derivative financial assets from the „Held for trading" category, in the „Available for sale", „Loans and receivables" or „Held to maturity" categories. From this date forward, it is also possible to reclassify, in certain cases, the financial instruments from the „Available – for – sale " category, in the „Loans and receivables" category. The reclassifications are recognized at fair value as at the reclassification date, which becomes the new amortized cost.

The Bank/Group can reclassify a tradable non-derivative asset from the „Held for trade" category, in the „Loans and receivables" category, if it meets the definition criteria given to „Loans and receivables" and the Group has the intention and ability to keep the financial asset in the near future or until maturity. If a financial asset is reclassified, and if the Bank/Group subsequently increases the future cash return estimates as a result of a cash flow increase, the effect of the increase is recognized as an adjustment of effective interest rate as at the change in estimate date.

For a financial asset reclassified from the „Available for sale" category, any gain or loss already recognized in equity is amortized in the profit or loss account during the remaining duration of the investment by utilizing the effective interest rate. Any difference between the new amortized cost and the expected cash flow is also amortized during the asset's remaining life, by using the effective interest rate. If it's subsequently considered that the asset's value is impaired, the amount booked in equity is reclassified in the profit or loss account.

The reclassification is decided by management and is determined based on each reclassified instrument. During 2017 and 2016 the Bank/Group did not reclassify any financial assets.

(v) Derecognition of financial assets and financial liabilities
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: the rights to receive cash flows from the asset have expired; or the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) the Bank/Group has transferred substantially all the risks and rewards of the asset, or
(b) the Bank/Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

When the Bank/Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred the control of the asset, the asset is recognized to the extent of the Bank/Group's continuing involvement in the asset.

In that case, the Bank/Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank/Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank/Group could be required to repay.
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or

expires. Where an existing financial liability is replaced by another, from the same lender, on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Financial assets represented by loans and advances to customers in relation to which the Bank/Group has no expectation of recovering the exposure (having set up allowances covering the entire gross exposure) are written off and recorded in off balance sheet accounts as contingent assets, by writing off the gross exposure and the corresponding allowance for impairment. This operation is carried out as there are no reasonable expectations that economic benefits will flow from the respective assets and as such the definition of assets is no longer met under IFRS.

The transfer of loans and advances to customers to off balance sheet contingent assets is performed provided the following conditions are simultaneously met:

- There are no realistic possibilities to recover the asset or recovery costs exceed estimated recoveries;
- The full derecognition conditions are not met as the legal recovery procedures were not exhausted;
- The exposures are fully covered with allowances for impairment, in accordance with the internal policy of the Bank.

K. OFFSETTING AGREEMENTS

Financial assets and liabilities are offset and presented in the statement of financial position at their net value only when a legal right for offsetting exists and the Group/ Bank intends to realize the asset and settle the liability simultaneously.Revenues and expenses are not offset in the statement of profit or loss unless is required or permitted by IFRS or related interpretations, in which case offsetting will be clearly specified in the accounting policies.

L. FAIR VALUE MEASUREMENT

Fair value is the price that would be received from the sale of an asset or paid to settle a liability in a regular transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank/ Group has access at that date. The fair value of a liability reflects the risk of not settling the respective liability.
When sufficient data is available, the Bank/ Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is considered active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
If there is no quoted price in an active market, then the Bank/Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank/Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, the respective difference is recognized in profit or loss appropriately over the life of the instrument but no later than when the valuation is entirely supported by observable market data or the transaction is closed out. The Bank/Group recognizes transfers between hierarchical levels of fair value at the end of the reporting period, as well as in the period when such transfers occur.

M. IMPAIRMENT OF FINANCIAL ASSETS

(i) Financial assets held at amortized cost
The Bank/Group assesses as at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired and an allowance for impairment is recognised provided that the following conditions are met: 1) there is objective evidence of impairment as a result of one or more events which have occurred after the initial recognition of the asset (an incurred 'loss event') and 2) that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

It may be impossible to identify a singular event which triggered the impairment. Most likely a series of events combined caused the impairment. Estimated losses as a result of future events, regardless of their probabilities, are not recognized.
Objective evidence that a financial asset or group of financial assets is impaired include information observable by the owner of the asset about the following loss triggering events:

- Significant financial difficulty of the issuer or debtor;
- Breach of contractual conditions, such as non-payment or delayed payment of principal and interest;
- The Bank, due to legal or economic reasons relating to the debtor's financial difficulty, agrees to grant certain concessions which it would not have otherwise considered;
- The existence of reliable information which indicate the bankruptcy or financial reorganization of the debtor;
- The disappearance of an active market for the respective financial asset due to financial difficulties of the debtor;
- The existence of reliable information which indicate a measurable decrease in estimated future cashflows of a group of financial assets after its initial recognition, even if the decrease cannot yet be identified for each particular asset including: unfavorable changes in the payment behavior of group debtors or unfavorable changes in local/ regional economic conditions, directly linked to the impairment of the respective assets.

Impairment of loans and advances to customers
The impairment is determined through individual assessment in case of loans with objective evidence of impairment and through collective assessment for receivables without objective evidence of impairment, estimating the overall value of incurred losses not yet identified.
The main impairment indicators considered by the Bank/Group are:

- More than 60 days past due for principal and interest payments
- The initiation of legal procedures;
- Restructurings procedures granted during the past 12 months, due to legal or economic difficulties of the debtor, which the Bank / Group would not have otherwise considered;
- A rating of D or E on an A to E, 5 grades scale
- The management of the Group/Bank may identify other impairment indicators based on information suggesting a deterioration in the financial position of the debtor for instance due to decrease in sales or gross profit margin or due to other events which occurred subsequent to the initial recognition of the loan and which may affect the ability of the customer to comply with the reimbursement schedule.

The impairement amount is represented by the difference between the carrying amount of the asset and the present value of future cashflows from operational activity and collaterals, discounted using the effective interest rate (excluding future losses).

The present value of future cashflows is based on management's assessment of the quality and financial performance of debtors, debt service history, recoverable amounts from guarantees and collaterals, the historical pattern of credit losses, credit ratings allocated to debtors and of the economic climate in which debtors operate.
Loans and advances which have a nil resulting provision after the individual assessment are included in the collective assessment, for incurred losses not yet identified.

In order to perform the collective assessment, financial assets are grouped based on similar credit risk characteristics indicative of the debtor's ability to pay all amounts due according to contractual terms, allowances for impairment being computed collectively, using adjusting parameters for the specific loan type and tenor, which are determined using statistic historical methods, respectively the probability of default (PD) and the loss given default (LGD).
The Bank/ Group applies professional judgment regarding observable data for the loan portfolio which indicates a lower recoverability of cashflows from voluntary reimbursements, before this decrease is identified for each individual loan in the portfolio.

The carrying amount of loans and advances is adjusted by allowances for impairment, the allowance being recognized in the profit or loss account. If, during the following periods, the impairment decreases, the allowance for impairment previously recognized is reversed in the profit or loss account.
The gross exposure of fully provided assets that cannot be reasonably expected to be recovered and that do not meet derecognition criteria is written off against the corresponding allowance for impairment account.
Any potential recovery in respect of written-off assets is recognized in the profit or loss account, decreasing the loss from the impairment of recovered assets.

For impairment of receivables and setbacks of EximAsig, the Group analyzes the respective receivables on an individual basis, by taking into consideration the number of overdue days and the qualitative status of the debtor at the moment when the analysis is performed, including his legal status and other available information.

Forborne loans
According to UE Regulation 575/2013, the forborne loans are restructured loans for which concessions have been granted to debtors facing or about to face difficulties in meeting its financial commitments.

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

A lessening of contractual conditions could appear under the following cases:

- modification of previous contractual terms and conditions which could not be fulfilled by a borrower further to its financial difficulties, in order to ensure its repaymet ability, concession which would not be granted if the debtor had not encountered financial difficulties;
- partial or total refinancing of a problematic loan contract, which would not be granted if the debtor had not encountered financial difficulties.

The exposure is not anymore classified as forborne when all the below stated conditions are met:

- Forborne exposure is considerred to be performing further to the borrower financial analysis which denotes that the cristeria to be classified under non performing category are not anymore met;
- Minimum 2 year probation period has elapsed since date when the exposure was considerred to be performing;
- Significant payments of principal and interest have regularly been made on half period of probation;
- At the end of probation, no other exposure of the borrower is past due for more than 30 days.

(ii) Financial assets recognised at cost
If there is objective evidence that an impairment loss has incurred in respect of an unquoted equity instrument that is not carried at fair value, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.
The Bank tests for impairment equity instruments measured at cost if their value exceeds 0.5% of the total assets of the Bank as at the reporting date.

The impairment of investments in subsidiaries is measured as the difference between the carrying amount of the asset and the present value of future cashflows discounted at the current market rate of return for similar financial assets and the allowance for impairment is charged in the statement of profit or loss.
Allowances for impairment of investments in subsidiaries may be released in accordance with IAS 36, provided that the assumptions used to determine the recoverable amount of the asset have changed since the moment the impairment was recognized.
The carrying amount of investments in subsidiaries, after the release of allowances for impairment may not exceed the carrying amount which would have been determined if no impairment would have previously been booked.

(iii) Available for sale financial instruments
In case of available for sale financial investments, The Bank/Group assesses if any impairment evidences are observed as at reporting date for a specific investment or for a group of investments.
In case of equity investments classified as available for sale, the objective evidences are given by a significant or extensive decline in investmet fair value below its acquisition cost. If impairment signals are observed then the cumulative loss – measured as the difference between purchase cost and current fair value, less allowances for impairement previously recognized in the profit and loss account – is reversed from other comprehensive income and recognized in profit and loss account. Losses from equity investments are not further reversed from profit and loss account.

In case of securities classified as “available for sale”, the impairment is observed based on the same criteria applied for financial assets measured at amortised cost. Effective interest is still accrued on the net book value of the financial instrument and it is posted in profit and loss account as interest income. Next year, if fair value has increased further to an event that took place after the impairment charge was posted to the profit and loss account then the impairement is necessarily realeased in the profit and loss account.

(iv) Impaired assets and past due assets
The Bank classifies as impaired those assets with evidence of impairment (either individually or through collective statistical methods).
Loans and receivables without impairment indicators, collectively assessed for incurred losses not identified, as well as loans and receivables assessed individually or collectively for impairment due to impairment indicators which are not deemed to be impaired as a result of the analysis are classified as not impaired.
Past due loans and advances include the entire exposure of loans and advances with overdue instalments, not only in the respective overdue amounts.

N. PROVISIONS

Provisions are recognized when the Bank/Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the liability and the obligation can be reliably measured.
When the Bank/Group expects some or all of a provision to be released, for example under an insurance contract, the release is recognized as a separate asset, but only when the release is virtually certain.
The expense relating to any provision is presented in

the statement of profit or loss net of any reimbursement.

O. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, current accounts and short-term placements with other banks and the National Bank of Romania with an original maturity of less than 90 days.

P. PROPERTY, PLANT AND OTHER EQUIPMENTS

Property an equipment represent assets that:

- generate future economic benefits
- are meant to be used in the activity of the Bank
- are used over a period longer that 1 year
- have a purchase value higher or equal to RON 2,500, either as a separate item or as part of an aggregate of more components of the same item of property and equipment

Tangible assets that do not qualify for recognition as property and equipment are fully recognized in the statement of profit and loss to date in use and will be recorded separately, in the off balance sheet accounts.

Property and equipment includes:
a) Lands and land improvements;
b) Constructions;
c) Office improvements;
d) Technical equipment and means of transportation;
e) Furniture, office equipment, protective equipment for human and material assets, and other tangible assets.

The Bank uses the revaluation model for the "Buildings" category, respectively the cost model for all the other items of property, including "Leasehold improvements". If an asset is re-valued, all the assets in that group are re-valued except for the initial case when there is no active market for that respective asset.

After its recognition as an asset, a tangible asset measured at cost is subsequently measured at cost less any accumulated depreciation and/or any accumulated impairment losses. Until 30 June 2004, the cost has been obtained by restating the historical cost in RON with the general price index for the period between acquisition date and reporting date
After the initial recognition as an asset, an item of property classified as “Building” whose fair value can be measured reliably is carried at a revalued amount, representing its fair value at the date of revaluation less any accumulated depreciation and any accumulated impairment losses.
Revaluation surplus is included in equity and transferred directly in retained earnings when the asset is derecognized. Decreases in value are offset against any existing revaluation reserve for the respective asset. If such surplus does not exist or it is not sufficient for the decrease, the corresponding amount is recognized in the Statement of Profit or Loss. Bank revaluates its “Buildings” portfolio every 3 years using professionally qualified valuators, memebers of ANEVAR body.

Depreciation of Property and Equipment is charged from the month following the date when the asset was put into operation until full recovery of their cost using straight-line method.
Land is not depreciated. Leasehold improvements are depreciated using straight-line method, over the shorter of the remaining lease term and **their useful lives.**

The annual depreciation rates and the useful lives are as follows:

CATEGORY	USEFUL LIFE	ANNUAL DEPRECIATION RATE
	Annual depreciation rate	2%
Buildings	50 years	2%
Office equipment	3 – 6 years	16.67% - 33.33%
Furniture and fixtures	5 – 24 years	4.16% - 20%
Motor vehicles	5 years	20%

Expenses with repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is only recognized as an asset when the expenditure improves the condition of the asset beyond the originally assessed standard of performance.
When the carrying amount of a tangible asset is greater than the estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are included in the statement of profit or loss.

Q. INTANGIBLE ASSETS

Intangible assets owned by the Bank are assets acquired for own activities and include: computer software, licenses and other similar assets.
Intangible assets are initially recognized at cost. After its initial recognition, an intangible asset is recognized at its historical cost less any cumulated amortization

and any cumulated impairment loss.
Intangible assets are amortised using straight-line method over their useful life period estimated at 3-5 years. Licenses and other intangible assets are amortised over the contractual period or during the period they are available for use, whichever is appropriate.

R. IMPAIRMENT OF NON-FINANCIAL ASSETS

Tangible and intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of profit or loss for items carried at cost and treated as a revaluation decrease for assets that are carried at revalued amounts to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset.

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for separate assets or, if it is not possible, for the cash generating unit.

A reversal of an impairment loss recognized in prior years is recorded when there is an indicator that the impairment loss previously recognized no longer exists or has decreased. The release is recorded in the statement of profit or loss unless the asset is carried at a revalued amount in which case the release is treated as a revaluation increase.

S. INVESTMENT PROPERTY

Real estate investments are either properties held for rent, or for capital appreciation, or both, but not for sale under normal course of business; they are used in curent activity or for other administrative purposes.

Investment property is initially recognized at cost, including the acquisition price and any other directly attributable expenses, and subsequently measured at their fair value, after initial recognition.

In order to transfer an investment property booked at fair value in the Bank's property and equipment, the presumed cost of the property used for its subsequent measurement in accordance with IAS 16, is the fair value at the date of change of use.
If a property used by the Bank changes to an investment property measured at fair value, the Bank applies IAS 16 until the change of use date, considering any difference at that date, between the carrying amount of the property and the fair value, as a revaluation performed in accordance with IAS 16.

The Group's accounting policies regarding subsequent measurement of investment properties is based on fair value model and it is consistently applied to all investement properties. Gains or losses resulting from changes in the fair value of investment properties are recognized in the profit or loss of the financial period in which they take place in accordance with IAS 40, without determining and booking any depreciation. Fair value of investment properties denotes market conditions as at reporting date.

A transfer to or from investment properties is made only if there is a change in utilization of the respective asset. For transferring an investment property, measured at fair value, to fixed assets category, the implied booking value of the assets will be its fair value at the date of utilization change.
An investment property is derecognized when disposed off or when the investment property is permanently retired of and can no longer provide future economic benefits from its withdrawal. The gains or losses which results from investment propery sale or disposal are recognized to the income statement at the date of such event.

T. EMPLOYEE BENEFITS

Short term benefits granted to employees

Short term benefits represent employee benefits (other than employment termination compensations) which are due in full within twelve months from the period end in which the employees perform the service, and include salaries, social security contributions, annual paid leave and annual paid medical leave, bonuses, profit participation and non-financial benefits. Short term benefits given to employees are recognized as expenses when incurred.

Social security
The Bank/Group as well as its employees are legally required to make contributions described in the financial statements as social security contributions to the National Pension Fund, managed by the Romanian State Social Security (a defined contribution plan financed on a pay-as-you-go basis). The Bank/Group has no legal or constructive obligation to pay future benefits. Its only obligation is to pay the contributions as they become due. If the members of the Romanian State Social Security plan cease to be employed by the Bank/Group, there will be no obligation by the Bank/Group to pay the benefits earned by these employees in previous years. The Bank/Group's contributions are included in salaries and related expenses.

Long term benefits include bonuses and profit participations which are not payable in full within twelve months from the delivery of services.
For services delivered by the employees during an accounting period, the Bank recognizes the undiscounted value of short/long term benefits to be paid as expenses, respectively as expenses booked in advance, only if the already paid value exceeds the undiscounted value of the benefits. The short/long term benefits are recognized as expenses excluding the cases in which these are capitalized in the cost of assets according to IAS 2 or IAS16.
The Bank recognizes the estimated cost of the short term benefits represented by cumulated paid leave during the financial period in which the services are provided.

Compensations for employment termination are employee benefits that are paid as a result of the Bank's/Group's decision to terminate the employment contract of an employee before the legal retirement date, or grant compensations for the termination of the employment contract as a result of an offer made to encourage voluntary layoffs.

The Bank/Group recognizes the employment termination compensations as liabilities or provisions only if the Bank engaged to terminate the employment contract of an employee or group of employees before the legal retirement date, or grant compensations for the termination of the employment contract as a result of an offer made to encourage voluntary layoffs.

Post-employment benefits include benefits granted for retirement, classified as defined benefits plan valuated through actuarial methods based on the projected credit unit method.

A defined benefits plan is a plan that defines the amount that an employee will receive at the retirement date, usually depending on one or more factors, such as age, number of years of activity and salary. The liability recognized in the Bank's statement of financial position in relation to the defined benefits retirement plan, is the present value of the defined benefits at the reporting date, less the fair value of assets of the plan at which adjustments for unrecognized actuarial gains/losses and costs of past services are added.

In accordance with the collective employment contract, the Bank has the legal obligation to pay all employees benefits consisting of two monthly salaries, at the retirement date.

U. STATE FUNDS AND ACTIVITY AS AGENT ON BEHALF OF THE STATE

In order to achieve its strategic objective, namely, supporting Romanian national economy, the Bank acts as an agent, on Behalf of and to the Benefit of the State, by offering specific products and services such as granting loans, guarantees and insurance products to local market participants.

In accordance with articles of Law 96/ 2000, with subsequent amendments, Eximbank S.A. uses the following State funds:

a) The fund for guarantee operations – article 10a of Law 96/2000
b) The fund for the insurance – reinsurance activity – article 10b of Law 96/2000
c) The fund for financing activity – article 10c of Law 96/2000 which are used for fulfilling commitments assumed by EXIMBANK S.A. – on Behalf of and to the Benefit of the State (article 12, paragraph 1 of Law 96/2000).

The temporarily available balances of the above mentioned funds are used by EXIMBANK S.A. as borrowings for financing the Bank's own activity, so as to fulfill its goal of encouraging external commercial trading, promoting and developing the Romanian business environment (Law 96, chapter 4 « The Activity of EXIMBANK S.A. in its own name and on its behalf »).
The above mentioned funds may be used indefinitely by the Bank except for those amounts which in accordance with the provisions of the Convention are available for a fixed period of at least 5 years.

State funds used by Eximbank are presented in the consolidated and separate statement of financial position as financial liabilities in the « State funds » caption, being initially recognized at fair value of the amounts received less transaction costs. In order to utilize these funds the Bank reinstates the funds with the corresponding interest defined by Law 96/ 2000, which is included as « Interest expense » in the consolidated and separate statement of profit or loss.

Assets and commitments financed using state funds are granted on Behalf of and to the Benefit of the State, without being controlled by the Bank and without generating economic benefits for Eximbank, and as such they do not meet the recognition criteria defined by IFRS and the IASB framework. Consequently, these assets and commitments are not included in the financial position of the Bank.

The Bank earns a commission income for managing State funds and for its operations as agent of the Romanian State, including a commission for managing assets, loans and commitments granted from State funds. This commission income is included in the statement of profit or loss in the « Fee and commission income » caption.

V. FINANCIAL GUARANTEES

Financial guarantees are contracts whereby the Bank/ Group assumes a commitment to make specific payments to the beneficiary of the financial guarantee to compensate the loss suffered by the beneficiary if a specific debtor fails to make payment when due in accordance with the terms of a debt instrument.

The guarantees are presented in the financial statements at fair value as contingent liabilities, related fees collected in advance being amortized over the life of the financial guarantee referred.

W. INCOME TAX

Current income tax payable, based on tax law in force, is recognized as an expense in the period in which profits arise.

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is computed at the tax rates which are expected to be applied for the year when the asset is realized or the liability is settled based on tax rates that have been enacted or substantially enacted at the reporting date.
Deferred income tax liabilities are recognized for all temporary differences between the tax bases of assets and liabilities and their net amounts at the date of the statement of financial position for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unutilized tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry-forward of unutilized tax losses can be utilized.
The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize all or part of the deductible temporary differences or tax losses.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.
The tax rate used to calculate the current and deferred tax at 31 December 2017 was 16% (31 December 2016: 16%).

X. CONTINGENT ASSETS AND LIABILITIES

A contingent liability is:

- a potential obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, that are not wholly controlled by the Bank/Group or
- a present obligation that arises from past events but is not recognized because:
  - is unlikely that for the settlement of that obligation to be required an outflow of resources embodying economic benefits; or
  - the amount of obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, but are disclosed, unless is not estimated an outflow of resources embodying economic benefits is remote.
A contingent asset is a potential asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly controlled by the Bank. A contingent asset is not recognized in the financial statements but is disclosed in the explanatory notes when an inflow of economic benefits is probable.

Y. RELATED PARTIES

A counterparty (person or entity) is a related party to the Group or Bank if that counterparty:

a. Directly or indirectly through one or more intermediaries:
- Controls, is controlled or is jointly controlled by the Group or Bank (including parent companies and subsidiaries)
- Has an interest in the Group or Bank, which gives a significant influence over the Bank or
- Jointly controls the Group or Bank;

b. Is an associate of the Group or Bank;
c. Is a joint venture in which the Group or Bank is a member;
d. Is a key management personnel of the Group or Bank;
e. Is a relative of any of the persons mentioned at points a) to d);
f. Is an entity controlled, under joint control or significant influence, or has significant voting rights, directly or indirectly by any person mentioned at points (d) or (e); or
g. Is a post-employment defined benefit plan for the benefit of the Bank’s employees, or for any entity which is a related party of the Bank.

The Ministry of Public Finance is a related party of the Group/Bank, also all entities in which the Ministry of Public Finance is the main shareholder are considered related parties.
Related parties transactions represent a transfer of resources and obligations between parties, irrespective of a price being paid or not. The Group/ Bank is considering the substance as well as the legal form of existing and potential transactions with related parties.

Z. EQUITY RESERVE

The reserves recognised in equity in the Bank’s/ Group’s statement of financial position include:

- Available for sale reserve which comprises changes in fair value of available-for-sale investments;
- Property, plant and equipment reserve including changes in the fair value;
- Reserve from share capital restatement includes the difference from adjusted share capital to inflation.
- Legal reserve - is established up to 5% of profit before tax deduction.
- General reserve for banking risks - includes reserves set up until the end of 2006, in limits provided by law.
- Other reserves are own funding sources from assets and tax facilities according to the law, or set up from net profit, as decided by the general shareholders meeting.

AA. SEGMENT INFORMATION

A segment is a distinct component of the Group/ Bank engaged in providing products or services that are subject to risks that are different from those of other segments.

BB. LEASE AGREEMENTS

A lease is classified as a finance lease if it transfers substantially all the risks and rewards in respect of the leased asset. A lease is classified as an operating lease if it does not transfers substantially all the risks and rewards in respect of the leased asset.

The leases entered into by the Bank/Group are primarily operating leases. The payments made under operating leases are charged entirely to other operating expenses in the statement of profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before contractual maturity, 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.

CC. BORROWINGS

Borrowings are recognized initially at fair value and subsequently recorded at amortised cost; any difference between repayments net of transaction costs and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

DD. INSURANCE PREMIUMS INCOME

Gross written premium income for insurances consist of cashed premiums and not yet collected premiums on those insurance contracts entering into force during the financial year.
If duration of an insurance contract is greater than one year, gross written premium income is recognized on a pro-rata basis over the period of the insurance policy, excepting contracts having single premium payment for the whole insurance policy. For insurance contracts in foreign currencies, gross written premiums are presented in lei at the exchange rate as at subscription date.

Income from gross written premium are disclosed net of canceled premium for the terminated contracts before their expiry date or as a consequence of not collecting of the relevant cash premium.

Other Claims

Companies’ receivables from third parties other than staff – customers and suppliers – are booked in sundry debtors account. Operating on insurance market, the company books receivable from set back claims.

Thus, subsequent to payment of remedies according to the insurance contract terms and based on the information received from Legal Services Department, the company recognizes the set back claims against the responsible party for the insured incident/risk.

EE. REINSURANCE

Within its operating activity, the Group transfers part of the insurance risk. Reinsurance receivables represent balances due from reinsurance companies.

Group entitled benefits arising from reinsurance contracts are recognized as reinsurance assets in the company’s balance sheet. The Group discloses in its assets the outward reinsurance part of premium reserve and damage claims reserve.

The amounts due from or due to reinsurers are valued according to the total consideration of insurance-reinsurance contract and consistent with the terms and conditions of that insurance-reinsurance contract. The liabilities arising from reinsurance consist of premium payables and they are recognized as a charge in the profit and loss account.

Reinsurance receiables and payables against the same entity could be set-off each other, since the payments effected by the involved parties are related as nature and maturity date, settlement taking place in the same time.
Receivables and payables from current reinsurance result from current account settlements with reinsurers and brokers, related to outward reinsurance (reinsurance liabilities).

Outward reinsurance receivables are periodically reviewed, as least as at each reporting date. These are analysed on individual basis in case of impairment triggers. The impairment adjustments of such receivables are estimated according to the loss likeliness as charge in the profit and loss account.

FF. TECHNICAL RESERVES

Premium reserve

Premium reserve is computed on a monthly basis by adding-up the the gross annual written premium corresponding to the proportion of the unexpired period of the insurance policy contractual year.

The difference between gross written premium and premium reserve denotes the part of gross premium allocated to the expired risks as at calculation date. This reserve is done on an individual assessment for each insurance contract.

Reported but not settled claims reserves

Reported but not settled claims reserve is calculated for damages reported and for damages under liquidation, for each individual insurance contract where the risk event had produced and it has been further notified, starting from outstanding expenses that would be incurred in the future as remedies paid for covering the sufferred damages.

Total reserve to be booked is the sumation of each general insurance contract reserve.

The components of reported but not settled claims reserve are, as follows:

- The estimation of remedies paid;
- Third party expenses for reporting the damages and valuation;
- Liquidation costs for services renderred by third parties.

Incurred but not reported claims reserve (IBNR)

IBNR claims reserve is derrived on an annual basis, according to company's year end estimation of damages resulting from occurred events and risks, not reported or not enough documented.

For IBNR reserve estimation, the following methods are used based insurance class: method Chain-Ladder, delays table method, metohd Bornhuetter – Ferguson, but not limited to these methods.

Unexpired risk reserve

The unexpired risk reserve is computed based on the estimation of the damages that would appear after financial exercise closing date, in the case that predicted damages expenses are higher than premium reserves less deferred acquisiton costs and hence the premium reserve computed would not be enough in the coming periods for covering the losses sufferred in the following financial exercises.

Liabilities adequacy test

The company performs the adequacy test of its technical reserves for assessing if insurance contracts liabilities recognized by the mean of technical reserves are satisfactory and sufficient. The test uses current cashflows estimations resulting from its insurance contracts. If this estimation proves that the accounting value of the liabilities less deferred acquisition costs are not adequate, the difference is recognized in full amount as charge in the profit and loss account. The test of technical reserves adequacy is carried out at least on an annual basis, as at closing date of financial exercise, based on gross cashflows.

The adequacy test of technical reserves for unexpired risks consist in comparison of the following two elements:

i. premium reserve less deferred acquisition costs;

ii. the summation of estimated remedies (including instrumentation costs of damage requests received) and the administration costs

If the value got at point i) is lower than the one got at point ii) then the level of reserves is considerred not to be satisfactory and it triggers a corresponding decrease in deferred acquisition costs balance; if there are not enough available balances in acquisition costs account, then an additional reserve is originated.

The company makes use of its best assumptions, as follows:

- Estimated remedies (including handling costs of damage requests received) are derrived based on the annual final damagaes rate per each underwriting year per each insurance class, taking into account the fact that unexpired risks materializes in the last oustanding year; the administration expenses that would be incurred in the future are derived as the average of the relevant expenses at total insurance portfolio level (excluding deferred acqusition expenses)
- Recovery rate from claims is found by dividing total proceeds from claims per each insurance classes on final necessary amount for remedies payment in each period (ultimate incurred claims).

The liabilities adequacy test as at Decmber 31, 2017 revealed a total deficiency amounting to lei 1,265 thousand (December 31st, 2016: lei 1.711 thousand).

GG. CORRECTION OF ACCOUNTING ERRORS

- Correction of accounting error is performed at the date when an error has been notice, with the following remarks:
- The errors belonging to the current financial exercise are corrected before publishing financial statements, by reversing the incorrect transaction and posting the appropriate transaction;
- The errors belonging to the prior financial exercise are corrected according to their materiality level either by posting them to retained earning account in case of significant errors ot to profit and loss account, for the other cases;
- In case of accumulated loss resulted from correction of an error, this loss is coverred before profits are distributed
- Correction of the prior year errors does not involve a modification of prior year financial statements and hence they remain unchanged as they have initially been published;
- In case of error correction posted to retained earnings account, the Bank / Group takes the following actions:
- Makes the restatement of the prior period(s) comparatives when such an error has occurred;
- If the error has occurred before the prior periods disclosed in the financial statements, then the opening balances of the earliest prior period are fully restated for all assets, liabilities and shareholders' equity accounts.

Reclassifications

The Group has reclassified as at 31.12.2016 an amount of lei 6.342 thousand representing impairment of claims related to EximAsig from "Other operating expenses" to "Claims ceded to reinsurance".

HH. SUBSEQUENT EVENTS

Adjusting subsequent events – that bring additional new information about Bank's/Group's financial position as at preparation date or they denote that continuity principle is not fulfilled – are dully disclosed in these financial statements. Non-adjusting subsequent events are disclosed in the notes to financial statements when it is ascertained to have significant impact.

II. THE IMPACT OF IFRS 9 IMPLEMENTATION

Starting with January 1, 2018, the Bank applies the International Financial Reporting Standard IFRS 9 Financial Instruments, impacting both the classification and measurement of financial instruments and the determination of credit risk adjustments by recognizing the expected losses. The subsidiary, EximAsig, has not implemented IFRS 9 starting with January 1, 2018 as it has opted for the exemption from IFRS 17.

The adoption of IFRS 9 triggered the revision of commercial and risk strategies, accounting policies and procedures, changes to internal control documents, development of new risk models and associated methodologies, and new processes in risk management. Regular reporting on progress with the plan and the results of the review was provided to the senior management of the Bank for the entire period of the financial year 2017.

Differences from measurement and assets and liabilities accounting, resulting from the implementation of IFRS 9, are recognized in the equity of the Bank on January 1, 2018, in the equity accounts

Classification and measurement

Under IFRS 9, the Bank classifies the financial assets either at amortized cost or at fair value through other comprehensive income or at fair value through profit or loss based on the following criteria:
- the business model used for the management of the financial assets and
- the characteristics of the contractual cash flows of the financial asset.

The business model reflects how the bank manages its financial assets and cash flows genreated, determining whether the Bank purpose is to collect contractual cash flows, to sell the financial assets, or both. The aspects that the Bank considers when establishing its business model are: the history of cash flow collection, asset performance assessment, measuring and managing the associated risk.

FINANCIAL ASSETS

Financial assets at amortized cost

Category of financial assets measured at amortized cost includes: loans and advances (including placements with credit institutions and loans to customers) and debt securities.

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

The Bank classifies the financial assets at amortized cost if the following conditions are cumulatively met:

- the financial asset is held to collect contractual cash flows;
- the contractual terms of the financial asset generate, at certain dates, cash flows that are sollely payments of principal and interest for the principal due.

In order to test these conditions, the Bank assesses the lending agreements in terms of exclusive receipts from the principal and interest, hereinafter referred to as the SPPI test.

The purpose of the SPPI test is to determine whether a contract signed between the parties generates cash flows which represent only repayments of principal and interest calculated for the principal amount, at dates agreed through the payment schedule. The Bank considers that a financial asset can be measured at amortized cost only if it meets the conditions of the SPPI test. The contracts which are more complex, and do not include solely cash flows from principal and interest payments, are measured at fair value through profit or loss.

For the implementation of IFRS 9, the financial assets measured at amortized cost under IAS 39 will be classified as financial assets at amortized cost in accordance with IFRS 9.

Financial assets at fair value through other comprehensive income
Category of financial assets measured at fair value through other comprehensive income,includes: loans and advances (including placements with credit institutions and loans to customers) and debt securities.
A financial asset is measured at fair value through other comprehensive income if both of the below conditions are met:

- the financial asset is held for both contractual cash flows collection and held for sale, and
- the contractual terms of the financial asset generate, at certain dates, cash flows that are exclusively payments of principal and interest on the principal due.

The implementation of IFRS 9 results in the classification of a portfolio of fixed income securities amounting to RON 501,041 thousand from available-for-sale securities (recognized at fair value according to IAS 39) to securities measured at amortized cost, with a positive impact in the Bank's equity capital of RON 17,998 thousand, net of deferred tax.

In accordance with IFRS 9, the Bank has performed the fair value measurement of the equity instruments portfolio (companies: Transfond, SWIFT) with a positive impact on reserves of ROL 990 thousand, after deducting the deferred taxation.

Financial assets at fair value through profit and loss
Category of financial assets at fair value through profit or loss includes: loans and advances that have not passed the SPPI test (including placements with credit institutions and loans to customers), debt securities and equity instruments held for trading, and financial derivative instruments.

The Bank classifies the financial assets at fair value through profit or loss, if the asset is not measured at amortized cost or at fair value through other comprehensive income.

All outstanding financial assets held by the Bank and valued at 31 December 2017 at fair value through profit or loss in accordance with IAS 39 fully qualify for the same classification at fair value through profit or loss under IFRS 9.

Financial liabilities
Following the implementation of IFRS 9, the Bank's financial liabilities were classified at amortized cost, with no difference comparing to IAS 39.

Expected losses calculation
The criteria applied for the classification of exposures as non-performing exposures result in an equivalent definition to defaulted and impairement category, as follows:

- the number of days past due at the client level in case of exposure to non-financial customers and credit institutions is higher than 90 days and 7 days, respectively;
- the customer is unlikely to pay, at least one of the following conditions being met:

- the insolvency proceeding was opened,
- ceases the recognition of interest on the loan obligation;
- the Bank recognizes a specific charge for adjusting credit risk resulting from a significant deterioration of the credit quality, after origination date;
- loans are impaired at origination/initial recognition;

- loans that do not meet the conditions of exit from the non-performance status (minimum 1 year, significant payments, etc.);
- impaired financial assets for which the impairment assessment indicates an impairment loss, including other identified adverse factors related to debtor/ industry/exposure specifically assessed (negative market signals, material arrears/delays to other banks, payment incidents, enforcement initiated by third parties, etc.).

Purchased or originated credit impaired loans are assets that are impaired as a result of credit risk on initial recognition. The Bank considers the loans originated to be impaired if, following restructuring operations for performing or non-performing exposures, the present value of the expected cash flows based on the new agreement decreases by more than 10% compared to the present value of cash flows as required contract before the changes to the terms and conditions of the contract.

For the purpose of expected credit lossess calculation, the Bank's financial assets are classified into one of the following categories:

- Stage 3: Impaired financial assets, ie all financial assets classified as non-performing;
- Stage 2: Financial assets whose credit risk has significantly increased as compared to the initial recognition (eg debt service is over 30 days, worsening financial performance, foreborne exposures during the probation period, other adverse aspects have been identified in relation to the borrower/industry/ exposure negative market signals, outstanding in other banks, payment incidents, third party executions, etc.);
- Stage 1: Financial assets whose credit risk has not significantly increased as compared to the initial recognition;

Impaired exposures at initial recognition (impaired exposures at origination) are classified to stage 3, during exposure lifetime. Life time expected credit losses adjustments are estimated based on an individual basis assessment.

The implementation of IFRS 9 standard triggers a transfer to impaired assets category (stage 3) of a portftolio amounting to RON 38,472 thousands from loans not impared under IAS39, as follows:
Risk parametters used for expected losses estimation are based on historical portfolio examination and macroeconomic forecasting scenarios, correlating default loan rate with Gross Domestic Product growth rate.

Credit risk expected losses are calculated complying with the following principles:

- 12 month expected credit losses (stage 1 financial assets) are derived at portfolio level; they are equal to the exposure at default multiplied by conditional marginal probability of default and multiplied by loss given default during a period of one year.
- Lifetime expected credit losses (stage 2 financial assets) are derived at portfolio level; they are equal to the exposure at default multiplied by conditional marginal probability of default and multiplied by loss given default during the whole residual life of the asset
- Impaired financial assets expected credit losses are calculated based on an individual assessment; they are equal to the value of the exposure at default less net present value of the cash flows realized from collateral proceeds and less cash flows recovered from company operational activity, according to the scenarios analysed by the bank with regard to the probability of a credit loss event.

IAS39/IFRS9	STAGE 1	STAGE 2	STAGE 3	TOTAL
Neither past due nor impaired loans	**2,503,155**	**158,205**	**35,309**	**2,696,669**
Past due loans, but not impaired	15,944	-	3,163	19,107
Impaired loans	-	-	223,134	223,134
Gross loans - total	**2,519,099**	**158,205**	**261,606**	**2,938,910**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)
(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified) 85

Expected credit losses are recognized as follows:
- In case of financial assets at amortised cost: charge to the profit and loss account and crediting loss allowances account – balance sheet;
- In case of financial assets at fair value through other comprehensive income: charge to the profit and loss account and crediting reserves account - equity.

The implementation of the new methodology for credit risk calculation (expected losses according to IFRS 9 versus incurred losses according to IAS 39) will result in a reduction of retained earnings amount to RON 31,368 thousands, as it is elaborated below:

- additional charge for expected losses calculated for credit institutions and Central Bank exposures amounting to 424 thousands RON;
- additional charge for expected losses calculated for loans to customers amounting to 31,301 thousands RON, impacting shareholders' equity of the bank (retained earnings), as follows:
- additional charge for expected losses calculated for sundry debtors amounting to 1,254 thousands RON;
- additional charge for expected losses calculated for fixed income instruments classified to amortised cost financial assets category amounts to 106 thousands RON;
- additional charge for expected losses calculated for commitments and contingent liabilities further to IFRS 9 implmenetation amounts to 3,982 thousands RON;
- additional charge for expected losses calculated for fixed income securities classified to fair value through other comprehensive income triggers the reclassification to retained earnings of an amount of 276 thousands RON from reserves;
- deferred tax assets amounts to 5,974 thousands RON in relation to the above charges.

	EXPECTED CREDIT LOSSES IFRS9				IFRS9
	STAGE 1	STAGE 2	STAGE 3	TOTAL	TOTAL IMPACT
Neither past due nor impaired loans	-53,320	-11,020	-2,287	-66,627	-28,428
Past due loans, but not impaired	-81	-	-87	-168	-129
Impaired loans	-	-	-79,734	-79,734	-2,744
Total	**-53,401**	**-11,020**	**-82,108**	**-146,529**	**-31,301**

(v) Summary of the IFRS 9 implementation impact

The IFRS9 adoption net impact results in a reduction of the shareholders' equity of the bank by 12,103 thousands RON, as follows:
- The increase of reserves from fixed income securities at fair value through other comprehensive income by 19,265 thousands RON;
- A decrease in retained earnings by 31,368 thousands RON.

03. INTEREST INCOME

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Interest income related to:				
Loans to customers	80,043	80,473	72,352	72,352
Current accounts and deposits with banks	2,195	1,296	892	375
Negative interest on deposits taken	251	251	113	113
Reverse repurchase agreements	194	194	208	208
Available for sale financial assets	54,563	54,563	52,708	52,708
Held-to-maturity investments	306	-	2,763	2,576
	137,552	**136,777**	**129,036**	**128,332**

The income related to impaired loans, both at Group and Bank level, amounted to RON 8,573 thousand in 2017, respectively 5,318 thousands RON in year 2016.

04. INTEREST EXPENSE

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Interest expense related to:				
Deposits taken from MPF	14,324	14,324	15,136	15,136
Deposits taken from banks	4,006	4,003	1,785	1,785
Negative interest on deposits placed with banks	89	89	23	23
Customers deposits	11,846	11,852	7,009	7,033
	30,265	**30,268**	**23,953**	**23,977**

The methodology for determining the interest expense on deposits taken from Minstry of Public Finances (MPF) as well as details referring to the year on year variation are presented below in Note 23.

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

05. GAIN/(LOSS) ON IMPAIRMENT OF FINANCIAL ASSETS AND GUARANTEES

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Gain/(Loss) from allowances for loans (see note 17)	**-41,746**	**-41,746**	**-73,823**	**-73,823**
Recoveries from loans written off	**9,910**	**9,910**	**15,365**	**15,365**
Impairement charge of sundry debtors in the current period (see note 21)	-6,148	-4,038	-3,232	-1,621
Impairement release of sundry debtors in the current period (see note 21)	4,089	3,807	3,102	1,883
Gain/(Loss) from sundry debtors provisions (see note 21)	**-2,059**	**-231**	**-130**	**262**
Recoveries related to sundry debtors written off	**2,002**	**2,002**	**377**	**377**
Provisions charge for commitments and contingent liabilities	-13,212	-13,212	-8,285	-8,285
Provisions release for commitments and contingent liabilities	14,661	14,661	2,588	2,588
Provisions for commitments and contingent liabilities (see note 26)	1,449	1,449	-5,697	-5,697
Allowances for the impairment of subsidiaries investment (see note 18)	-	-5,389	-	-13,628
Other provisions (see note 26)	-	-	-37	-
	-30,444	**-34,005**	**-63,945**	**-77,144**

06. GAIN/(LOSS) ON FOREIGN EXCHANGE DIFFERENCES, DERIVATIVE FINANCIAL INSTRUMENTS AND TRADING

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Gains/(Losses) on exchange rate differences	16,361	15,992	9,058	9,202
Gains/(Losses) from interest rate derivatives	-324	-324	2,436	2,436
Gains/(Losses) from fx derivatives	-3,672	-3,672	785	785
Gains/(Losses) from trading financial instruments	19	19	53	53
Gains/(Losses) on derivative financial instruments	3,977	3,977	3,274	3,274

Gains/(Losses) on exchange rate differences include the following:
- Gains or losses arising from foreign exchange spot transactions;
- The net result arising from the revaluation of all assets and liabilities denominated in foreign currencies.

Gains/(Losses) on derivative financial instruments include the following:
- Unrealized gains or losses related to interest rate derivatives (determined based on alternative valuation methods using market observable data);
- Unrealized gains or losses related to derivatives on exchange rate transactions, unsettled at the balance sheet date (determined based on alternative valuation methods using market observable data);
- Unrealized gains or losses related to fixed income bonds designated as trading (determined based on market quotations).

07. NET GAIN ON AVAILABLE FOR SALE FINANCIAL ASSETS

During 2017 the Group / Bank recorded a gain in amount of RON 4,279 thousand (2016: RON 26,275 thousand) from the disposal of available for sale financial assets, including treasury bills and bonds denominated in RON and/or EUR.

08. NET FEE AND COMMISSION INCOME

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Commission income				
Commissions income from transactions with clients	287	287	251	251
Commissions income from letter of guarantees	6,657	6,657	4,658	4,658
Commissions mandate operations	14,429	14,429	17,061	17,061
Commision from state on mandate operations	4,297	4,297	4,540	4,540
Commissions income from intermediaries and beneficiaries of products offered on behalf of the State	10,132	10,132	12,521	12,521
Commissions income from import letters of credit	318	318	140	140
Commissions income from banking transactions	396	396	373	373
Other commissions income	4,592	4,592	3,060	3,060
	26,679	**26,679**	**25,543**	**25,543**
Commission expense	**-2,552**	**-2,514**	**-1,812**	**-1,778**
Net fee and commission income	**24,126**	**24,165**	**23,731**	**23,765**

The calculation details of commission income from state funds mandate operatiomns as well as details referring to the annual variation are presented below in Note 24.

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

09. NET INCOME FROM INSURANCE ACTIVITIES

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Gross written premium income, net of reinsurance (a)	4,944	-	6,642	-
Gross written premium	12,831	-	11,625	-
Premiums ceded to reinsurance	-7,885	-	-4,983	-
Technical reserves variation expenses, net of reinsurance	4,058	-	-9,795	-
Income from reinsurance commissions	1,523	-	824	-
Acquisition and other underwriting expenses	-1,243	-	-3,266	-
Other technical expenses, net of reinsurance (b)	-172	-	-427	-
Claims related to insurance contracts	-18,329	-	-12,866	-
Claims ceded to reinsurers*)	18,157	-	12,439	-
Income from insurance, net	**9,112**	**-**	**-6,022**	**-**

*) The Group reclassified as at 31.12.2016 an amount of RON 6,342 thousand representing allowances for claims, from "Other operating expenses" to the line " Claims ceded to reinsurers".
(a) Income from gross written premiums include mainly premiums from insurance for loans and guarantees;
(b) Other technical expemnses, net of reinsurance, include mainly credit insurance remedies paid.

10. OTHER INCOME

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Income from contractual penalties	1,320	1,320	928	928
Other income	395	222	2,422	407
Operational leasing income (rentals)	4,463	4,463	4,257	4,257
Dividends and similar income	**483**	**483**	**443**	**443**
	6,661	**6,488**	**8,050**	**6,035**

11. SALARIES AND SIMILAR EXPENSES

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Salaries expense	47,085	43,181	51,117	46,717
Net provision releases, utilizations, charges	1,317	1,317	-7,596	-7,596
Total salaries expenses	**48,402**	**44,498**	**43,521**	**39,121**
Payments related to collaborators (i)	7,988	7,988	7,341	7,341
Net provision releases, utilizations, charges	-1,258	-1,258	1,676	1,676
Total collaborators expenses	**6,730**	**6,730**	**9,017**	**9,017**
Layoff compensation payments	73	73	5	5
Net provision releases, utilizations, charges	273	273	-	-
Total layoff expenses	**346**	**346**	**5**	**5**
Employer contribution related to salaries	**12,645**	**11,755**	**12,473**	**11,511**
Retirement severance expenses	32	32	65	65
Net provision releases, utilizations, charges	-21	-21	266	266
Total retirement benefits	**11**	**11**	**331**	**331**
Other salary related expenses	**747**	**747**	**704**	**704**
Total salaries and similar expenses *)	**68,881**	**64,087**	**66,051**	**60,689**

Details regarding the movement in provisions are presented below in note 26.

(i) Expenses with collaborators include the rights of administrators, executives and non – executives under mandate contracts, as well as indemnities for General Shareholders Meeting members and members of the Interministerial Committee for Foreign Trade, Loans and Guarantees, in accordance with Law 96/2000 (note 23, "State Funds ").

12. OTHER OPERATING EXPENSES

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Taxes	1,073	1,004	1,034	1,026
Postal and telecommunication expenses	3,425	3,359	3,378	3,304
Maintenance expenses	5,092	4,919	4,776	4,618
Advertising, protocol and sponsorship expenses	3,224	3,172	3,166	3,095
Consumables	1,223	1124	1,540	1,436
Water and energy	680	680	693	693
Rent expenses	5,081	5,081	5,033	5,033
Consulting services	1,325	1026	1,308	657
Other services provided by third parties	3,004	2,059	2,952	1,952
Security expense	629	629	560	560
Expenses on Guarantee Fund	5,464	5,464	1,682	1,682
Other expenses *)	1,288	307	3,506	302
	31,508	**28,824**	**29,628**	**24,358**

*) The Group reclassified as at 31.12.2016 an amount of RON 6,342 thousand representing allowances for claims, from "Other operating expenses" to the line "Claims ceded to reinsurers".

Group/Bank audit and non-audit expenses related to services provided by the statutory auditor are disclosed below:

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Statutory audit expenses	363	213	354	153
Non-audit service expenses	181	181	224	80
Total	**544**	**394**	**578**	**233**

13. INCOME TAX

The main components of income tax are:

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Current income tax	1,740	1,740	2,269	2,269
Deferred income tax	**3,855**	**3,855**	**-2,813**	**-2,813**
	5,595	**5,595**	**-544**	**-544**

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

Reconciliation of tax expense to the accounting profit is presented below:

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Profit before tax (A)	**26,008**	**20,403**	**3,743**	**4,729**
Tax rate: 16%	4,161	3,264	599	757
Tax effect of non-taxable income	-4,237	-4,192	-3,425	-2,941
Tax effect of non-deductible expenses	4,065	4,547	4,398	4,791
Tax effect - reserves distributions	-163	-163	-38	-38
Tax effect of tax deductions/prudential filters	-1,510	-1,510	-	-
Impact of tax losses carried forward	**-370**	**0**	**1,035**	**-**
Tax profit before tax credit	1,946	1,946	2,569	2,569
Tax credit	**-206**	**-206**	**-301**	**-301**
Current profit tax	1,740	1,740	2,268	2,268
Effect of origination and reversal of temporary differences	**3,854**	**3,854**	**-2,812**	**-2,812**
Income tax recognized in profit and loss (B)	5,594	5,594	-544	-544
(+)=expense/(-)=income				
Effective tax rate (B/A%)	**24.5%**	**27.4%**	**-14.5%**	**-11.5%**

The differences between the fiscal regulations and accounting standards used in preparing these financial statements generated temporary differences in the carrying amount of assets and liabilities, for which deferred taxation is applied.

BANK/GROUP*	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS	
	2017	2016	2017	2016
Deferred tax (through profit or loss)				
Retirement benefits	184	188	-4	42
Other provision regarding employees	1,090	1,023	67	-928
Loan provisions	1,291	1,518	-227	1,518
Impairment of investment in subsidiary	-	5,107	-5,107	2,180
Prudential filters	-1,510	-	-1,510	-
	1,055	**7,836**	**-6,781**	**2,812**
Transfer to current income tax	-	2,927	2,927	-
	1,055	**4,909**	**-3,854**	**2,812**
Deferred through equity				
Reevaluation reserve	-4,889	-4,889	-	-
Available-for-sale investments, fair value adjustment	7,044	-778	-	-
Net deferred tax	**3,210**	**-758**	**-3,854**	**2,812**

*) The value of deferred tax is the same for Bank and Group.

The Bank/The Group computed deferred income tax using the statutory tax rate of 16% for 2017 and 2016, tax rate which is applicable since 1 January 2005. The Bank/The Group did not compute deferred income tax for the statutory reserves recognized in accordance with Romanian Banking and Company Laws considering the applicable tax framework.

14. ACCOUNTS WITH THE NATIONAL BANK OF ROMANIA

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Current account in RON	182,381	182,381	57,098	57,098
Current account in foreign currency	**24,308**	**24,308**	**23,694**	**23,694**
Total	**206,689**	**206,689**	**80,792**	**80,792**

Current accounts in RON at the National Bank of Romania represent the minimum mandatory reserve. The balance as at 31 December 2017 is higher than the one as at 31 December 2016 due to the higher average reservable liability balances during observation period, respectively RON 169,268 thousand for 24 December 2017 – 23 January 2018 and RON 93,393 thousand for 24 December 2016 – 23 January 2017.

For reservable liabilities in foreign currency, minimum mandatory reserve kept in accounts opened with National Bank of Romania, complies with the calculated average level of EUR 4,156 thousand for application period 24 December 2017 – 23 January 2018. For the period 24 December 2016 -23 January 2017 calculated level of minimum reserve requirements was EUR 3,941 thousand.
The interest rate paid by National Bank of Romania in 2017 varied in a ranged between 0.08% and 0.10% for reserves held in RON (2016: between 0.10% and 0.14%), while for the reserves held in Euros the interest rate paid ranged between 0.02% and 0.05% (2016: between 0.05% and 0.09%).

As at 31 December 2017, the minimum reserve requirements were set at 8% for both local currency and balances denominated in USD or EUR (31 December 2016: 8% for RON and 10% for USD or EUR).

15. DUE FROM BANKS

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Repayable on demand and sight deposits	95,897	89,017	32,430	32,107
Term deposits	55,761	36,034	84,012	55,374
Collateral deposits	1,398	1,398	1,362	1,362
Reverse repo	50,578	50,578	-	-
Total	**203,634**	**177,027**	**117,804**	**88,843**

Average interest rates on term deposits placed by the Bank/ Group during 2017 ranged as follows:
- 0.35% to 2.55% - for RON deposits (0.25% to 0.75% in 2016);
- 0.00% to 0.02% - for EUR deposits (0.00% to 0.10% in 2016).

Collateral deposits amounting to 1,398 thousand lei include deposits for interest rate swaps (financial derivatives).

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank/Group has the following outstanding derivative transactions:

		FAIR VALUET	
	NOTIONAL	ASSETS	LIABILITIES
2017: Financial Derivatives	**597,135**	**1,627**	**3,008**
Forex Swap Instruments	466,223	-	2,956
Rating Moody's A1	46,597	-	481
Rating Moody's A2	93,194	-	441
Rating Moody's Baa1	-	-	-
Rating Moody's P1	326,432	24	2,035
Forex Forward Instruments (no rating)	50,646	498	52
Interest rate instruments (A2)	80,266	1,105	-
2016: Financial Derivatives	**537,140**	**1,366**	**-1,941**
Forex Swap Instruments	421,133	-	-1,941
Rating Moody's A1	66,928	-	-251
Rating Moody's A2	240,678	-	-1,155
Rating Moody's Baa1	45,411	-	-228
Rating Moody's P1	68,117	-	-306
Forex Forward Instruments (no rating)	27,247	174	-
Interest rate instruments (A2)	88,760	1,192	-

The exchange rate derivatives are revalued using the forward rate for the remaining tenor, determined based on the NBR spot rate and the interest reference rate for the period remaining period, while the market value of interest rate derivatives (denominated in USD) is calculated using the "zero-coupon" yield curve for government bonds in USD.

17. LOANS

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Loans in RON - public authorities	460,988	460,988	343,746	343,746
Loans in RON – corporate clients	1,916,450	1,916,450	1,537,499	1,537,499
Loans in foreign currency- corporate clients	561,472	561,472	404,972	404,972
Total exposure	**2,938,910**	**2,938,910**	**2,286,217**	**2,286,217**
Allowances for loans in RON– public authorities	-156	-156	-116	-116
Allowances for loans in RON – other legal	-95,465	-95,465	-109,862	-109,862
Allowances for loans in foreign currency – other legal	-19,607	-19,607	-16,260	-16,260
Specific adjustments to impaired loans	-76,990	-76,990	-90,166	-90,166
Impairment happened but unidentified	-38,238	-38,238	-36,072	-36,072
Total impairment adjustments	**-115,228**	**-115,228**	**-126,238**	**-126,238**
Total loans, net	**2,823,682**	**2,823,682**	**2,159,979**	**2,159,979**

a) Movement in provisions

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Impairment provision, opening balance	**126,238**	**126,238**	**85,025**	**85,025**
Impairment adjustments	126,883	126,883	86,674	86,674
Accrued interest on impaired loans	-645	-645	-1,649	-1,649
Gain/Loss from provisions in the current period (note 5)	**41,746**	**41,746**	**73,823**	**73,823**
Impairment adjustments	48,511	48,511	78,322	78,322
Accrued interest on impaired loans	-6,765	-6,765	-4,499	-4,499
Release of provisions related to loans written off	**-55,144**	**-55,144**	**-32,679**	**-32,679**
Release of impairment provisions	-52,165	-52,165	-38,181	-38,181
Accrued interest on impaired loans	-2,979	-2,979	5,502	5,502
Gain/Loss from exchange rate	**2,389**	**2,389**	**69**	**69**
Impairment adjustments	6,157	6,157	68	68
Accrued interest on impaired loans	-3,768	-3,768	1	1
Impairment provision, closing balance	**115,228**	**115,228**	**126,238**	**126,238**
Provisions related to impaired loans	119,642	119,642	126,883	126,883
Accrued interest on impaired loans	-4,414	-4,414	-645	-645

b) Analysis by industry

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Public authorities	**460,988**	**460,988**	**343,746**	**343,746**
Other economic sectors	**2,477,923**	**2,477,923**	**1,942,471**	**1,942,471**
A. Agriculture, forestry and fishing	111,409	111,409	77,323	77,323
B. Mining industry	107,609	107,609	107,429	107,429
C. Manufacturing	1,117,996	1,117,996	997,530	997,530
D. Electricity, gas, steam and air conditioning supply	34,242	34,242	55,106	55,106
E. Water supply	66,632	66,632	78,605	78,605
F. Construction	28,991	28,991	17,237	17,237
G. Retail and wholesale trade	359,710	359,710	316,577	316,577
H. Transportation and storage	123,386	123,386	102,014	102,014
I. Accommodation and restaurants	17,109	17,109	15,608	15,608
J. Information and communication	27,299	27,299	23,032	23,032
K. Financial services	357,132	357,132	91,817	91,817
L. Real estate activities	646	646	862	862
M. Professional, scientific and technical activities	116,808	116,808	43,306	43,306
N. Administrative and support activities	7,537	7,537	15,326	15,326
P. Education	1,094	1,094	-	-
Q. Health and social work services	323	323	595	595
R. Other services	-	-	104	104
Total portfolio	**2,938,911**	**2,938,911**	**2,286,217**	**2,286,217**

The Bank gantes financing primarly to the companies residents in Romania representing 97% of total customer loans portfolio, the remainders are exposures to non resident import factors in non recourse factoring agreements.

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

c) Analysis of credit quality, before impairment adjustments

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Total loans and receivables not impaired:	**2,715,776**	**2,715,776**	**1,950,179**	**1,950,179**
Neither past due, nor impaired	2,696,669	2,696,669	1,947,349	1,947,349
Past due but not impaired:	19,107	19,107	2,830	2,830
Less than 30 days overdue	19,107	19,107	1,417	1,417
Overdue between 31 -60 days	-	-	1,413	1,413
Overdue between 61 -90 days	-	-	-	-
Overdue over 90 days	-	-	-	-
Total loans and receivables impaired:	**223,134**	**223,134**	**336,038**	**336,038**
Current debt service or under 30 days	168,916	168,916	309,763	309,763
Debt service over 30 days	54,218	54,218	26,275	26,275
Total portfolio	**2,938,910**	**2,938,910**	**2,286,217**	**2,286,217**

The distribution by industries of indirect exposures represented by loan commitments and letter of guarantees is disclosed below:

	31-DEC-17 LOAN COMMITMENTS GROUP	31-DEC-17 LETTERS OF GUARANTEE BANK	31-DEC-16 LOAN COMMITMENTS GROUP	31-DEC-16 LETTERS OF GUARANTEE BANK
A. Agriculture. forestry and fishing	38,109	38,109	27,813	16,216
B. Mining industry	1,500	1,500	70	1,500
C. Manufacturing	136,962	136,962	122,585	208,780
D. Electricity and gas supply	-	-	9,985	5,457
E. Water supply	7,336	7,336	5,292	11,336
F. Construction	286,169	286,169	1,024	83,902
G. Retail and wholesale trade	51,305	51,305	40,043	45,792
H. Transportation and storage	3,740	3,740	1,631	1,041
I. Accommodation and restaurants	-	-	3,643	-
J. Information and communication	84,891	84,891	63	75,901
K. Financial intermediation	-	-	271,323	330
M. Professional. scientific and technical activities	72	72	2,063	232
N. Administrative and support activities	1,784	1,784	248	1,436
O. Local And Central Administrations	-	-	121,690	-
R. Art. entertainment and leisure actvities	712	712	-	707
S. Other services	-	-	342	-
Total portofoliu	**612,580**	**612,580**	**607,815**	**452,630**

18. INVESTMENTS

a) Investments in subsidiaries

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Investments in subsidiaries	-	61,353	-	61,353
Impairment adjustments	-	-37,310	-	-31,921
Subordinated loan convertible into shares	-	20,080	-	-
Total	**-**	**44,123**	**-**	**29,432**
% Participation held		97.05%		97.05%

The investment, amounting to RON 61,353 thousand, represents 97.05% of the share capital of the Company Insurance-Reinsurance Exim Romania ("EximAsig"), with no rating asigned.

Further to the impairment test performed by the Bank as at 31 December 2017 and 31 December 2016, impairment triggers were identified; cumulative impairment of investment in subsidiary EximAsig amounts to RON 37,310 thousand and RON 31,921 thousand as at 31 December 2017 and 31 December 2016, respectively; during financial exercise 2017 an impairement charge was recognized to the profit and loss, amounting to RON 5,389 thousand (2016: RON 13,628 thousand).

The Bank's participation in EximAsig was revalued using the income approach, which is based on the net present value of the future cash flows (available to the shareholders) method, estimated for a seven-year period. Projection of future cash flows was based on the data estimated by EximAsig subsidiary for the period 2018-2024. In order to estimate the terminal value, it was used an additional forecasted adjusted year (2025) representative for the company long-term growth (projected perpetuity year with a growth rate of 3%). Future cash flows have been discounted by cost of capital of 12.86%.

In order to ensure compliance during 2017 with Solvency II requirements of EximAsig, the Bank has decided to grant a subordinated convertible loan into shares amounting to RON 20,000 thousand. The subsidiary has initiated legal proceedings to convert the subordinated loan into equity. In 2016, the subsidiary EximAsig proceeded to a capital increase of RON 20,000 thousand by cash contribution. Eximbank participated in the capital increase of its subsidiary with RON 19,987 thousand, the difference of RON 13 thousand coming from minority shareholders. After the capital increase, the stake of minority shareholders was diluted. At the same time, EximAsig performed the reduction of share capital by RON 26,466 thousand in order to cover the losses carried forward, by reducing the nominal value from RON 10 to RON 4 for one share.

b) Available for sale investments

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Debt instruments – bonds and securities (cost)	2,155,736	2,155,736	1,769,448	1,769,448
Accrued interest	41,590	41,590	35,992	35,992
(Decrease) /increase in fair value of investments	-44,035	-44,035	4,900	4,900
Total investments at fair value	2,153,291	2,153,291	1,810,340	1,810,340
Other investments at cost	167	167	167	167
Total	**2,153,458**	**2,153,458**	**1,810,507**	**1,810,507**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

As at 31 December 2017, the Bank/Group held the following categories of fixed income financial instruments:

a. Debt instruments of central government denominated in lei issued by the Ministry of Public Finance of Romania;
b. Debt instruments of central government denominated in foreign currency issued by Ministry of Public Finance of Romania;
c. Bonds issued by other credit institutions;
d. Bonds issued by Primaria Municipiului Bucuresti.

Available for sale investments are measured at fair value based on market prices of listed securities (classified as level 1) or using alternative valuation techniques in the case of bonds issued by other credit institutions (classified as level 2).

The fair value of unlisted securities (classified as level 3) is estimated using appropriate models and assessment methods based on specific investor's financial results.

In order to calculate the fair value of available for sale securities, classified as level 2, for which market prices are not quoted, the Bank / Group uses valuation technicques based on observable market data; price is calculated based on observable data (interest rates, swap quotes, CDS quotations), retrieved from markets corresponding to currencies in which the securities owned are denominated.

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
MPF Treasury Bills (Baa3*)	514,349	514,349	326,581	326,581
MPF Bonds (Baa3-)	1,428,543	1,428,543	1,307,696	1,307,696
PMB Bonds (Baa3)	159,787	159,787	91,370	91,370
JP MORGAN Bonds (Aa2)	0	0	31,852	31,852
UNICREDIT TIRIAC BANK S,A, Bonds (Fitch BBB)	40,877	40,877	42,795	42,795
Banque Internationale à Luxembourg Bonds (A2)	9,735	9,735	10,046	10,046
Transfond, Swift Shares (no rating)	167	167	167	167
Total	**2,153,458**	**2,153,458**	**1,810,507**	**1,810,507**

The ratings are given by the Moody's rating agency, unless otherwise stated.

As at 31 December 2017 The Bank/Group set up collaterals consisting of bonds with a nominal value of RON 3,000 thousand (31 December 2016: RON 3,000 thousand), in favor of the National Bank of Romania which acts as the administrator of the real time payments system ReGIS, in order to ensure the settlement operations run by the Bank/Group through electronic clearing multilateral interbank payments - SENT.

c) Investments held to maturity

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
MPF Bonds (Baa3 *)	39,655	-	15,262	-
Accrued interest	846	-	404	-
Total	**40,501**	**-**	**15,666**	**-**

*The rating of MPF is assigned by external rating agency Moody's.

Investments held to maturity are carried at amortized cost.

The Bank/Group assesses individually whether there are objective indicators of impairment. If there is objective evidence that an impairment has occurred, the impairment loss is measured as the difference between the book value of assets and the present value of future cash flows. The assets book value is reduced and the loss amount is recognized in the statement of profit or loss.

As at 31 December 2017 and as at December 31, 2016, the portfolio of financial instruments held to maturity of the Bank/Group consists of bonds issued by Ministry of Finance of Romania in local currency

d) Financial instruments held for trading

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
MPF Bonds (Level 1) (Baa3)	73,909	73,909	17,582	17,582
Total	**73,909**	**73,909**	**17,582**	**17,582**

The financial instruments held for trading are measured at fair value, based on the market price of listed securities (classified as level 1) .

As at 31 December 2017 and as at 31 December 2016 the portfolio of financial instruments held for trading of the Bank/Group consists of bonds issued by the Ministry of Public Finance of Romania in the local currency.

EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2017
(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

19. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

BANK (AS AT 31 DECEMBER 2017)	LAND AND BUILDINGS	IMPROVEMENTS RENTED LOCATIONS	COMPUTER, EQUIPMENT, FURNITURE	VEHICLES	TANGIBLES, IN PROGRESS	TOTAL PROPERTY AND EQUIPMENT	INTANGIBLES	INTANGIBLES, IN PROGRESS	TOTAL INTANGIBLES	TOTAL
COST										
As at 1 January 2017	**5,651**	**1,285**	**26,045**	**4,128**	**37**	**37,146**	**27,848**	**1,919**	**29,767**	**66,913**
Additions	-	49	1,920	59	197	**2,225**	1,087	1,063	**2,150**	**4,375**
Revaluation *)	-	-	-	-	-	**-**	-	-	**-**	**-**
Disposals	-	-141	-348	-	-	**-489**	(100)	-	**-100**	**-589**
Transfers between categories	-	-	19	-	-19	**-**	434	(434)	**-**	**-**
Transfers to investment property	-	-	-	-	-	**-**	-	-	**-**	**-**
As at 31 December 2017	**5,651**	**1,193**	**27,636**	**4,187**	**215**	**38,882**	**29,269**	**2,548**	**31,817**	**70,699**
ACCUMULATED DEPRECIATION										
As at 1 January 2017	**12**	**897**	**19,660**	**2,497**	**-**	**23,066**	**23,827**	**-**	**23,827**	**46,893**
Amortization for the year	142	237	2,663	664	-	**3,706**	2,885	-	**2,885**	**6,591**
Revaluation	-	-	-	-	-	**-**	-	-	**-**	**-**
Disposals	-	-141	-345	-	-	**-486**	-100	-	**-100**	**-586**
Transfers between categories	-	-	-	-	-	**-**	-	-	**-**	**-**
Transfers to investment property	-	-	-	-	-	**-**	-	-	**-**	**-**
As at 31 December 2017	154	993	21,978	3,161	-	**26,286**	26,612	-	**26,612**	**52,898**
Carrying value as at 31 December 2017	**5,497**	**200**	**5,658**	**1,026**	**215**	**12,596**	**2,657**	**2,548**	**5,205**	**17,801**
Carrying value as at 1 January 2017	**5,639**	**388**	**6,385**	**1,631**	**37**	**14,080**	**4,021**	**1,919**	**5,940**	**20,020**

*) The last valuation of buildings was performed in 2016 by expert valuators, ANEVAR members (The National Association of Romanian Appraisors). The estimation of market values was determined following the principles and evaluation techniques presented in International Valuation Standards (IVS) – edition 2013. The gross book value of fully depreciated tangible assets, still in use as at 31 December 2017 amounts to RON 15,166 thousand and the gross book value of fully amortized intangible assets, still in use amounts to RON 21,646 thousand.

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EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2017
(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified) 101

BANK (AS AT 31 DECEMBER 2016)	LAND AND BUILDINGS	IMPROVEMENTS RENTED LOCATIONS	COMPUTER, EQUIPMENT, FURNITURE	VEHICLES	TANGIBLES, IN PROGRESS	TOTAL PROPERTY AND EQUIPMENT	INTANGIBLES	INTANGIBLES, IN PROGRESS	TOTAL INTANGIBLES	TOTAL
COST										
As at 1 January 2016	**7,570**	**1,222**	**26,382**	**3,875**	**153**	**39,202**	**24,837**	**1,309**	**26,146**	**65,348**
Additions	8	63	1,067	253	19	**1,410**	2,146	1,475	**3,621**	**5,031**
Revaluation*)	295	-	-	-	-	**295**	-	-	**-**	**295**
Disposals	-	-	-1,477	-	-60	**-1,537**	-	-	**-**	**-1,537**
Transfers between categories	2	-	73	-	-75	**-**	865	(865)	**-**	**-**
Transfers to investment property	-2,224	-	-	-	-	**-2,224**	-	-	**-**	**-2,224**
As 31 December 2016	**5,651**	**1,285**	**26,045**	**4,128**	**37**	**37,146**	**27,848**	**1,919**	**29,767**	**66,913**
ACCUMULATED DEPRECIATION										
As at 1 January 2016	**390**	**647**	**18,513**	**1,820**	**-**	**21,370**	**19,683**	**-**	**19,683**	**41,053**
Amortization for the year	161	250	2,623	677	-	**3,711**	4,144	-	**4,144**	**7,855**
Revaluation	-539	-	-	-	-	**-539**	-	-	**-**	**-539**
Disposals	-	-	-1,476	-	-	**-1,476**	-	-	**-**	**-1,476**
Transfers between categories	-	-	-	-	-	**-**	-	-	**-**	**-**
Transfers to investment property	-	-	-	-	-	**-**	-	-	**-**	**-**
As at 31 December 2016	**12**	**897**	**19,660**	**2,497**	**-**	**23,066**	**23,827**	**-**	**23,827**	**46,893**
Carrying value as at 31 December 2016	**5,639**	**388**	**6,385**	**1,631**	**37**	**14,080**	**4,021**	**1,919**	**5,940**	**20,020**
Carrying value as at 1 January 2016	**7,180**	**575**	**7,869**	**2,055**	**153**	**17,832**	**5,154**	**1,309**	**6,463**	**24,295**

*) Revaluation of the land and the buildings in the amount of RON 834 thousand (out of which RON 295 thousand is a favorable difference for gross book value of the assets and the related depreciation in amount of RON 539 thousand) was recorded in counterparty with Revaluation reserve (RON 626 thousand) and Other operating income (RON 208 thousand).

The last valuation of buildings was performed in 2016 by expert valuators, ANEVAR members (The National Association of Romanian Appraisors). The estimation of market values was determined following the principles and evaluation techniques presented in International Valuation Standards (IVS) – edition 2013. The gross book value of fully depreciated tangible assets, still in use as at 31 December 2016 amounts to RON 14,251 thousand and the gross book value of fully amortized intangible assets, still in use amounts to RON 15,336 thousand.

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EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2017
(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified) 103

GROUP (AS AT 31 DECEMBER 2017)	LAND AND BUILDINGS	IMPROVEMENTS RENTED LOCATIONS	COMPUTER, EQUIPMENT, FURNITURE	VEHICLES	TANGIBLES, IN PROGRESS	TOTAL PROPERTY AND EQUIPMENT	INTANGIBLES	INTANGIBLES, IN PROGRESS	TOTAL INTANGIBLES	TOTAL
COST										
As at 1 January 2017	**5,651**	**1,285**	**28,047**	**4,641**	**37**	**39,661**	**31,694**	**1,919**	**33,613**	**73,274**
Additions	-	49	1,994	59	197	**2,299**	1,114	1,063	2,177	**4,476**
Revaluation*	-	-	-	-	-	**-**	-	-	-	**-**
Disposals	-	-141	-353	-	-	**-494**	-100	-	-100	**-594**
Transfers between categories	-	-	19	-	-19	**-**	434	-434	-	**-**
Transfers to investment property	-	-	-	-	-	**-**	-	-	-	**-**
As at 31 December 2017	**5,651**	**1,193**	**29,707**	**4,700**	**215**	**41,466**	**33,142**	**2,548**	**35,690**	**77,156**
ACCUMULATED DEPRECIATION										
As at 1 January 2017	**12**	**897**	**21,547**	**3,005**	**-**	**25,461**	**27,668**	**-**	**27,668**	**53,129**
Amortization for the year	142	237	2,696	669	-	**3,744**	2,892	-	2,892	**6,636**
Revaluation	-	-	-	-	-	**-**	-	-	-	**-**
Disposals	0	-141	-350	-	-	**-491**	-100	-	-100	**-591**
Transfers between categories	-	-	-	-	-	**-**	-	-	-	**-**
Transfers to investment property	-	-	-	-	-	**-**	-	-	-	**-**
As at 31 December 2017	**154**	**993**	**23,893**	**3,674**	**-**	**28,714**	**30,460**	**-**	**30,460**	**59,174**
Carrying value as at 31 December 2017	**5,497**	**200**	**5,814**	**1,026**	**215**	**12,752**	**2,682**	**2,548**	**5,230**	**17,982**
Carrying value as at 1 January 2017	**5,639**	**388**	**6,500**	**1,636**	**37**	**14,200**	**4,026**	**1,919**	**5,945**	**20,145**

*)The last valuation of the buildings was performed as of 31 December 2016 by expert valuators, ANEVAR members (The National Association of Romanian Appraisors). The estimation of market values was determined following the principles and evaluation techniques presented in International Valuation Standards (IVS) –edition 2013, using the market comparison approach. The gross book value of fully depreciated tangible assets, still in use as at 31 December 2017 amounts to RON 17,370 thousand and the gross book value of fully amortized intangible assets, still in use amounts to RON 25,297 thousand.

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EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2017
(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

GROUP (AS AT 31 DECEMBER 2016)	LAND AND BUILDINGS	IMPROVEMENTS RENTED LOCATIONS	COMPUTER, EQUIPMENT, FURNITURE	VEHICLES	TANGIBLES, IN PROGRESS	TOTAL PROPERTY AND EQUIPMENT	INTANGIBLES	INTANGIBLES, IN PROGRESS	TOTAL INTANGIBLES	TOTAL
COST										
As at 1 January 2016	**7.570**	**1.222**	**28.384**	**4.388**	**153**	**41.717**	**28.683**	**1.309**	**29.992**	**71.709**
Additions	8	63	1.083	253	19	**1.426**	2.146	1.475	**3.621**	**5.047**
Revaluation*	295	-	-	-	-	**295**	-	-	**-**	**295**
Disposals	-	-	-1.493	0	-60	**-1.553**	-	-	**-**	**-1.553**
Transfers between categories	2	-	73	0	-75	**0**	865	-865	**-**	**0**
Transfers to investment property	-2.224	-	-	-	-	**-2.224**	-	-	**-**	**-2.224**
As at 31 December 2016	**5.651**	**1.285**	**28.047**	**4.641**	**37**	**39.661**	**31.694**	**1.919**	**33.613**	**73.274**
ACCUMULATED DEPRECIATION										
As at 1 January 2016	**390**	**647**	**20.360**	**2.276**	**-**	**23.673**	**23.520**	**-**	**23.520**	**47.193**
Amortization for the year	161	250	2.663	729	-	**3.803**	4.148	-	**4.148**	**7.951**
Revaluation	-539	-	-	-	-	**-539**	0	-	**0**	**-539**
Disposals	-	-	-1.476	-	-	**-1.476**	0	-	**0**	**-1.476**
Transfers between categories	-	-	0	-	-	**0**	0	-	**0**	**0**
Transfers to investment property	-	-	0	-	-	**0**	0	-	**0**	**0**
As at 31 December 2016	**12**	**897**	**21.547**	**3.005**	**-**	**25.461**	**27.668**	**-**	**27.668**	**53.129**
Carrying value as at 31 December 2016	**5.639**	**388**	**6.500**	**1.636**	**37**	**14.200**	**4.026**	**1.919**	**5.945**	**20.145**
Carrying value as at 1 January 2016	**7.180**	**575**	**8.024**	**2.112**	**153**	**18.044**	**5.163**	**1.309**	**6.472**	**24.516**

*)The last valuation of the buildings was performed as of 31 December 2016 by expert valuators, ANEVAR members (The National Association of Romanian Appraisors). The estimation of market values was determined following the principles and evaluation techniques presented in International Valuation Standards (IVS) –edition 2013, using the market comparison approach. The gross book value of fully depreciated tangible assets, still in use as at 31 December 2016 amounts to RON 14,251 thousand and the gross book value of fully amortized intangible assets, still in use amounts to RON 15,336 thousand.

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20. INVESTMENT PROPERTY

The Bank/Group investment property is measured at fair value using the income method.

	BALANCE AS AT JANUARY 1, 2017	ADDITIONS	DISPOSALS	REVALUATION		BALANCE AS AT DECEMBER 31, 2017
				GAINS	(LOSSES)	
Land	9,672	-	-	74	-497	9,249
Building	29,597	-	-	878	-	30,475
Total	**39,269**	**-**	**-**	**952**	**497**	**39,724**

The Bank/Group revalued investment property owned in 2017 so as to determine the fair value of these investments based on the valuation report issued by an independent member ANEVAR using the income method.

Rental income from investment properties in 2017 amounted to RON 4,463 thousand (2016: 4,257 thousand).

	BALANCE AS AT JANUARY 1, 2016	ADDITIONS	DISPOSALS	REVALUATION		BALANCE AS AT DECEMBER 31, 2016
				GAINS	(LOSSES)	
Land	8,451	513	-	708	-	9,672
Building	26,725	1,711	-	1,161	-	29,597
Total	**35,176**	**2,224**	**-**	**1,869**	**-**	**39,269**

In 2016, the Bank/Group had transferred a real estate property, rented to a third party starting with June 2016, to investment property. Prior to its rental, the property was recognized at fair value as a tangible asset, included in the "Land and buildings" category. The fair value at the time of the transfer was RON 2,224 thousand. After the transfer of the property, no impairment was recognized for this property.

21. OTHER ASSETS

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Sundry debtors	36,991	11,580	22,289	7,778
Current income tax *)	560	560	11,158	11,158
Prepayments	6,051	6,012	10,197	10,169
Premium reserve - ceded to reinsurers	40,068	-	40,016	-
Deferred acquisition costs related to general insurance	1,761	-	565	-
Receivables from insurance	1,454	-	2,155	-
Commissions receivable operations in mandate	365	365	390	390
Others	99	99	19	19
Other assets, gross value	**87,349**	**18,616**	**86,789**	**29,514**
Impairment adjustment sundry debtors	-12,734	-5,680	-11,143	-5,942
Impairment adjustment insurance settlements	-966	-	-1,050	-
Total impairment adjustment	**-13,700**	**-5,680**	**-12,193**	**-5,942**
Other assets, net value	**73,649**	**12,936**	**74,596**	**23,572**

*) As at 31 December 2016, the Bank has a claim to recover from the state budget in the amount of RON 11,158 thousand, representing mainly anticipated payments during the year 2016 for income tax, which was collected during 2017. The amount to be recovered on the profit tax at 31 December 2017 is RON 560 thousand.

As at December 2017, sundry debtors at Group level, in total amount of RON 36,991 thousand, consist in:
- Current receivables from sundry debtors in amount of RON 24,219 thousand;
- Past due receivables, not impaired, related to sundry debtors in amount of RON 38 thousand;
- Impaired receivables from sundry debtors in amount of RON 12,734 thousand, fully provisioned.

As at December 2016, sundry debtors at Group ,in total amount of RON 22,289 thousand, consisted in:
- Current receivables from sundry debtors in amount of RON 16,068 thousand;
- Past due receivables, not impaired, related to sundry debtors in amount of RON 279 thousand;
- Impaired receivables from sundry debtors in amount of RON 5,942 thousand, fully provisioned.

22. DUE TO BANKS

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Current accounts and sight deposits from banks	45,003	45,003	257,670	257,670
Term deposits	266,092	266,092	239,847	239,847
Collateral deposits	-	-	201	201
Repurchase agreements	206,366	206,366	-	-
Total due to credit institutions	**517,461**	**517,461**	**497,717**	**497,717**

23. DEPOSITS DUE TO MINISTRY OF PUBLIC FINANCE (MPF)

In order to achieve the strategic objective of supporting the Romanian economy, the Bank/Group acts as an agent of the State, on behalf of and to the benefit of the State, offerring guarantees, financing and insurance products to corporate clients.

In accordance with Law 96/2000, as amended and supplemented, Bank/Group benefits from the establishment of the following funds at its disposal:

a) The Guarantee Fund - Law 96/2000 - art. 10 a,
b) The Fund for insurance and reinsurance operations - Law 96/2000 - art. 10 b,
c) The Fund for financing operations - Law 96/2000 - art. 10 c, which will be used to pay the commitments made by EximBank on behalf of and to the benefit of the State (Law 96/2000 - art. 12, paragraph 1).

The amounts which are temporarily available from the above mentioned funds are made available to EximBank as attracted deposits, necessary to support the banking business on its own behalf and to its own benefit, to enable the Bank to fulfill the objectives of stimulating foreign trade and the development and promotion of Romanian business environment (Law 96, Chapter 4, "EximBank SA - Activity on its own behalf and to its own benefit"). The above-mentioned funds remain available indefinitely for the Bank, except for those amounts which according to the Convention are maintained for a period of at least 5 years.

State funds available to the Bank/Group are presented in the consolidated and separate statement of financial position as financial liabilities in the "Deposits from MPF" caption, the detailed and comparative statement for 31 December 2017 and 31 December 2016 being as follows:

	31-DEC-17	31-DEC-16
Funds for export guarantees	1,471,721	1,532,421
Fund for insurance and reinsurance activities	40,371	38,940
Funds for stimulating exports	134,534	129,528
Total deposits due to MPF (principal)	**1,646,626**	**1,700,889**
Accrued interest	1,215	1,298
Total deposits due to MPF	**1,647,841**	**1,702,187**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

Assets and commitments funded or covered by State funds made available for the Bank/Group are not controlled by the Bank/Group and do not meet the conditions for recognition set by the International Financial Reporting Standards as adopted by the European Union, and consequently they were not included in the statement of the financial position of the Bank/Group.

Operations carried out by the Bank/Group on behalf of and to the benefits of State must be approved by the Interministerial Committee for Foreign Trade Loans and Guarantees, in accordance with Law 96/2000.

Sources and use of funds

In accordance with Law 96/2000, the financial sources of the funds are the following:

a) amounts received from the state - stipulated in the annual budget Law;
b) 25% of external receivables recovered by the State from debtor countries;
c) net amounts from insurance premiums;
d) recoveries from credit insurance;
e) recoveries from the owners of guarantees issued;
f) interest received from increasing the available amounts of the funds;
g) interest incumbent to subsidized interest and priority projects financing;
h) other sources, according to law.

Sources of state funds in 2016-2017 referred solely to commissions, interest and insurance premiums, reimbursements or recoveries, paid to the State by the intermediaries and beneficiaries of the products granted by EximBank in the name and account of the Romanian state.. Since 2009 no budgetary allocations were recorded and neither amounts drawn from foreign claims, actually recovered from debtor countries.

The Funds were used for financing agreements granted on behalf of and to the benefit of the State, interest compensations, executions, claims and commissions paid to related operations developed.

Interest on deposits from the Ministry of Public Finance

In accordance with Law 96/2000 with subsequent amendments, the interest paid by the bank for placement of funds provided by art. 10 is determined as the average of BID and ASK reference rates (fixing) of government securities for 1 year, published by the National Bank of Romania on the last working day of the year before the application. Interest is paid monthly on the first business day of the current month for the previous month, in the account of each fund use.

The cost of funding for 2017 was 0.87% (2016: 0.91%).

The interest expense related to State funds used is included in the consolidated statement of profit or loss in the "Interest Expense" caption, presented in note 4 of these financial statements.

The accrued interest on State funds is included in the amortized cost of these sources.

DEPOSITS FROM MPF / DESTINATION		FUND FOR EXPORTS GUARANTEES	FUND FOR INSURANCE AND REINSURANCE ACTIVITIES	FUNDS FOR STIMULATING EXPORTS	TOTAL FUNDS
Opening balance as at 1 January 2017					**1.700.889**
Budgetary allocations		-	-	-	-
Use	Funding	-	-	-	-
	Interest compensation	-	-	-	-
	Foreclosures/Claims	-114,850	-	-	-114,850
	Commissions – other payments	-4,523	-436	-995	-5,954
Sources	Financing reimbursements	-	-	2,658	2,658
	Recoveries	14,278	342	2,053	16,673
	Commissions/interest/ premiums	44,396	1,524	1,290	47,210
Closing balance as at 31 December 2017		**1,471,722**	**40,370**	**134,534**	**1,646,626**

DEPOSITS FROM MPF / DESTINATION		FUND FOR EXPORTS GUARANTEES	FUND FOR INSURANCE AND REINSURANCE ACTIVITIES	FUNDS FOR STIMULATING EXPORTS	TOTAL FUNDS
Opening balance as at 1 January 2016		**1,527,836**	**35,548**	**109,200**	**1,672,584**
Budgetary allocations		-	-	-	-
Use	Funding	-	-	-3,845	-3,845
	Interest compensation	-	-	-	-
	Foreclosures/Claims	-66,578	-	-	-66,578
	Commissions – other payments	-5,006	-551	-342	-5,899
Sources	Financing reimbursements	-	-	18,999	18,999
	Recoveries	23,034	2,041	2,577	27,652
	Commissions/interest/ premiums	53,135	1,902	2,939	57,976
Closing balance as at 31 December 2016		**1,532,421**	**38,940**	**129,528**	**1,700,889**

24. COMMISSION RECEIVABLE FROM THE STATE

In order to carry out the mandate operations, the Bank receives commission from the Romanian state or from the intermediaries and beneficiaries of the products granted by EximBank in the name and the account of the state.

Commissions owed to the bank by the State for the performance of its mandate operations are determined in accordance with the convention concluded by the bank with the Ministry of Public Finance as the percentage (allocation coefficient) of the interest paid to the State for the funds placed in deposits at EximBank. The allocation coefficient is calculated according to the degree of use of each fund, as a ratio between the commitments in force and the funds available at the end of the reporting month, with its maximum value being limited as of 1 July 2010 to 30%.

The coefficient is calculated on the last day of each month and applied the next month on the interest payable on State funds. During 2017, the average coefficient was 30% (2016: 30%).

The bank reveivables from Romanian state representing commisions calculated and not redeemded are disclosed in the individual and consolidate financial position as "Other Assets".

Accrued commissions are presented in the consolidated and separate statement of financial position as "Income from commissions"; commissions related to services provided in the current year are included in the consolidated and separate statement of profit or loss as "Commission income", presented in note 8 "Net commission income".

25. DUE TO CUSTOMERS

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Current accounts	250,283	250,587	108,774	108,775
Sight deposits	189,394	189,757	82,217	82,217
Term deposits	1,756,337	1,756,337	671,400	671,400
Collateral deposits	108,317	108,317	100,548	100,548
Other payables	46	46	0	0
	2,304,377	**2,305,044**	**962,939**	**962,940**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

Term deposits can be withdrawn before their maturity, in which case the interest income is computed based on current account interest rate prevailing at the date of withdrawal. Due to customers values eliminated on consolidation are RON 667 thousand at December 31, 2017, respectively RON 1 thousand at December 31, 2016.

Collateral deposits are mainly represented by:

- Cash collateral received for securing the loans granted by the Bank/ Group;
- Cash collateral received for letters of guarantee issued by the Bank/Group;
- Deposits for devices to access internet banking application.

The Bank/Group does not attract deposits from individuals, excepting cash collateral deposited by the employees acting as cashiers.

26. PROVISIONS

The Bank/Group has calculated provisions for financial guarantees, for employees liabilities, respectively: benefits for remainder days of annual leave, employee's performance bonus, pensions and similar obligations, litigations with employees and other compensatory payments, other litigations.

Provisions recognized as expenses in the year were reviewed and adjusted at each balance sheet date to reflect the best estimate of the expected benefits to be paid by the Bank/Group. The foreseeable period in which they are recognized as liabilities and paid to the employees is less than one year, except for provisions for other salary expenses and retirement benefit provisions.

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Provisions for letters of guarantees	8,068	8,068	9,488	9,488
Provisions for other liabilities related to salaries, of which:	4,492	4,492	4,579	4,579
-with deferred payment for less than 1 year;	541	541	752	752
- with deferred payment from 1 to 3 years;	666	666	598	598
Provisions for untaken vacation	2,392	2,392	1,974	1,974
Provisions for retirement benefits	1,152	1,152	1,173	1,173
-with deferred payment for less than 1 year;	150	150	41	41
- with deferred payment from 1 to 3 years;	94	94	142	142
- with deferred payment from 3 to 5 years;	94	94	119	119
- with deferred payment exceeding 5 years;	814	814	871	871
Other provisions (EximAsig*)	4,448	-	4,336	-
	20,552	**16,104**	**21,550**	**17,214**

Likely cash outflows provisions charge in the following financial years, as well as the use or reversal of provisions charged in previous financial years (as the cash outflow is no longer probable), is presented below:

2017 Financial year

GROUP	BALANCE AT 1 JANUARY 2017	PROVISION USE	PROVISION CANCELLATION	PROVISION CONSTITUTION	BALANCE AT 31 DECEMBER 2017
Provisions for letters of guarantee	**9,489**	-	-14,633	13,212	**8,068**
Provisions for other liabilities related to salaries, of which	**4,579**	-2,145	-428	2,486	**4,492**
Provisions for salary liabilities	**3,781**	-2,145	-428	2,213	**3,421**
Provisions for litigations	**798**	-	-	273	**1,071**
Provisions for untaken vacation	**1,974**	-1,684	-16	2,118	**2,392**
Other provisions - EximAsig*)	**4,336**	-	-	112	**4,448**

2016 Financial year

GROUP	BALANCE AT 1 JANUARY 2016	PROVISION USE	PROVISION CANCELLATION	PROVISION CONSTITUTION	BALANCE AT 31 DECEMBER 2016
Provisions for letters of guarantee	**3,787**	0	-2,583	8,285	**9,489**
Provisions for other liabilities related to salaries, of which:	**11,162**	-7,152	-2,660	3,229	**4,578**
Provisions for salary liabilities	**11,158**	-7,148	-2,660	2,430	**3,780**
Provisions for litigation	**4**	-4	0	798	**798**
Provisions for untaken vacation	**1,314**	-1,285	0	1,945	**1,974**
Other provisions - EximAsig	**6,199**	-1	-1,899	37	**4,336**

Movement of provision for retirement benefits:

	31-DEC-17	31-DEC-16
Opening balance	**1,173**	**907**
Interest cost	-139	123
Current service cost	50	38
Benefits paid	-105	-80
(Gain)/loss for the period	173	185
Final balance	**1,152**	**1,173**

The main assumptions used to determine post-employment retirement benefits were:

	31-DEC-17	31-DEC-16
Discount rate	4.4%	3.2%
Future increases in salaries *)	1.5%	1.5%

In accordance with IAS 19 Employee benefits, the Bank recognized in the balance sheet the liability related to long-term benefits for employees. In assessing the net liability from benefit plans, the Bank has followed the principles which need to be reflected into the actuarial measurement of the liabilities, respectively:

- actuarial valuation method must be the projected unit credit method;
- benefits must be related to time period when the employee earns these benefits;
- actuarial assumptions must be fair and mutually compatible.

27. OTHER LIABILITIES

	31-DEC-17	31-DEC-17	31-DEC-16	31-DEC-16
	GROUP	BANK	GROUP	BANK
Contribution to social security	2,039	2,052	1,220	1,198
Other liabilities to employees	187	-	226	-
Other sundry liabilities (Note 28)	104,654	17,832	89,350	14,289
Other liabilities to state budget	945	906	749	686
	107.825	**20.790**	**91,545**	**16,173**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

28. OTHER SUNDRY LIABILITIES

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Technical reserves – total, in which:	62,337	-	**66,230**	-
Premium reserve	14,010	-	10,877	-
Reserve for claims on general insurance	47,727	-	50,023	-
Other technical reserves relating to general insurance business *	600	-	5,330	-
Settlements on reinsurance operations - total, in which:	**22,522**	**-**	**7,637**	**-**
Ceding in reinsurance operations - loans	19,070	-	6,481	-
Reinsurance operations - insurance for guarantees	3,627	-	1,441	-
Ceding in reinsurance operations - other	-175	-	-285	-
Other sundry liabilities total, in which:	19,795	17,832	**15,483**	**14,289**
Sundry creditors	2,428	656	1,247	153
Interbank settlements	16,022	16,022	13,180	13,180
Suppliers	1,345	1,154	1,056	956
	104,654	**17,832**	**89,350**	**14,289**

*) It includes reserve for unexpired risks calculated based on the estimated damages that occur after the close of the financial year.

Technical reserves ceded to reinsurers are presented in other assets (note 21), the gross and net changes in reserves, during 2017, are as follows:

	31-DEC-17	31-DEC-16	NET VARIATION
Premium reserve	14,010	10,877	3,133
Reserve for claims	47,727	50,023	-2,295
Other technical reserves relating to general insurance business	600	5,330	-4,730
Technical reserves – gross value	**62,337**	**66,230**	**-3,892**
Premium reserve - the part ceded in reinsurance	7,167	4,381	2,786
Reserves for claims relating general insurance - the part ceded in reinsurance	32,901	35,635	-2,735
Other technical reserves ceded in reinsurance	**40,068**	**40,016**	**51**
Total technical reserves ceded in reinsurance	**22,269**	**26,214**	**-3,943**

29. DEFERRED INCOME AND ACCRUED EXPENSES

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Deferred income – for acting as agent of the State	8,320	8,320	8,869	8,869
Deferred income - risk margin and letter of credit commission	5,368	5,368	2,734	2,734
Deferred income on insurance guarantees	6	-	14	-
Outstanding expenses	932	932	345	341
	14,626	**14,620**	**11,962**	**11,944**

Deferred income represents upfront income related to future financial years for mandate operations and bank operations. Outstanding expenses represent liabilities for services rendered by third parties referring to the current period.

30. SHARE CAPITAL

	31-DEC-17	31-DEC-16
Statutory value (not restated, as per Trade Registry)	800,760	800,760
Restatement of share capital for hyperinflation (IAS 29)	900,714	900,714
	1,701,474	**1,701,474**

During 2017, respectively 2016, there was no modification of the share capital of the Bank. There were no changes in the shareholders' structure.

SHAREHOLDER	NUMBER OF SHARES AS OF 31 DECEMBER 2017	VALUE	NUMBER OF SHARES AS OF 31 DECEMBER 2016	VALUE
Romanian State through the Ministry of Public Finance	127,286,457	763,720	127,286,457	763,720
SIF Banat Crisana	414,740	2,488	414,740	2,488
SIF Moldova	414,740	2,488	414,740	2,488
SIF Transilvania	414,740	2,488	414,740	2,488
SIF Muntenia	564,870	3,389	564,870	3,389
SIF Oltenia	4,364,430	26,187	4,364,430	26,187
Total	**133,459,977**	**800,760**	**133,459,977**	**800,760**

The authorized, subscribed and fully paid in share capital of the Bank at 31 December 2017 is 133,459,977 shares with a nominal value of RON 6 (31 December 2016: 133,459,977 shares with a nominal value of RON 6). All issued shares are fully paid in and carry one vote right each.

The share capital structure as at 31 December 2017 and 31 December 2016 is as follows:

	31-DEC-17	31-DEC-16
Ministry of Public Finance	95.374%	95.374%
SIF Oltenia	3.270%	3.270%
SIF Muntenia	0.423%	0.423%
SIF Moldova	0.311%	0.311%
SIF Transilvania	0.311%	0.311%
SIF Banat Crisana	0.311%	0.311%
	100%	**100%**

31. DIVIDENDS

During 2017, the Bank paid dividends amounting to RON 5,037 thousand from the profit of the year 2016 (in 2016 the Bank paid dividends in the amount of 39,197 thousand lei from the profit of 2015).

32. RETAINED EARNINGS

	31-DEC-17 Group	31-DEC-17 Bank	31-DEC-16 Group	31-DEC-16 Bank
Retained earnings, undistributed	6,426	13,994	-8,715	5,243
Retained earnings, adjustment for inflation under IAS 29	-900,714	-900,714	-900,714	-900,714
Reserves (note 33)	226,422	226,282	225,390	225,261
	-667,866	**-660,438**	**-684,039**	**-670,210**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)
(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified) 115

Undistributed retained earnings include both the current year result and retained earnings remained undistributed from previous years. Retained earnings representing the adjustment for inflation required by IAS 29 refer to the share capital restatement according to the inflation index. Reserves include the capital reserve fund and other reserves set up in previous years, in accordance with legal regulations or resolutions of General Meetings of Shareholders.

33. RESERVES

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Legal reserves	56,599	56,459	55,568	55,439
Reserves for banking risks	22,896	22,896	22,896	22,896
Reserves representing bank's sources of financing	146,926	146,926	146,926	146,926
	226,421	**226,281**	**225,390**	**225,261**

Legal reserves are established in the limit 5% of profit before income tax deduction.General reserves for banking risks include reserves established until the end of 2006, in quotas and limits provided by law.

The reserves representing sources of own funding from assets and tax incentives are constituted out of the net profit, as decided by the General Meeting of Shareholders, an insignificant share of 2% from assets and tax incentives, according to the law at the time of their constitution.

The present financial statements include the accounting profit distribution for 2017 to the legal reserve in amount of RON 1,020 thousand, set up within the limit of 5% of gross profit (2016: RON 237 thousand).

Revaluation reserves

Revaluation reserves represent the realised surplus arising on revaluation of assets. The structure of revaluation reserves is as follows:

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
At 1 January	25,661	25,661	25,135	25,135
Revaluation surplus	-	-	626	626
Deferred tax	-	-	-100	-100
At 31 December	**25,661**	**25,661**	**25,661**	**25,661**

34. AVAILABLE FOR SALE RESERVE

The fair value of financial instruments available for sale decreased in the year 2017 by RON 48,887 thousand (2016: RON 13,052 thousand lei), the impact being recognized in equity as follows:

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
At 1 January	4,091	4,091	15,055	15,055
Net gains/(losses) from changes in fair value	-48,887	-48,887	-13,052	-13,052
Deferred tax	7,822	7,822	2,088	2,088
At 31 December	**-36,974**	**-36,974**	**4,091**	**4,091**

35. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS V

Guarantees and letters of credit

The Bank/Group issues letters of guarantee and letters of credit to its clients. The primary purpose of letters of credit is to ensure that funds are available to a customer demand. Standing warrants and letters of credit represent irrevocable commitments that the Bank/Group will make payments in the event that the customer can not fulfill his contractual obligations to a third party

The market and credit risk on these financial instruments, as well as the operating risk is similar to that arising from granting of loans, the exposure value being determined by the equivalent credit conversion factors.. In the event of a complaint against the Bank/Group as a result of a customer's default of a guarantee, these instruments also present a degree of liquidity risk for the Bank/Group.

Credit related commitments

Loans commitments granted 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/Group is potentially exposed to a loss equal to the amount of total unused commitments. However, the likely amount of loss, although difficult to quantify, is considerably lower than the total unused value of commitments since most of commitments to extend credit are contingent upon customers complying with specific credit standards. While there is some credit risk associated with remaining commitments, the risk is viewed as modest.

The bank monitors the unused liquidity and credit risk facilities, determining on a regular basis the equivalent credit conversion rate in order to provide the necessary financing sources.

In order to mitigate the credit risk associated with the commitments and contingencies, the Bank/Group obtains collaterals in the term of cash, State and bank guarantees and mortgages and pledges over properties.

The aggregate amount of outstanding commitments and contingencies, including contingent assets, is as follows:

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Letters of guarantee issued to customers	444,221	444,221	278,526	278,526
Undrawn guarantee commitments	259,919	259,919	173,775	173,775
Letters of credit	7,901	7,901	330	330
Undrawn loans commitments	702,360	702,360	607,728	607,728
Other	-	-	87	87
	1,414,401	**1,414,401**	**1,060,446**	**1,060,446**

Commitments related to operational leasing - the Bank as the lessee

The Bank/Group has signed rental contracts for commercial spaces including its headquarters. The future value of minimum operational lease payments is presented in the table below:

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Less than 1 year	4,750	4,255	5,639	4,997
From 1 to 5 years	2,480	2,480	5,400	4,918
	7,230	**6,735***	**11,039**	**9,915***

The amount of RON 6,735 thousand as at 31 December 2017 includes the rent for to the headquarters of Barbu Delavrancea Street no. 6A Bucharest, in the amount of RON 2,744 integrally paid until the end of the contract - October 2018 (at 31 December 2016, the amount of RON 9,915 thousand includes the rent related to the headquarters, in the amount of 6,125 thousand lei paid in full until maturity of the contract). The Bank/Group reviews the contractual terms at the end of each lease agreements.

36. RISK MANAGEMENT

This note provides details of the Group/Bank's exposure to risk and describes the methods used by management to mitigate and control risks. The most important risks faced by the Group/Bank are:

- Credit risk;
- Liquidity risk;
- Market risk (interest rate risk, currency risk);
- Operational risk;
- Tax risk;
- Insurance risk.

Risk is inherent for the operations of the Group/Bank but is managed through a continuous process of identification, evaluation and monitoring, which is subject to risk limits and other controls. This process of risk management is critical to permanent profitability of the Group/Bank and each person within the Group/Bank is responsible for the exposures to risk relating to own area of responsability.

The general risk management principles adopted by the Group/Bank are:

1. Definition and classification of the risk profile, risk tolerance and risk appetite established for significant risks categories assumed by the Group/Bank as well as identification, assessment, monitoring and controlling risks in accordance with specific rules and policies.
2. Maintain an appropriate reporting system for risk exposures, respectively for corresponding limits on risk exposure, in accordance with the size and complexity of the Group/Bank.
3. Adequate seggregation of duties within the significant risk management process to avoid potential conflicts of interest. The risk management function should be independent of operational functions, with enough authority, importance, resources and access to management body.
4. Ensuring a consistent and effective framework for identifying, assessing, monitoring and controlling risk, which forms the basis for consistent definition of strategies, policies and procedures within all units of the Group/Bank which are exposed to risk.
5. Monitoring compliance with internal regulations established for the significant risks and proposing solutions for deficiencies.
6. Risk management function is involved in the approval of new products or significant modification of existing products.
7. Reviewing the strategy and significant risk management policies on a regular basis (at least yearly), in accordance with the regulatory framework of the National Bank of Romania or Financial Supervisory Authority (FSA).

The Board of Directors, in order to reflect changes in internal and external factors, has the responsibility to approve and periodically review both the profile, risk tolerance and the risk appetite of the Group/Bank, to a level which ensures the sound functioning and strategic objectives achievement, as well as the risk strategy as a whole and significant risk management policies, pursuing their implementation.

The Executive Committee has the responsibility to ensure implementation of the strategy and significant risk management policies approved by the Board of Directors and to develop methodologies and procedures for identifying, measuring, monitoring and controlling all types of risk, according to the nature and complexity of the relevant activities.

The Group/Bank's risk management activities are conducted primarily on the following pillars:

- Strategic - includes risk management responsabilities achieved by the Board of Directors and the Risk Management Committee.
- Tactical - includes risk management responsabilities achieved by the senior management;
- Operational – implies risk management the level at which it is created, risk management model at operational level within the bank including three lines of defense consisting of:
  a) At the first level, business lines responsible for assessing and minimizing risk for a given level of profit;
  b) At the second level, the risk management function of the Group /Bank monitors, controls, quantifies risk; reports to appropriate levels and proposes mitigation measures. Compliance Division manages compliance risk at the bank level;
  c) Internal Audit Department at the third level, performs the independent review function.

In accordance with the Functionning and Organising Regulation, the Group/Bank operates a number of committees with an active role in risk management in order to minimize risks to which the Bank is exposed: Audit Committee, Risk Management Committee, Credit Committee, Assets and Liabilities Management Committee, Nomination and Remuneration Committee, IT Committee.

A) CREDIT RISK

Credit risk derives from the exposures assumed by the Group/Bank, due to the possibility of a negative impact on profits and equity due to the failure of debtors to fulfill contractual obligations. The policy of the Bank/Group on credit risk is concentrated on maintaining a good assets quality, by appropriate selection of the counterparties and proper structuring of transactions. To effectively manage credit risk, the Group/Bank has established criteria for granting loans, exposure limits and levels of competence for transactions approval. Credit risk includes residual risk - the risk that credit risk mitigation techniques will prove less effective than forecasts, respectively the country risk and transfer risk, the concentration risk, the country/transfer risk and the settlement risk.

In granting facilities and loans, the Bank/Group faces a credit risk, that is the risk of non-payment of receivables. It affects both balance sheet and off-balance sheet positions. Risk concentration in lending activity could result in a significant loss to the Bank/Group if a change in economic conditions would affect the entire industry or the whole country. A relevant analysis is included in note 37. The Bank/Group minimizes risk related to lending activity by evaluation and close monitoring of credit exposures, establishing exposure limits and applying a prudent provisioning policy when the probable risk of loss occurs to the Bank/Group. Loans are secured by collateral and other guarantees. The exposure to credit risk of the Group/Bank by industry is presented in Note 17.

Exposure Replacement Operations may, by mutual agreement between the bank and the client, change the characteristics of credits related to: value, maturity, credit rates, duration, grace period, period of use, etc.

Depending on the economic nature of the exposure replacement operations, they are divided into two categories:

a) Renegotiation - Exposure replacement operations generated for reasons other than the financial difficulties faced by the client or with which he or she is confronted.

b) Restructuring - Exposure Replacement Operations arising from financial difficulties faced by the client or with which he is confronted, thereby granting concessions to borrowers.

From the point of view of implementation, exposures are grouped into rescheduling or refinancing operations.

Rescheduling is the process of changing contractual conditions of an exposure for which may change due date and/or the payment amount of one or more outstanding loan installments, exceeding or not the initial duration of the loan, but without increasing the principal amount oustanding at time of rescheduling. Restructuring is also the operation which amends the terms of a loan, with change of repayment schedule.

Refinancing is the process of replacing an exposure through which it may be granted a new loan or a loan amount may be increased for repayment of outstanding loan/loans due, current or outstanding amounts (excluding interest and penalties).

B) LIQUIDITY RISK

The liquidity risk is associated either with difficulties faced by the Group/Bank to raise the necessary funds in order to meet commitments or to its inability to sell a financial asset in due time, at a rate as close to its fair value as possible.

The Bank/Group's policy on liquidity is to maintain sufficient liquid reserves to meet its obligations as they fall due. The amount of total assets and liabilities as at 31 December 2017 and 31 December 2016, analyzed over the remaining period to maturity is included in Note 38.

C) MARKET RISK

Market risk is the risk that the fair value or the future cash flows of financial instruments will fluctuate because of changes in market variables such as interest rates and foreign exchange rates.

To manage market risk, the Bank/Group has established trading limits per counterparty eligibility, and per types of instruments that can be traded.

Debt instruments that the Bank/Group acquires in their portfolios are mainly represented by the issuance of central government (Ministry of Public Finance) denominated in RON or EUR. As types of instruments Bank/Group holds bonds with discount certificates, treasury bills and bonds with coupon and as an exception few bonds issued by other credit institutions, these being acquired in previous years.

• Interest rate risk

The Group/Bank is exposed to various risks, due to fluctuations of main interest rates levels in the market that influence its financial position and cash flows.

Interest margins may increase as a result of such changes, but may reduce and create losses in the event that unexpected movements arise. The management of the Group/Bank sets limits in respect of interest rate changes, which are monitored daily.

The amount of total assets and liabilities as at 31 December 2017 and 31 December 2016 analyzed into relevant interest rate re-pricing periods is included in Note 39b.

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)
(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified) 119

- **Currency risk**

The Bank/Group operates in a developing economy. Although in the past Romania experienced high rates of inflation and significant currency devaluation, currently its economic environment is considered stable.

The Bank/Group manages its exposure to movements in exchange rates by modifying its assets and liabilities structure. An analysis of assets and liabilities denominated in RON and other currencies is included in Note 39a.

In order to continue improving the process of evaluation and monitoring of currency risk, the Bank has implemented a VaR model (Value-at-Risk). The 1day-99%-RON V@R indicator is defined as an estimate with a probability of 99% of the maximum potential loss (in USD) that could be recorded by the Bank by maintaining the current foreign exchange positions, on a time horizon of one day in normal market conditions, resulting from daily changes in exchange rates historically recorded for a period of 1 year.

D) OPERATIONAL RISK

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. The Bank/Group cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. In operational risk management process tools are used which involve a periodic/annual self-assessment of risks and related controls, key indicators of operational risk, operational risk events base, remedial action plans and prevention.

E) TAXATION RISK

The taxation system in Romania provides detailed and complex rules and it has suffered various modifications in recent years. Interpretation of procedures and implementation of tax laws may vary, and there is a risk that certain transaction may be interpreted differently by the tax authorities, as compared to treatment applied by the Bank.

The Romanian Government has a number of agencies authorized to conduct audit of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory issues in which the agencies could be interested. In certain circumstances, due to inconsistencies of legal framework, tax authorities can act arbitrarily in setting tax penalties and interest. Although the tax due for a transaction may be minor, penalties may be more important because they can be calculated taking as a basis the transaction amount plus: interest 0.02%, and penalties of 0.01% for each day of delay. The Romanian authorities have completed reviews for fiscal years up to 31 December 2007.

F) RISK RELATED TO INSURANCE BUSINESS

Eximbank Group has established strategic guidelines in respect to risk management, based on the following elements:

- Alignment of insurance risk management principles with the principles applied at the banking level by the Bank;
- starting the process of implementation Solvency II requirements as of 1 January 2016;
- reducing the underwriting risk costs by maintaining a high quality and continuous improvement of the portfolio;
- an acceptable ratio between the assumed risk and forecasted profit (on total portfolio, structured by insurance forms and customers);
- identifying and managing the impact of risks on solvency ratios, profitability, liquidity, quality of the insurance products portfolio;
- distributing available resources towards activities which provide a risk adjusted return (underwriting risk, market risk, operational risk), superior to the benchmark set by the group.

The group conducts the general insurance activity on the following types of insurance:

1 - Accidents insurance;

5 - Aircraft insurance;

7 - Goods in transit insurance;

8 - Insurance against fire and other calamities;

9 - Other insurance of goods;

11 - Aircraft liability insurance;

13 - General liability insurance;

14 - Loan insurance;

15 - Guarantee insurance;

16 - Financial loss insurance.

EximAsig has adopted an analytical approach towards the underwriting activity and set prices by taking into account a broader range of information. Thus, there is a greater probability to maintain the profitability for each type of insurance practice.

Improving the quality of the underwriting process is achieved through continuous quantitative and qualitative development of own sales force, by strengthening and developing partnership relations with insurance brokers and not least, through the optimization of the reinsurance programs.The management of EximAsig analyzes constantly the loss ratio per insurance class, so as to determine the factors which caused undesirable developments and also incorporates the results of this analysis in the calculation of technical reserves and in the underwriting process.

CLASS/NET REINSURANCE LOSS RATIO	31-DEC-2017	31-DEC-2016
Accident insurance	91.70%	-
Insurance of goods in transit	0.00%	-
Insurance against fire and other natural calamities	2.62%	25.01%
General liability insurance	99.71%	16.80%
Loan insurance	5.51%	709.66%
Guarantee insurance	57.69%	131.21%
Financial loss insurance	0.00%	-

Net reinsurance loss ratio was calculated for one financial year. The high rate of damage for credit insurance in 2016 (709.66%) was driven by the execution of commercial credit risk insurance as a result of the insolvency of two debtors of insured clients in portfolio, and for which the insurance company recorded significant exposure. In 2016, the LAT test loss rate was calculated on a yearly basis, but for the year 2017, for some classes of insurance, it was not used the same method as the negative damage rates were obtained, consequently being used the historical damage rates.

A breakdown of the insured amounts on classes of insurance products is presented in the table below:

CLASS	31-DEC-2017 INSURED AMOUNTS	31-DEC-2016 INSURED AMOUNTS
Accident insurance	1,573	2,095
Insurance against fire and other natural calamities	2,284,036	3,122,581
General liability insurance	217,997	116,013
Loan insurance	136,317	839,128
Guarantee insurance	736,773	573,855
Financial loss insurance	4,503	-
Total	**3,381,198**	**4,653,672**

Breakdown analysis structured on main types of insured risks is presented in tables below:

PREMIUM RESERVE, INSURANCE OF:	31 DECEMBER 2017			31 DECEMBER 2016		
	GROSS	REINSURANCE CEDED	NET	GROSS	REINSURANCE CEDED	NET
Accidents	5	-	5	5	-	5
Goods in transit	1,347	-	1,347	1,535	-	1,535
Fire and natural calamities	335	197	138	201	138	63
General liability	209	120	89	882	599	283
Loans	12,110	6,850	5,260	8,254	3,644	4,610
Guarantees	4	-	4	-	-	-
Total	**14,010**	**7,167**	**6,843**	**10,877**	**4,381**	**6,496**

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

RESERVE FOR RBNS CLAIMS	31 DECEMBER 2017			31 DECEMBER 2016		
	GROSS	REINSURANCE CEDED	NET	GROSS	REINSURANCE CEDED	NET
Accidents	158	158	-	305	305	-
Fire and natural calamities	219	-	219	706	-	706
General liability	13,058	9,094	3,964	4,842	3,381	1,461
Loans	4,959	4,071	888	15,933	12,746	3,187
Guarantees	25,079	16,797	8,282	23,537	17,618	5,919
Total	**43,473**	**30,120**	**13,353**	**45,323**	**34,050**	**11,273**

RESERVE FOR IBNR CLAIMS	31 DECEMBER 2017			31 DECEMBER 2016		
	GROSS	REINSURANCE CEDED	NET	GROSS	REINSURANCE CEDED	NET
Fire and natural calamities	-	-	-	-	-	-
General liability	3,155	2,132	1,023	37	9	28
Loans	448	368	80	997	821	176
Guarantees	651	282	369	3,667	755	2,912
Total	**4,254**	**2,782**	**1,472**	**4,700**	**1,585**	**3,115**

OTHER TECHNICAL RESERVES FOR GENERAL INSURANCE:	31 DECEMBER 2017			31 DECEMBER 2016		
	GROSS	REINSURANCE CEDED	NET	GROSS	REINSURANCE CEDED	NET
Fire and natural calamities	-	-	-	-	-	-
Guarantees and bonds *	600	-	600	5,330	-	5,330
Total	**600**	**-**	**600**	**5,330**	**-**	**5,330**

* The technical reserves for the credit insurance activity include the part of the liability adequacy test (LAT) that exceeds the balance of the deferred acquisition costs, respectively RON 600 thousand lei at 31.12.2017 and RON 486 thousand on 31.12.2016, the differences being the reserves for unexpired risks.

37. CREDIT RISK

The credit risk management function is based on the followings:

- Ensuring the independence of the lending process, without being influenced by pressures or conflicts of interest;
- A sustainable growth of the loan portfolio as well as maintaining high quality assets so as to mitigate a potential sudden deterioration of the portfolio which may occur as a consequence of disruptive factors in the economy;
- The development of a prudential, adequate credit limit system, consistent with the risk appetite, risk tolerance, risk profile, complying with the capital adequacy of the Group/Bank, in accordance with the requirements of relevant regulations. These limits are communicated on a regular basis to, understood and complied with by relevant employees;
- Lending criteria are well defined, included in internal methodologies which appraise the credit risk deriving from exposures of individual debtors. The purpose, terms of the loan and reimbursement sources are also clearly defined.
- Credit limits present on an aggregate basis and in a comparable, relevant manner different types of exposures, on different levels: by customers or groups of customers, industries/economic sectors, products, countries, the quality of assets, currencies and guarantee funds.
- Existing of an adequate continuous monitoring system of loans;
- Monitoring processes of both loan portfolios/subportfolios and individual loans;
- Determination of appropriate impairment adjustments in line with current accounting policies (from 1 January 2018, the Bank adopted IFRS 9 to determine the expected loss adjustments).
- Non performin loans management and periodic remedial/recovery actions of non-performing loans;

- The bank employs procedures for the valuation of collaterals, verifying their enforceability and their recoverability.

The management of country risk is performed by identifying direct exposures, limiting the concentration per country, monitoring and managing exposures on an aggregate level - in addition to monitoring the exposure per customer and ultimate counterparty.

Also, the Bank/Group takes into account the indirect country risk exposure by considering each transaction between customers of the Bank/ Group and external counterparties.

The Credit Committee assesses lending conditions and guarantees issuing conditions by correlating them to associated risks and approves/rejects financing – guaranteeing requests based on the competencies limits.

The maximum gross exposure to credit risk is presented below as the gross exposure of all financial assets, inclusive exposures from commitments and contingent liabilities.

The maximum gross exposure includes all the loans of the Bank/Group portfolio (note 17).

As at December 31, 2017, the exposure to credit risk is presented below :

31.12.2017 – THE GROUP	TOTAL EXPOSURE	THE MAXIM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERALS HELD					
			COLLATERAL DEPOSITS	DEBT SECURITIES	STATE COLLATERALS	OTHER FINANCIAL GUARANTEES	MORTAGES	OTHER
Cash and cash equivalents	424	-	-	-	-	-	-	-
Derivative assets	1,627	1,627	-	-	-	-	-	-
Accounts with the National Bank of Romania	206,689	-	-	-	-	-	-	-
Due from banks	203,634	203,634	-	50,583	-	-	-	-
Net loans	2,823,682	2,938,910	23,697	-	560,737	82,058	744,341	3,481,441
Loans (gross value)	2,938,910	2,938,910	23,697	-	560,737	82,058	744,341	3,481,441
Loan adjustments	-115,228	-	-	-	-	-	-	-
Investments in subsidary	-	-	-	-	-	-	-	-
Trading financial instruments	73,909	73,909	-	-	-	-	-	-
Available for sale investments	2,153,458	2,153,458	-	-	-	-	-	-
Investments held to maturity	40,501	40,501	-	-	-	-	-	-
Net tangible assets	12,752	-	-	-	-	-	-	-
Net intangible assets	5,230	-	-	-	-	-	-	-
Investment property	39,724	-	-	-	-	-	-	-
Other assets	73,649	69,046	-	-	-	-	-	-
Deferred tax, asset	3,210							
Total assets	**5,638,489**	**5,481,085**	**23,697**	**50,583**	**560,737**	**82,058**	**744,341**	**3,481,441**
Off – balance sheet exposures:	1,414,401	1,414,401	18,595	-	292,399	102,945	116,100	1,114,963
Letters of credit	7,901	7,901	-	-	-	-	-	-
Loan commitments	702,360	702,360	1,711	-	82,143	7,793	66,434	691,502
Letters of guarantee	704,140	704,140	16,884	-	210,256	95,152	49,666	423,461
Total	**7,052,890**	**6,895,486**	**42,292**	**50,583**	**853,136**	**185,003**	**860,441**	**4,596,404**

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

As at December 31, 2016, the exposure to credit risk is presented below:

31.12.2016 – THE GROUP	TOTAL EXPOSURE	THE MAXIM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERALS HELD					
			COLLATERAL DEPOSITS	DEBT SECURITIES	STATE COLLATERALS	OTHER FINANCIAL GUARANTEES	MORTGAGES	OTHER
Cash and cash equivalents	554	-	-	-	-	-	-	-
Derivative assets	1,366	1,366	-	-	-	-	-	-
Accounts with the National Bank of Romania	80,792	-	-	-	-	-	-	-
Due from banks	117,804	117,804	-	-	-	-	-	-
Net loans	2,159,979	2,286,216	23,093	-	582,799	78,220	578,920	2,378,862
Loans (gross value)	2,286,216	2,286,216	23,093	-	582,799	78,220	578,920	2,378,862
Loan adjustments	-126,237	-	-	-	-	-	-	-
Investments in subsidiary	-	-	-	-	-	-	-	-
Trading financial instruments	17,582	17,582	-	-	-	-	-	-
Available for sale investments	1,810,507	1,810,507	-	-	-	-	-	-
Investments held to maturity	15,666	15,666	-	-	-	-	-	-
Net tangible assets	14,200	-	-	-	-	-	-	-
Net intangible assets	5,945	-	-	-	-	-	-	-
Investment property	39,269	-	-	-	-	-	-	-
Other assets	74,596	64,400	-	-	-	-	-	-
Total assets	**4,338,260**	**4,313,541**	**23,093**	**-**	**582,799**	**78,220**	**578,920**	**2,378,862**
Off – balance sheet exposures:	1,060,446	1,060,446	16,536	-	174,511	72,532	119,404	1,392,481
Letters of credit	87	87	-	-	-	-	101	34
Loan commitments	607,728	607,728	785	-	26,964	72,506	71,622	554,132
Letters of guarantee	452,631	452,631	15,751	-	147,547	26	47,681	838,315
Total	**5,398,706**	**5,373,987**	**39,629**	**-**	**757,310**	**150,752**	**698,324**	**3,771,343**

As at December 31, 2017, the exposure to credit risk is presented below:

31.12.2017 – THE BANK	TOTAL EXPOSURE	THE MAXIM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERALS HELD					
			COLLATERAL DEPOSITS	DEBT SECURITIES	STATE COLLATERALS	OTHER FINANCIAL GUARANTEES	MORTGAGES	OTHER
Cash and cash equivalents	405	-	-	-	-	-	-	-
Derivative assets	1,627	1,627	-	-	-	-	-	-
Accounts with the National Bank of Romania	206,689	-	-	-	-	-	-	-
Due from banks	177,027	177,027	-	50,583	-	-	-	-
Net loans	2,823,682	2,938,910	23,697	-	560,737	82,058	744,341	3,481,441
Loans (gross value)	2,938,910	2,938,910	23,697	-	560,737	82,058	744,341	3,481,441
Loan adjustments	-115,228	-	-	-	-	-	-	-
Investments in subsidiary	44,123	20,080	-	-	-	-	-	-
Loan convertible into shares	20,080	20,080	-	-	-	-	-	-
Trding financial instruments	73,909	73,909	-	-	-	-	-	-
Available for sale investments	2,153,458	2,153,458	-	-	-	-	-	-
Investments held to maturity	-	-	-	-	-	-	-	-
Net tangible assets	12,596	-	-	-	-	-	-	-
Net intangible assets	5,205	-	-	-	-	-	-	-
Investment property	39,724	-	-	-	-	-	-	-
Other assets	12,936	10,133	-	-	-	-	-	-
Deferred tax, asset	3,210							
Total assets	**5,554,591**	**5,375,144**	**23,697**	**50,583**	**560,737**	**82,058**	**744,341**	**3,481,441**
Off – balance sheet exposures:	1,414,401	1,414,401	18,595	-	292,399	102,945	116,100	1,114,963
Letters of credit	7,901	7,901	-	-	-	-	-	-
Loan commitments	702,360	702,360	1,711	-	82,143	7,793	66,434	691,502
Letters of guarantee	704,140	704,140	16,884	-	210,256	95,152	49,666	423,461
Total	**6,968,992**	**6,789,545**	**42,292**	**50,583**	**853,136**	**185,003**	**860,441**	**4,596,404**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

As at December 31, 2016, the exposure to credit risk is presented below:

31.12.2016 – THE BANK	TOTAL EXPOSURE	THE MAXIM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERALS HELD					
			COLLATERAL DEPOSITS	DEBT SECURITIES	STATE COLLATERALS	OTHER FINANCIAL GUARANTEES	MORTGAGES	OTHER
Cash and cash equivalents	528	-	-	-	-	-	-	-
Derivative assets	1,366	1,366	-	-	-	-	-	-
Accounts with the National Bank of Romania	80,792	-	-	-	-	-	-	-
Due from banks	88,843	88,843	-	-	-	-	-	-
Net loans	2,159,979	2,286,216	23,093	-	582,799	78,220	578,920	2,378,862
Loans (gross value)	2,286,216	2,286,216	23,093	-	582,799	78,220	578,920	2,378,862
Loan adjustments	-126,237	-	-	-	-	-	-	-
Investments in subsidiary	29,432	-	-	-	-	-	-	-
Financial instruments trading	17,582	17,582	-	-	-	-	-	-
Available for sale investments	1,810,507	1,810,507	-	-	-	-	-	-
Investments held to maturity	-	-	-	-	-	-	-	-
Net tangible assets	14,080	-	-	-	-	-	-	-
Net intangible assets	5,940	-	-	-	-	-	-	-
Net investment property	39,269	-	-	-	-	-	-	-
Other assets	23,572	13,404	-	-	-	-	-	-
Total assets	**4,271,890**	**4,217,918**	**23,093**	**-**	**582,799**	**78,220**	**578,920**	**2,378,862**
Off – balance sheet exposures:	1,060,446	1,060,446	16,536	-	174,511	72,532	119,404	1,392,481
Letters of credit	87	87	-	-	-	-	101	34
Loan commitments	607,728	607,728	785	-	26,964	72,506	71,622	554,132
Letters of guarantee	452,631	452,631	15,751	-	147,547	26	47,681	838,315
Total	**5,332,336**	**5,278,364**	**39,629**	**-**	**757,310**	**150,752**	**698,324**	**3,771,343**

Collateral value and type depend upon the appraisal of the counterparty risk. Guidelines are implemented regarding the maximum degree of acceptability of collateral types and valuation parameters. The valuation of assets brought as collaterals is performed by authorized ANEVAR valuators, approved by the Group/Bank and notified to the National Bank of Romania. Valuation reports provided by external valuators are approved by internal valuators of the Group/ Bank.

The bank monitors the market value of collaterals and valuation parameters and requests additional collaterals in accordance with the contractual agreement to ensure that collaterals cover the entire exposure of the Group/Bank.

On balance sheet credit risk exposure, for both the Group and the Bank, representing loans and advances to customers (note 17) may be classified on risk categories as follows:

RISK CATEGORY	GROSS MAXIMUM EXPOSURE OF LOANS AND ADVANCES TO CUSTOMERS	
	31.12.2017	31.12.2016
A	1,166,703	606,264
B	802,531	855,180
C	568,793	422,241
D	240,700	334,906
E	74,838	5,587
Import factors *)	85,345	62,039
Total	**2,938,910**	**2,286,217**

*) Mostly non-recourse external factoring operations (external counterparties, low risk)

Loans and advances to customers are aggregated based on risk categories as follows:

A - minimum risk;

B - low risk, no losses are expected;

C - average risk, acceptable and mitigated by strict monitoring of commitments – losses are unlikely to be incurred;

D - high risk, exposures related to these customers are carefully monitored and limited starting from the moment the lending decision is made, throughout the tenor of the loan – losses are likely to be incurred;

E - maximum risk – with imminent losses in most cases.

The risk categories above are based on the financial performance of debtors, determined in accordance with NBR regulations.

Impaired loans and advances

The Group/Bank classifies loans and advances to customers as impaired when there is objective evidence of a loss event occurring after initial recognition, event which impacts the future estimated cash flows of the asset.

Past due but not impaired loans

The Group/Bank classifies as past due but not impaired loans those exposures with overdue interest or instalments but for which the Group/Bank has not yet identified sufficient evidence to classify them as non-performing due to the number of days past due, overdue exposure to total exposure ratio or due to the financial position of the customer.

GROSS EXPOSURE 2017	NEITHER PAST DUE NOR IMPAIRED						PAST DUE	IMPAIRED	TOTAL
CUSTOMER TYPE	A	B	C	D,E *)	NO RATING	TOTAL			
Corporate customer	704,342	802,532	546,270	111,763	81,489	2,246,396	8,393	223,134	**2,477,923**
Public authorities	450,273	-	-	-	-	450,273	10,714	-	**460,987**
Total gross exposure	**1,154,615**	**802,532**	**546,270**	**111,763**	**81,489**	**2,696,669**	**19,107**	**223,134**	**2,938,910**
GROSS EXPOSURE 2016	**NEITHER PAST DUE NOR IMPAIRED**						**PAST DUE**	**IMPAIRED**	**TOTAL**
CUSTOMER TYPE	**A**	**B**	**C**	**D,E *)**	**NO RATING**	**TOTAL**			
Corporate	262,518	855,180	271,130	155,565	59,209	1,603,602	2,830	336,038	**1,942,470**
Autorități publice	343,746	-	-	-	-	343,746	-	-	**343,746**
Total credite	**606,264**	**855,180**	**271,130**	**155,565**	**59,209**	**1,947,348**	**2,830**	**336,038**	**2,286,216**

*) the exposure for E rated customers is 31 December 2017 at the amount of RON 1,195 thousand (2016: 0).

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)
(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified) 127

Impairment assessment

The Group/Bank takes into account the main following impairment indicators:

- principal or interest overdue for more than 60 days;
- the initiation of legal procedures;
- restructurings which occurred during the past 12 months for legal or economic reasons related to the debtor's financial difficulties, which would otherwise have been ignored by the Group/Bank;
- ratings of D or E, on an A to E scale
- the management of the Group/Bank identifies other impairment indicators based on information suggesting a deterioration in the financial position of the debtor for instance due to decrease in sales or gross profit margin or due to other events which occurred subsequent to the initial recognition of the loan and which may affect the ability of the customer to comply with the reimbursement schedule.

Allowances for impairment are determined through individual assessment for loans and advances with impairment indicators and based on a collective approach for loans with no impairment indicators, estimating the total value of losses incurred but not identified.

Loans and advances individually assessed with a nil individual provision resulting from the assessment are included in the collective impairment assessment.

In order to perform the collective assessment, financial assets are grouped based on similar risk characteristics of payment of remaining exposure according to contractual terms, allowances for impairment being computed on an individual basis, using parameters for the specific type of loan and tenor, which are determined using statistic historical methods, respectively the probability of default (PD) and the loss given default (LGD).

The following table presents individual and collective allowances estimated by the Group/Bank as at 31 December 2017 and 31 December 2016.

	2017	2016
Allowances for individually assessed loans	76,990	90,166
Allowances for collectively assessed loans	38,238	36,072
Total adjustments for impairment	**115,228**	**126,238**

The aging of past due but not impaired loans is as follows:

	31-DEC-17 GROUP	31-DEC-17 BANK	31-DEC-16 GROUP	31-DEC-16 BANK
Past due but not impaired:	19,107	19,107	2,830	2,830
Less than 30 days past due	19,107	19,107	1,417	1,417
31 – 60 days past due	-	-	1,413	1,413
61 – 90 days past due	-	-	-	-
More than 90 days past due	-	-	-	-

Forborne loans

At the end of 2017, the balance of forborne loans (gross) for the Bank/Group amounted to RON 210,619 thousand (256,367 thousand), the criteria for classification in the forborne category being compliant with the definitions of the European Banking Authority, respectively NBR Order 6 /2014.

RESTRUCTURED (FORBORNE) LOANS	GROSS EXPOSURE	ADJUSTMENTS	NET VALUE
2017	210,619	-55,613	155,006
2016	256,367	-39,204	217,163

During 2016 and 2017, the bank derecognized from balance sheet the impaired value loans fully covered with adjustments for impairment (2017: RON 55,144 thousand, 2016: RON 32,679 thousand), continuing the recovery of loans and receivables monitored in the off balance sheet accounts and for which the recovery procedures were not exhausted.

EXPOSURES MONITORED IN OFF – BALANCE SHEET ACCOUNTS	31-DEC-17	31-DEC-16
Total exposures in off – balance sheet accounts	231,355	188,555

38. LIQUIDITY RISK

The Bank/Group recognizes the liquidity risk as representing the current or future risk which affects negatively the profits and equity, due to the Group/Bank inability to fulfil its obligations as they fall due.

For an adequate management of this risk and an effective management of liquidity, the Group performs daily monitoring of all inflows and outflows of cash or cash equivalents related to interbank maturities, of events on the securities portfolio or resulting from loan repayments, by monitoring the liquidity position on the relevant maturity buckets and actively managing liquidity reserves needed to fulfill its obligations with minimal costs.

The Group/Bank maintains the minimum compulsory reserves required by Regulation No.6 / 2002 of NBR, 2002 regarding the minimum reserve system, the level in effect at the end of 2017 being 8% for resources drawn in RON and for the resources drawn in foreign currency, in effect at the end of 2017(2016: 8% for RON, 10% for foreign currency).

Furthermore, the Bank/Group ensures maintenance of a certain level of liquid assets, unencumbered by obligations, eligible for guaranteed financing operations, comprising government securities, to ensure the necessary liquidities in the event of exceptional market circumstances. The Bank has an early warning system in case of a liquidity crisis event in the banking system.

The Group/Bank projects cash flows on predictable periods of time, using alternative scenarios. These projections are used to perform analysis of cash flow mismatches (liquidity gap), based on assumptions about future behavior of assets, liabilities and off-balance sheet items and calculates the cumulative net liquidity deficit for a time horizon.

The Bank takes into account three types of crisis scenarios: scenarios considering internal characteristics of the Bank, another scenario considering broad changes in the market, and a scenario combining the first two.

In the process of mitigating liquidity risk, the Bank daily determines the Immediate liquidity indicator, representing the share of liquid assets, collateral free, in the total attracted and borrowed sources, and ensures its maintenance within the limits established through internal risk strategies.

Following transposition into national law of the EU Regulation no. 575/2013, starting in March 2014, to monitor liquidity risk liquidity coverage indicator (LCR), the Bank uses indicator net stable funding (NSFR). LCR indicator was maintained above the regulatory limit.

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

The table below analyzes assets and liabilities of the Group/Bank by relevant maturity groups based on residual maturity of the contract at the balance sheet date on 31 December 2017:

31.12.2017 - GROUP	TOTAL	OF WHICH: LIQUIDITY RISK	< 1 MONTHS	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
ASSETS							
Cash and cash equivalents	424	424	424	-	-	-	-
Derivative assets	1,627	1,627	522	1,105	-	-	-
Accounts with the National Bank of Romania	206,689	206,689	206,689	-	-	-	-
Due from banks	203,634	203,634	149,982	53,517	135	-	-
Net loans	2,823,682	2,823,682	54,092	253,677	1,062,825	1,129,338	323,750
Investments in subsidiary	-	-	-	-	-	-	-
Trading financial instruments	73,909	73,909	28,378	-	-	45,531	-
Available for sale investments	2,153,458	2,153,458	389,823	16,390	393,879	894,194	459,172
Investments held to maturity	40,501	40,501	-	-	-	40,501	-
Net tangible assets	12,752	-	-	-	-	-	-
Net intangible assets	5,230	-	-	-	-	-	-
Net investment property	39,724	-	-	-	-	-	-
Other assets	73,649	69,044	69,044	-	-	-	-
Deferred tax, asset	3,210						
	5,638,489	**5,572,968**	**898,954**	**324,689**	**1,456,839**	**2,109,564**	**782,922**
LIABILITIES							
Derivatives	3,008	3,008	3,008	-	-	-	-
Due to banks	517,461	517,461	517,461	-	-	-	-
MPF Funds	1,647,841	1,647,841	246,807	-	-	1,401,034	-
Due to customers	2,304,377	2,304,377	1,092,992	519,774	623,348	65,556	2,707
Deferred income and accrued expenses	14,626	-	-	-	-	-	-
Provisions	20,552	-	-	-	-	-	-
Other liabilities	107,825	107,825	107,825	-	-	-	-
Deffered tax, liability	-	-	-	-	-	-	-
	4,615,690	**4,580,512**	**1,968,093**	**519,774**	**623,348**	**1,466,590**	**2,707**
NET ASSETS	**1,022,799**	**992,456**	**-1,069,139**	**-195,085**	**833,491**	**642,974**	**780,215**
OFF-BALANCE SHEET POSITIONS							
Loan commitments	710,261	710,261	10,824	147,245	181,200	114,270	256,722
Guarantee commitments	704,140	704,140	4,182	34,748	234,705	413,452	17,053
Cash in from derivatives	516,858	516,858	258,981	116,505	102,276	39,096	0
Cash out from derivatives	-517,868	-517,868	-260,775	-116,060	-102,460	-38,573	0
	1,413,391	**1,413,391**	**13,212**	**182,438**	**415,721**	**528,245**	**273,775**

The Bank holds in the portfolio highly liquid assets (securities issued by MPF), which provides a high capacity for absorption of potential short-term liquidity shocks. In general, the deposits with less than one month are stable because they are prolongued at maturity, being a characteristic of Romanian banking market.

31.12.2017 - BANK	TOTAL	OF WHICH: LIQUIDITY RISK	< 1 MONTHS	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
ASSETS							
Cash and cash equivalents	405	405	405	-	-	-	-
Derivative assets	1,627	1,627	522	1,105	-	-	-
Accounts with the National Bank of Romania	206,689	206,689	206,689	-	-	-	-
Due from banks	177,027	177,027	139,596	37,431	-	-	-
Net loans	2,823,682	2,823,682	54,092	253,677	1,062,825	1,129,338	323,750
Investments in subsidiary	44,123	-	-	-	-	-	-
Loan convertible into shares	20,080	-	-	-	-	-	-
Financial instruments trading	73,909	73,909	28,378	-	-	45,531	-
Available for sale investments	2,153,458	2,153,458	389,823	16,390	393,879	894,194	459,172
Investments held to maturity	-	-	-	-	-	-	-
Net tangible assets	12,596	-	-	-	-	-	-
Net intangible assets	5,205	-	-	-	-	-	-
Net investment property	39,724	-	-	-	-	-	-
Other assets	12,936	10,131	10,131	-	-	-	-
Deferred tax, asset	3,210	-	-	-	-	-	-
	5,554,591	**5,446,928**	**829,636**	**308,603**	**1,456,704**	**2,069,063**	**782,922**
LIABILITIES							
Derivatives	3,008	3,008	3,008	-	-	-	-
Due to banks	517,461	517,461	517,461	-	-	-	-
MPF Funds	1,647,841	1,647,841	246,807	-	-	1,401,034	-
Due to customers	2,305,044	2,305,044	1,093,659	519,774	623,348	65,556	2,707
Deferred income and accrued expenses	14,620	-	-	-	-	-	-
Provisions	16,104	-	-	-	-	-	-
Other liabilities	20,790	20,790	20,790	-	-	-	-
Deffered tax, liability	-	-	-	-	-	-	-
	4,524,868	**4,494,144**	**1,881,725**	**519,774**	**623,348**	**1,466,590**	**2,707**
NET ASSETS	**1,029,723**	**952,784**	**-1,052,089**	**-211,171**	**833,356**	**602,473**	**780,215**
OFF-BALANCE SHEET POSITIONS							
Loan commitments							
Guarantee commitments	710,261	710,261	10,824	147,245	181,200	114,270	256,722
Cash in from derivatives	704,140	704,140	4,182	34,748	234,705	413,452	17,053
Cash out from derivatives	516,858	516,858	258,981	116,505	102,276	39,096	-
	-517,868	**-517,868**	**-260,775**	**-116,060**	**-102,460**	**-38,573**	**-**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

The table below analyzes the assets and liabilities of the Group/Bank by relevant maturity groups, based on residual maturity of the contract, at the balance sheet date on December 31, 2016:

31.12.2016 - GROUP	TOTAL	OF WHICH: LIQUIDITY RISK	< 1 MONTHS	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
ASSETS							
Cash and cash equivalents	554	554	554	-	-	-	-
Derivative assets	1,366	1,366	174	1,192	-	-	-
Accounts with the National Bank of Romania	80,792	80,792	80,792	-	-	-	-
Due from banks	117,804	117,804	89,775	26,535	-	132	1,362
Net loans	2,159,979	2,159,979	123,767	159,105	1,143,210	549,875	184,022
Investments in subsidary	-	-	-	-	-	-	-
Financial instruments trading	17,582	17,582	-	-	-	-	17,582
Available for sale investments	1,810,507	1,810,507	87,870	9,790	433,006	848,450	431,391
Investments held to maturity	15,666	15,666	-	-	-	15,666	-
Net tangible assets	14,200	-	-	-	-	-	-
Net intangible assets	5,945	-	-	-	-	-	-
Net investment property	39,269	-	-	-	-	-	-
Other assets	74,596	64,400	64,078	-	-	322	-
	4,338,260	**4,268,650**	**447,010**	**196,622**	**1,576,216**	**1,414,445**	**634,357**
LIABILITIES							
Derivatives	1,941	1,941	1,941	-	-	-	-
Due to banks	497,717	497,717	497,516	-	201	-	-
MPF Funds	1,702,187	1,702,187	301,114	-	-	1,401,073	-
Due to customers	962,939	962,939	532,693	277,062	140,812	12,185	187
Deferred income and accrued expenses	11,962	-	-	-	-	-	-
Provisions	27,801	-	-	-	-	-	-
Other liabilities	91,545	91,545	91,545	-	-	-	-
Deffered tax, liability	758	-	-	-	-	-	-
	3,296,850	**3,256,329**	**1,424,809**	**277,062**	**141,013**	**1,413,258**	**187**
NET ASSETS	**1,047,661**	**1,012,321**	**-977,799**	**-80,440**	**1,435,203**	**1,187**	**634,170**
OFF-BALANCE SHEET POSITIONS							
Loan commitments	607,815	607,815	26,275	126,834	177,909	142,679	134,118
Guarantee commitments	452,631	452,631	25,099	51,074	133,551	240,135	2,772
Cash in from derivatives	446,964	446,964	202,586	189,970	54,408	-	-
Cash out from derivatives	-448,317	-448,317	-203,231	-190,651	-54,435	-	-
	1,059,093	**1,059,093**	**50,729**	**177,227**	**311,433**	**382,814**	**136,890**

31.12.2016 - BANK	TOTAL	OF WHICH: LIQUIDITY RISK	< 1 MONTHS	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
ASSETS							
Cash	528	528	528	-	-	-	-
Derivative assets	1,366	1,366	174	1,192	-	-	-
Accounts with the National Bank of Romania	80,792	80,792	80,792	-	-	-	-
Due from banks	88,843	88,843	87,481	-	-	-	1,362
Net loans	2,159,979	2,159,979	123,767	159,105	1,143,210	549,875	184,022
Investments in subsidary	29,432	-	-	-	-	-	-
Financial instruments trading	17,582	17,582	-	-	-	-	17,582
Available for sale investments	1,810,507	1,810,507	87,870	9,790	433,006	848,450	431,391
Investments held to maturity	-	-	-	-	-	-	-
Net tangible assets	14,080	-	-	-	-	-	-
Net intangible assets	5,940	-	-	-	-	-	-
Net investment property	39,269	-	-	-	-	-	-
Other assets	23,572	13,404	13,082	-	-	322	-
	4,271,890	**4,173,001**	**393,694**	**170,087**	**1,576,216**	**1,398,647**	**634,357**
LIABILITIES							
Derivatives	1,941	1,941	1,941	-	-	-	-
Due to banks	497,717	497,717	497,516	-	201	-	-
MPF Funds	1,702,187	1,702,187	301,114	-	-	1,401,073	-
Due to customers	962,940	962,940	532,694	277,062	140,812	12,185	187
Deferred income and accrued expenses	11,944	-	-	-	-	-	-
Provisions	17,214	-	-	-	-	-	-
Other liabilities	16,173	16,173	16,173	-	-	-	-
Deffered tax	758	-	-	-	-	-	-
	3,210,874	**3,180,958**	**1,349,438**	**277,062**	**141,013**	**1,413,258**	**187**
NET ASSETS	**1,061,016**	**992,043**	**-955,744**	**-106,975**	**1,435,203**	**-14,611**	**634,170**
OFF-BALANCE SHEET POSITIONS							
Loan commitments	607,815	607,815	26,275	126,834	177,909	142,679	134,118
Guarantee commitments	452,631	452,631	25,099	51,074	133,551	240,135	2,772
Cash in from derivatives	446,964	446,964	202,586	189,970	54,408	-	-
Cash out from derivatives	-448,317	-448,317	-203,231	-190,651	-54,435	-	-
	1,059,093	**1,059,093**	**50,729**	**177,227**	**311,433**	**382,814**	**136,890**

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

The financial liabilities of The Group/Bank at the end of financial year 2017, including future cash flows represented by interest not recognized in the income statement and in the amortized cost of liabilities, are presented in the tables below:

31.12.2017 – GROUP	TOTAL	< 1 MONTHS	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
FINANCIAL LIABILITIES, including future interest						
Derivative liabilities	3,008	3,008	-	-	-	-
Due to banks	517,481	517,481	-	-	-	-
Deposits from MPF	1,700,316	246,807	3,087	9,262	1,441,160	-
Due to customers	2,310,714	1,093,253	520,801	626,295	67,516	2,849
Other liabilities	107,825	107,825	-	-	-	-
	4,639,344	**1,968,374**	**523,888**	**635,557**	**1,508,676**	**2,849**

31.12.2017 – BANK	TOTAL	< 1 MONTHS	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
FINANCIAL LIABILITIES, including future interest						
Derivative liabilities	3,008	3,008	-	-	-	-
Due to banks	517,481	517,481	-	-	-	-
Deposits from MPF	1,700,317	246,807	3,087	9,262	1,441,160	-
Due to customers	2,311,381	1,093,920	520,801	626,295	67,516	2,849
Other liabilities	20,790	20,790	-	-	-	-
	4,552,977	**1,882,006**	**523,888**	**635,557**	**1,508,676**	**2,849**

The Financial liabilities of the The Group / Bank, at the end of financial year 2016, including future cash flows represented by interest not recognized in the income statement and in the amortized cost of liabilities, are presented in the tables below:

31.12.2016 – GROUP	TOTAL	< 1 MONTHS	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
FINANCIAL LIABILITIES, including future interest						
Derivative liabilities	1,941	1,941	-	-	-	-
Due to banks	497,746	497,545	-	201	-	-
Deposits from MPF	1,729,954	301,114	3,211	9,634	1,415,995	-
Due to customers	964,815	532,842	277,539	141,735	12,495	204
Other liabilities	91,545	91,545	-	-	-	-
	3,286,001	**1,424,987**	**280,750**	**151,570**	**1,428,490**	**204**

31.12.2016 – BANK	TOTAL	< 1 MONTHS	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
FINANCIAL LIABILITIES, including future interest						
Derivative liabilities	1,941	1,941	-	-	-	-
Due to banks	497,746	497,545	-	201	-	-
Deposits from MPF	1,729,955	301,114	3,211	9,634	1,415,995	-
Due to customers	964,816	532,843	277,539	141,735	12,495	204
Other liabilities	16,173	16,173	-	-	-	-
	3,210,631	**1,349,616**	**280,750**	**151,570**	**1,428,490**	**204**

39. MARKET RISK

a. Currency risk

The currency structure of financial assets and liabilities of the Group/Bank as at December 31, 2017 is as follows:

31.12.2017 - GROUP	TOTAL	RON	EUR	USD	OTHERS
FINANCIAL ASSETS					
Cash and cash equivalents	424	196	147	78	3
Derivative assets	1.627	523	-	1.104	-
Accounts with the National Bank of Romania	206.689	182.381	24.308	-	-
Due from banks	203.634	130.930	22.560	35.654	14.490
Net loans	2.823.682	2.281.818	491.795	50.069	-
Investments in subsidary	-	-	-	-	-
Trading financial instruments	73.909	73.909	-	-	-
Available for sale investments	2.153.458	2.059.322	-	94.136	-
Investments held to maturity	40.501	15.504	24.997	-	-
Net tangible assets	12.752	12.752	-	-	-
Net intangible assets	5.230	5.230	-	-	-
Net investment property	39.724	39.724	-	-	-
Other assets	73.649	70.771	951	1.867	60
Deferred tax, asset	3.210	3.210	-	-	-
ASSETS	**5.638.489**	**4.876.270**	**564.758**	**182.908**	**14.553**
LIABILITIES					
Derivatives	3.008	3.008	-	-	-
Due to banks	517.461	251.367	172.392	87.085	6.617
Deposits from MPF	1.647.841	1.647.841	-	-	-
Due to customers	2.304.377	1.992.890	82.850	223.789	4.848
Deferred income and accrued expenses	14.626	10.545	2.174	1.907	-
Provizioane	20.552	17.141	3.219	191	1
Other liabilities	107.825	96.248	8.197	3.311	69
LIABILITIES	**4.615.690**	**4.019.040**	**268.832**	**316.283**	**11.535**
NET, FINANCIAL ASSETS - LIABILITIES	**1.022.799**	**1.022.799**	**-**	**-**	**-**
Balance sheet position		-165.569	295.926	-133.375	3.018
SPOT Off-balance sheet position (settled)		24.069	-108.860	54.891	55.273
SPOT		**-274.428**	**350.817**	**-78.102**	**3.018**
FORWARD		**246.101**	**-330.839**	**84.737**	**-**
TOTAL		**-28.327**	**19.979**	**6.636**	**3.018**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

31.12.2017 – BANK	TOTAL	RON	EUR	USD	OTHERS
ASSETS					
Cash and cash equivalents	405	177	147	78	3
Derivative assets	1.627	523	-	1.104	-
Accounts with the National Bank of Romania	206.689	182.381	24.308	-	-
Due from banks	177.027	111.676	19.915	30.946	14.490
Net loans	2.823.682	2.281.818	491.795	50.069	-
Investments in subsidary	44.123	44.123	-	-	-
Loan convertible into shares	20.080	20.080	-	-	-
Financial instruments trading	73.909	73.909	-	-	-
Available for sale investments	2.153.458	2.059.322	-	94.136	-
Investments held to maturity	-	-	-	-	-
Net tangible assets	12.596	12.596	-	-	-
Net intangible assets	5.205	5.205	-	-	-
Net investment property	39.724	39.724	-	-	-
Other assets	16.146	13.268	951	1.867	60
Commissions receivable from the State	365	365	-	-	-
Other assets	12.936	9.693	951	1.867	60
Deferred tax, asset	3.210	3.210	-	-	-
ASSETS	**5.554.591**	**4.824.722**	**537.116**	**178.200**	**14.553**
LIABILITIES					
Derivatives	3.008	3.008	-	-	-
Due to banks	517.461	251.367	172.392	87.085	6.617
Deposits from MPF	1.647.841	1.647.841	-	-	-
Due to customers	2.305.044	1.993.254	83.153	223.789	4.848
Deferred income and accrued expenses	14.620	10.539	2.174	1.907	-
Provisions	16.104	12.693	3.219	191	1
Other liabilities	20.790	9.262	8.148	3.311	69
LIABILITIES	**4.524.868**	**3.927.964**	**269.086**	**316.283**	**11.535**
NET, FINANCIAL ASSETS - LIABILITIES	**1.029.723**	**1.029.723**	**-**	**-**	**-**
Balance sheet position		-132.965	268.030	138.083	3.018
SPOT Off-balance sheet position (settled)		24.069	-108.860	54.891	55.273
SPOT		**-241.825**	**322.921**	**-82.810**	**1.713**
FORWARD		**246.101**	**-330.839**	**84.737**	**-**
TOTAL		**4.276**	**-7.917**	**1.928**	**1.713**

The currency structure of financial assets and liabilities of the Group/Bank as at December 31, 2016:

31.12.2016 - GROUP	TOTAL	RON	EUR	USD	OTHERS
ASSETS					
Cash and cash equivalents	554	355	60	133	6
Derivative assets	1.366	174	-	1.192	-
Accounts with the National Bank of Romania	80.792	57.098	23.694	-	-
Due from banks	117.804	82.406	21.089	8.016	6.293
Net loans	2.159.979	1.771.267	327.898	60.814	-
Investments in subsidary	-	-	-	-	-
Financial instruments trading	17.582	17.582	-	-	-
Available for sale investments	1.810.507	1.579.945	127.082	103.480	-
Investments held to maturity	15.666	15.666	-	-	-
Net tangible assets	14.200	14.200	-	-	-
Net intangible assets	5.945	5.945	-	-	-
Net investment property	39.269	39.269	-	-	-
Other assets	74.596	73.796	554	184	62
TOTAL ASSETS	**4.338.260**	**3.657.703**	**500.377**	**173.819**	**6.361**
LIABILITIES					
Derivatives	1.941	1.941	-	-	-
Due to banks	497.717	269.506	63.775	159.675	4.761
Deposits from MPF	1.702.187	1.702.187	-	-	-
Due to customers	962.939	858.309	66.161	37.815	654
Deferred income and accrued expenses	11.962	9.490	1.789	682	1
Provisions	27.801	23.493	3.963	344	1
Other liabilities	91.545	88.540	2.862	67	76
Deffered tax	758	758	-	-	-
TOTAL LIABILITIES	**3.290.599**	**2.947.973**	**138.550**	**198.583**	**5.493**
NET, FINANCIAL ASSETS - LIABILITIES	**1.047.661**	**1.047.661**	**-**	**-**	**-**
Balance sheet position		-337.931	361.827	-24.764	868
SPOT Off-balance sheet position (settled)		24.069	-27.942	3.873	-
SPOT		**-313.862**	**333.885**	**-20.891**	**868**
FORWARD		**350.854**	**-372.370**	**21.517**	**-**
TOTAL		**36.992**	**-38.485**	**625**	**868**

31.12.2016 – BANK	TOTAL	RON	EUR	USD	OTHERS
ASSETS					
Cash and cash equivalents	528	348	41	133	6
Derivative assets	1.366	174	-	1.192	-
Accounts with the National Bank of Romania	80.792	57.098	23.694	-	-
Due from banks	88.843	55.064	19.476	8.010	6.293
Net loans	2.159.979	1.771.267	327.898	60.814	-
Investments in subsidary	29.432	29.432	-	-	-
Financial instruments trading	17.582	17.582	-	-	-
Available for sale investments	1.810.507	1.579.945	127.082	103.480	-
Investments held to maturity	-	-	-	-	-
Net tangible assets	14.080	14.080	-	-	-
Net intangible assets	5.940	5.940	-	-	-
Net investment property	39.269	39.269	-	-	-
Other assets	23.572	22.772	554	184	62
Commissions receivable from the State	390	390	-	-	-
Other assets	23.182	22.382	554	184	62
ASSETS	**4.271.890**	**3.592.971**	**498.745**	**173.813**	**6.361**
LIABILITIES					
Derivatives	1.941	1.941	-	-	-
Due to banks	497.717	269.506	63.775	159.675	4761
Deposits from MPF	1.702.187	1.702.187	-	-	-
Due to customers	962.940	858.309	66.161	37.816	654
Deferred income and accrued expenses	11.944	9.472	1.789	682	1
Provisions	17.214	12.906	3.963	344	1
Other liabilities	16.173	13.216	2.814	67	76
Deffered tax	758	758	-	-	-
TOTAL LIABILITIES	**3.210.874**	**2.868.295**	**138.502**	**198.584**	**5.493**
NET, FINANCIAL ASSETS - LIABILITIES	**1.061.016**	**1.061.016**	**-**	**-**	**-**
Balance sheet position		-336.340	360.243	-24.771	868
SPOT Off-balance sheet position (settled)		22.617	24.069	-27.942	3.873
SPOT		**-312.271**	**332.301**	**-20.898**	**868**
FORWARD		**350.854**	**-372.370**	**21.517**	**-**
TOTAL		**38.583**	**-40.069**	**618**	**868**

In order to ensure the framework for measuring, monitoring and controlling of risks triggered by the fluctuations of the currencies traded by the Bank/Group, it is performed the daily monitoring of position for each currency and for the total position.

The net foreign currency position at December 31, 2017, in thousand RON, is presented below, for each significant currency. The open foreign exchange position of EximAsig is not significant, the company hedging the currency position:

CURRENCY	SPOT *		FORWARD **		NET OPEN POSITION	
	ORIGINAL AMOUNT	RON EQUIVALENT	ORIGINAL AMOUNT	RON EQUIVALENT	ORIGINAL AMOUNT	RON EQUIVALENT
EUR	69.301	322.921	-71.000	-330.839	-1.699	-7.918
USD	-21.279	-82.810	21.775	84.737	496	1.927
GBP	11	58	-	-	11	58
CHF	14	56	-	-	14	56
Others		1.599	-	-		1.599
Net position (+)=long, (-)=short		**241.825**		**-246.101**		**-4.276**

*Spot position includes balance sheet open position and spot transactions to be settled in the next 2 working days.

** Forward position includes transactions with the settlement date of more than 2 working days.

By comparison, the position at December 31, 2016 is presented in the table below:

CURRENCY	SPOT *		FORWARD **		NET OPEN POSITION	
	ORIGINAL AMOUNT	RON EQUIVALENT	ORIGINAL AMOUNT	RON EQUIVALENT	ORIGINAL AMOUNT	RON EQUIVALENT
EUR	73.177	332.301	-82.000	-372.370	-8.823	-40.069
USD	-4.856	-20.899	5.000	21.517	144	618
GBP	6	32	-	-	6	32
CHF	-22	-93	-	-	-22	-93
Altele		929	-	-		929
Net position (+)=long, (-)=short		**312.270**		**-350.854**		**-38.583**

* Spot position includes balance sheet open position and spot transactions to be settled in the next 2 days.
** Forward position includes transactions with the settlement date of more than 2 days.

The table below presents the sensitivity analysis of profit or loss account of the Bank for fluctuations of +/- 10% or +/- 20% on the exchange rates against RON. The impact is determined according to the relevant shock on exchange rate, hypothetically chosen. For EximAsig the impact from exchange rate fluctuation is not significant as the company hedges its open foreign exchange position.

CURRENCY	NET OPEN POSITION		EXCHANGE RATE 31.12.2017	PROFIT IMPACT		EQUITY IMPACT	
	ORIGINAL AMOUNT (THOUSANDS)	RON EQUIVALENT (THOUSANDS)		+/- 10%	+/- 20%	+/- 10%	+/- 20%
EUR	-1.699	-7.918	4.6597	-792	-1.584	-792	-1.584
USD	496	1.927	3.8915	193	385	193	385
GBP	11	58	5.2530	6	12	6	12
CHF	14	56	3.9900	6	11	6	11
Others		1.599	-	160	320	160	320
Net position		**-4.276**		**+/- 428**	**+/- 855**	**+/- 428**	**+/- 855**

For comparison, the position of the Bank as at December 31, 2016 is presented below:

CURRENCY	NET OPEN POSITION		EXCHANGE RATE 31.12.2017	PROFIT IMPACT		EQUITY IMPACT	
	ORIGINAL AMOUNT (THOUSANDS)	RON EQUIVALENT (THOUSANDS)		+/- 10%	+/- 20%	+/- 10%	+/- 20%
EUR	-8.823	-40.069	4.5411	-4.007	-8.013	-4.007	-8.013
USD	144	618	4.3033	62	124	62	124
GBP	6	32	5.2961	3	6	3	6
CHF	-22	-93	4.2245	-9	-19	-9	-19
Others		929	-	93	186	93	186
Net position		**-38.583**		**+/- 3.858**	**+/- 7.716**	**+/- 3.858**	**+/- 7.716**

b. Interest rate risk

The Bank/Group addresses interest rate risk for banking portfolio, determining the impact of the variations in interest rates in future profits and its economic potential value.

In this respect, the Bank/Group uses a GAP analysis, to reflect the sensitivity of annual financial results to variations in interest rates, as well as the standard methodology for computing economic value as a result of interest rate change, according to NBR Regulations.

The GAP report as at 31.12.2017, and as at 31.12.2016, analyses the Bank's/Group's balances of assets and liabilities, sensitive to interest rate risk, by interest rate repricing date or their maturity date, to compute the gap between the assets and liabilities in a specific band. The potential impact on profit, estimated on a yearly basis, was determined using two different linear growth scenarios with asymmetric variation of interest rates on assets and liabilities, respectively: increase by + 100bp/ + 50bp and +50bp/ + 100bp, respectively:

	2017	2016
Scenario 1: +100pb (assets) /+50pb (liabilities)	17.831	12.927
Scenario 2: +50pb (assets) /+100pb (liabilities)	-24.100	-17.145

The Group's/Bank's average interest rates in 2017, respectively in 2016, for the main items of assets and liabilities denominated in RON, EUR and USD are presented in the table below:

	2017			2016		
	RON	EUR	USD	RON	EUR	USD
FINANCIAL ASSETS						
Accounts with the National Bank of Romania	0,07%	0,01%	-	0,07%	0,12%	-
Placements with banks	0,99%	0,12%	0,97%	0,39%	0,07%	0,26%
Loans	3,15%	3,30%	5,16%	3,93%	4,38%	4,83%
Fixed income	2,53%	3,31%	3,77%	2,51%	1,93%	3,70%
Total assets	**2,72%**	**2,89%**	**3,34%**	**3,00%**	**2,73%**	**3,53%**
FINANCIAL LIABILITIES						
Due to banks	0,67%	0,21%	1,01%	0,29%	-	0,49%
State Funds	0,87%	-	-	0,89%	-	-
Due to customers	0,75%	0,01%	0,76%	0,61%	0,40%	0,41%
Total liabilities	**0,79%**	**0,09%**	**0,95%**	**0,73%**	**0,34%**	**0,48%**

The table below presents interest bearing assets and liabilities of the Group into relevant re-pricing buckets as at 31 December 2017.

31.12.2017 - THE GROUP	TOTAL	OF WHICH: INTEREST RATE	≤1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS
FINANCIAL ASSETS							
Cash and cash equivalents	**424**	-	-	-	-	-	-
Derivatives	**1.627**	-	-	-	-	-	-
Accounts with the National Bank of Romania	**206.689**	206.689	206.689	-	-	-	-
Due from banks	**203.634**	203.634	151.380	52.119	135	-	-
Loans and advances tu customers, net	**2.823.682**	2.823.682	1.193.260	1.314.605	311.412	3.249	1.156
Financial instruments trading	**73.909**	-	-	-	-	-	-
Available for sale investments	**2.153.458**	2.153.290	288.714	108.347	400.807	843.069	512.353
Investments held to maturity	**40.501**	40.501	-	-	-	40.501	-
Net tangible assets	**12.752**	-	-	-	-	-	-
Net intangible assets	**5.230**	-	-	-	-	-	-
Net investment property	**39.724**	-	-	-	-	-	-
Other assets	**73.649**	-	-	-	-	-	-
Deferred tax, asset	**3.210**						
TOTAL ASSETS	**5.638.489**	**5,427,796**	**1,840,043**	**1,475,071**	**712,354**	**886,819**	**513,509**
LIABILITIES							
Derivatives	**3.008**	-	-	-	-	-	-
Due to banks	**517.461**	517.461	517.461	-	-	-	-
Deposits from MPF	**1.647.841**	1.647.841	1.647.841	-	-	-	-
Due to customers	**2.304.377**	2.304.330	1.092.992	519.774	623.347	65.556	2.661
Deferred income and accrued expenses	**14.626**	-	-	-	-	-	-
Provisions	**20.552**	-	-	-	-	-	-
Other liabilities	**107.825**	-	-	-	-	-	-
Deffered tax	**-**	-	-	-	-	-	-
TOTAL LIABILITIES	**4.615.690**	**4.469.632**	**3.258.294**	**519.774**	**623.347**	**65.556**	**2.661**
NET ASSETS	**1.022.799**	**958,164**	**-1,418,251**	**955,297**	**89,007**	**821,263**	**510,848**

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

31.12.2017 - THE BANK	TOTAL	OF WHICH: INTEREST RATE	≤1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS
FINANCIAL ASSETS							
Cash and cash equivalents	**405**	-	-	-	-	-	-
Derivatives	**1.627**	-	-	-	-	-	-
Accounts with the National Bank of Romania	**206.689**	206.689	206.689	-	-	-	-
Due from banks	**177.027**	177.027	140.994	36.033	-	-	-
Loans and advances tu customers, net	**2.823.682**	2.823.682	1.193.260	1.314.605	311.412	3.249	1.156
Investments in subsidiaries	**44.123**	20.080	-	-	-	-	-
Loan convertible into shares	**20.080**	20.080	-	-	-	-	-
Financial instruments trading	**73.909**	-	-	-	-	-	-
Available for sale investments	**2.153.458**	2.153.290	288.714	108.347	400.807	843.069	512.353
Investments held to maturity	**-**	-	-	-	-	-	-
Net tangible assets	**12.596**	-	-	-	-	-	-
Net intangible assets	**5.205**	-	-	-	-	-	-
Net investment property	**39.724**	-	-	-	-	-	-
Other assets	**12.936**	-	-	-	-	-	-
Deferred tax, asset	**3.210**						
TOTAL ASSETS	**5.554.591**	**5,380.768**	**1,829,657**	**1,458,985**	**712,219**	**846,318**	**513,509**
LIABILITIES							
Derivatives	**3.008**	-	-	-	-	-	-
Due to banks	**517.461**	517.461	517.461	-	-	-	-
Deposits from MPF	**1.647.841**	1.647.841	1.647.841	-	-	-	-
Due to customers	**2.305.044**	2.304.997	1.093.659	519.774	623.347	65.556	2.661
Deferred income and accrued expenses	**14.620**	-	-	-	-	-	-
Provisions	**16.104**	-	-	-	-	-	-
Other liabilities	**20.790**	-	-	-	-	-	-
Deffered tax	**-**	-	-	-	-	-	-
TOTAL LIABILITIES	**4.524.868**	4.470.299	3.258.961	519.774	623.347	65.556	2.661
Net Assets	**1.029.723**	910.469	-1.429.304	939.211	88.872	780.762	510.848

The items are distributed on time buckets, based on the residual maturity for those with fixed interest rate, or to the nearest interest rate re-pricing date, for those items with a floating interest rate.

The table below presents interest bearing assets and liabilities of the Group into relevant re-pricing groupings as at 31 December 2016

31.12.2016 – GROUP	TOTAL	OF WHICH: INTEREST RATE	≤1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS
ASSETS							
Cash and cash equivalents	**554**	-	-	-	-	-	-
Derivatives	**1.366**	-	-	-	-	-	-
Accounts with the National Bank of Romania	**80.792**	80.792	80.792	-	-	-	-
Due from banks	**117.804**	117.804	91.137	26.535	-	132	-
Loans and advances tu customers, net	**2.159.979**	2.159.979	884.375	1.024.504	246.507	3.778	815
Trading financial instruments	**17.582**	-	-	-	-	-	-
Available for sale investments	**1.810.507**	1.810.340	12.754	110.865	432.744	867.192	386.785
Investments held to maturity	**15.666**	15.666	-	-	-	15.666	-
Net tangible assets	**14.200**	-	-	-	-	-	-
Net intangible assets	**5.945**	-	-	-	-	-	-
Net investment property	**39.269**	-	-	-	-	-	-
Other assets	**74.596**	-	-	-	-	-	-
TOTAL ASSETS	**4.338.260**	**4.184.581**	**1.069.058**	**1.161.904**	**679.251**	**886.768**	**387.600**
LIABILITIES							
Derivatives	**1.941**	-	-	-	-	-	-
Due to banks	**497.717**	497.717	497.516	-	201	-	-
Deposits from MPF	**1.702.187**	1.702.187	1.702.187	-	-	-	-
Due to customers	**962.939**	962.939	532.680	277.062	140.826	12.185	186
Deferred income and accrued expenses	**11.962**	-	-	-	-	-	-
Provisions	**21.550**	-	-	-	-	-	-
Other liabilities	**91.545**	-	-	-	-	-	-
Deffered tax	**758**	-	-	-	-	-	-
TOTAL LIABILITIES	**3.290.599**	**3.162.843**	**2.732.383**	**277.062**	**141.027**	**12.185**	**186**
NET ASSETS	**1.047.661**	**1.021.738**	**-1.663.325**	**884.842**	**538.224**	**874.583**	**387.414**

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

31.12.2016 – BANK	TOTAL	OF WHICH: INTEREST RATE	≤1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS
ASSETS							
Cash and cash equivalents	**528**	-	-	-	-	-	-
Derivatives	**1.366**	-	-	-	-	-	-
Accounts with the National Bank of Romania	**80.792**	80.792	80.792	-	-	-	-
Due from banks	**88.843**	88.843	88.843	-	-	-	-
Loans and advances tu customers, net	**2.159.979**	2.159.979	884.375	1.024.504	246.507	3.778	815
Investments in subsidary	**29.432**	-	-	-	-	-	-
Trading financial instruments	**17.582**	-	-	-	-	-	-
Available for sale investments	**1.810.507**	1.810.340	12.754	110.865	432.744	867.192	386.785
Net tangible assets	**14.080**	-	-	-	-	-	-
Net intangible assets	**5.940**	-	-	-	-	-	-
Net investment property	**39.269**	-	-	-	-	-	-
Other assets	**23.572**	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**4.271.890**	**4.139.954**	**1.066.764**	**1.135.369**	**679.251**	**870.970**	**387.600**
LIABILITIES							
Derivatives	**1.941**	-	-	-	-	-	-
Due to banks	**497.717**	497.717	497.516	-	201	-	-
Deposits from MPF	**1.702.187**	1.702.187	1.702.187	-	-	-	-
Due to customers	**962.940**	962.940	532.681	277.062	140.826	12.185	186
Deferred income and accrued expenses	**11.944**	-	-	-	-	-	-
Provisions	**17.214**	-	-	-	-	-	-
Other liabilities	**16.173**	-	-	-	-	-	-
Deffered tax	**758**	-	-	-	-	-	-
TOTAL LIABILITIES	**3.210.874**	**3.162.844**	**2.732.384**	**277.062**	**141.027**	**12.185**	**186**
NET ASSETS	**1.061.016**	**977.110**	**-1.665.620**	**858.307**	**538.224**	**858.785**	**387.414**

The items are distributed on time buckets, based on the residual maturity for those with fixed interest rate, or to the nearest interest rate re-pricing date, for those items with a floating interest rate.

40. OWN FUNDS

The Bank’s own funds and capital ratio are determined in accordance with National Bank of Romania regulations and in accordance with the provisions of Regulation (EU) No 575/2013. As at December 31, 2017, the own funds ratio was of 35% (2016: 48%). This indicator is presented for information purposes and is not subject to financial audit. The Bank complies with, both in 2017 and 2016, the regulated capital adequacy ratios, respectively a total own funds rate of at least 8%, a level of own funds of level I of at least 6% and a rate of own funds of level I minimum of 4.5%. Under the current regulations, during 2017, the Bank must maintain in the own funds a base capital conservation buffer consisting of 1.25% of the total amount of risk exposures.

The Bank manages actively its capital base in order to cover the inherent risks of its activity. The adequacy of the Bank's capital is monitored according to the EU Regulation 575/2013, with direct application for credit institutions in Romania (some national provisions stipulated by National Bank of Romania are included in the Regulation no. 5/2013) and according to the European Directive no.2013/36 / EU which is transposed into national legislation by changes to EGO 99/2006 and NBR Regulation No.5 /2013.

The Bank capital adequacy supposes maintaining a proper capital base coresponding to the nature and risk profile of the Bank. To determine the adequacy of the capital it is envisaged the effect of the credit risk, the market and operational risk on the financial position of the Bank. Types and levels of risks in the Bank's activities determine to what extent capital should be kept above the minimum level required by regulations to manage any unforeseen events.

The capital requirements of the subsidiary EximAsig were calculated based on standards set by the Financial Supervisory Authority as at December 31, 2017. According to the unadjusted calculation and estimates of the subsidiary's management, on December 31, 2017, EximAsig has a minimum capital requirement required by regulatory requirements, of at least 100%. To be mentioned that on December 31, 2016, the subsidiary did not comply with the minimum solvency requirements under the Sovavaity II regime. The situation was remedied during 2017 as a result of the decision of EximBank majority shareholder to increase the share capital by granting a subordinated convertible loan in shares amounting to 20 million lei.

41. CAPITAL REQUIREMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments through valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable market data. This category includes instruments valued using: quotes on active markets for similar instruments; quotes for similar instruments on markets considered less active; or valuation techniques where significant data can be directly or indirectly observed in market data.

Level 3: Valuation techniques based on data which is not observed in the market. This category includes all instruments whose valuation method does not include observable data, and whose unobservable data has a significant influence over the valuation of the instrument. This category includes instruments which are valuated based on market quotes for similar instruments, where unobservable adjustments or presumptions are necessary to reflect the difference between those instruments.

(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

The following table presents the Group's financial assets and liabilities according to the fair value hierarchy:

GROUP - 31 DECEMBER 2017	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Financial assets					
Accounts with the National Bank of Romania	-	-	206.689	206.689	206.689
Due from banks	-	-	203.634	203.634	203.634
Loans and advances to customers, net	-	-	2.738.096	2.738.096	2.823.682
Trading financial instruments	73.909	-	-	73.909	73.909
Available for sale investments	2.102.679	50.612	167	2.153.458	2.153.458
Investments held to maturity	15.669			15.669	40.501
Derivatives	-	1.627		1.627	1.627
Total financial assets	**2.192.257**	**50.612**	**3.148.586**	**5.391.455**	**5.501.873**
Financial liabilities					
Due to banks	-	-	517.461	517.461	517.461
Deposits from MPF	-	-	1.647.841	1.647.841	1.647.841
Derivatives	-	-	3.008	3.008	3.008
Due to customers	-	-	2.304.377	2.304.377	2.304.377
Total financial liabilities	**-**	**-**	**4.472.687**	**4.472.687**	**4.472.687**

GRUP - 31 DECEMBER 2016	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Financial assets					
Accounts with the National Bank of Romania	-	-	80.792	80.792	80.792
Due from banks	-	-	117.804	117.804	117.804
Loans and advances to customers, net	-	-	2.128.068	2.128.068	2.159.979
Trading financial instruments	17.582	-	-	17.582	17.582
Available for sale investments	1.725.648	84.693	167	1.810.507	1.810.507
Ilnvestments held to maturity	15.669	-	-	15.669	15.666
Derivatives	-	1.366	-	1.366	1.366
Total financial assets	**1.758.899**	**84.693**	**2.236.831**	**4.170.422**	**4.202.330**
Financial liabilities					
Due to banks	-	-	497.717	497.717	497.717
Deposits from MPF	-	-	1.702.187	1.702.187	1.702.187
Derivatives	-	1.941	-	1.941	1.941
Due to customers	-	-	962.939	962.939	962.939
Total financial liabilities	**-**	**1.941**	**3.162.843**	**3.164.784**	**3.164.784**

At the Bank level, the fair value of financial assets and liabilities is presented below:

THE BANK - 31 DECEMBER 2017	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Financial assets					
Accounts with the National Bank of Romania	-	-	206.689	206.689	206.689
Due from banks	-	-	177.027	177.027	177.027
Loans and advances to customers, net	-	-	2.738.096	2.738.096	2.823.682
Loan convertible into shares	-	-	20.080	20.080	20.080
Trading financial instruments	73.909	-		73.909	73.909
Available for sale investments	2.102.679	50.612	167	2.153.458	2.153.458
Investments held to maturity	-	-	-	-	-
Derivatives	-	1.627	-	1.627	1.627
Total financial assets	**2.176.588**	**52.239**	**3.142.059**	**5.370.886**	**5.456.472**
Financial liabilities					
Due to banks	-	-	517.461	517.461	517.461
Deposits from MPF	-	-	1.647.841	1.647.841	1.647.841
Derivatives	-	-	3.008	3.008	3.008
Due to customers	-	-	2.305.044	2.305.044	2.305.044
Total financial liabilities	**-**	**-**	**4.473.354**	**4.473.354**	**4.473.354**

THE BANK - 31 DECEMBER 2016	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Financial assets					
Accounts with the National Bank of Romania	-	-	80.792	80.792	80.792
Due from banks	-	-	88.843	88.843	88.843
Loans and advances to customers, net	-	-	2.128.068	2.128.068	2.159.979
Trading financial instruments	17.582	-		17.582	17.582
Available for sale investments	1.725.648	84.693	167	1.810.507	1.810.507
Investments held to maturity	-	-	-	-	-
Derivatives	-	1.366	-	1.366	1.366
Total financial assets	**1.743.230**	**86.059**	**2.297.870**	**4.127.158**	**4.159.069**
Financial liabilities					
Due to banks	-	-	497.717	497.717	497.717
Deposits from MPF	-	-	1.702.187	1.702.187	1.702.187
Derivatives	-	-	1.941	1.941	1.941
Due to customers	-	-	962.940	962.940	962.940
Total financial liabilities	**-**	**-**	**3.164.785**	**3.164.785**	**3.164.785**

No transfers between levels took place in the analyzed period.

The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments:

(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

Financial assets

For receivables from credit institutions and BNR accounts, the amortized cost is estimated to approximate fair value because it represents short-term deposits and current accounts with interest rates reflecting current market conditions and no transaction costs.

Financial instruments available for sale and held-to-maturity are measured at fair value, based on the market prices of the listed securities. To determine the fair value of titles for which market prices are not available. The Bank uses assessment methods based on directly observed data inputs.

Available for sale investments, or held to maturity investments are measured at fair value, based on the market price of listed investments. To determine the fair value of investments where no quoted prices are available on the market, the Bank uses valuation techniques based on directly observable data.

Financial liabilities

The amortized cost of deposits, loans and advancements granted to customers is considered to be close to their fair value because these elements have short terms for price changes, they have interest rates that reflect market conditions, and are settled without significant transaction costs.

Financial liabilities have a short tenor, the Bank/the Group estimating that their fair value is very close to the book value.

42. RELATED PARTY TRANSACTIONS

The Eximbank Group has analyzed the following criteria regarding the identification of related parties:

(a) directly or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by or is under the joint control of the Group or Bank (including parent companies and branches);

(ii) has a common interest in the Group or Bank, which offers a significant influence over the Bank;

(iii) has a joint control over the Group or Bank;

(b) the party is a Bank/Group associate (in accordance with IAS 28 Investments in associate entities definition);

(c) the party is in a joint venture where the Bank/ Group is one of the participants (please see IAS 31 Interests in joint ventures);

(d) the party is a key management member of the Bank/Group;

(e) the party is a close relative of any person from points (a) – (d);

(f) the party is a controlled entity, under the joint control, significantly under the influence or has a significant voting power, directly or indirectly, by any person mentioned at points (d) or (e); or

(g) the party is a post-employment benefits plan for the Bank’s employees, or for any entity that is a related party of the Bank.

Thus, the related parties are the following:

- The Insurance - Reinsurance Company EximAsig, the subsidiary of EximBank;

- The Ministry of Finance, as the main shareholder;

- Imprimeria National Company S.A., CEC BANK, Bucharest Treasury, National Lottery (starting with financial year 2017), FNGCIMM as entities controlled by the main shareholder;

- Executive and non-executive members, as well as the identified key personnel.

The key personnel consist in members whose positions grant them a significant influence in the coordination of EximBank, without however being members of the Board of Directors.

Key personnel in Eximbank consist in members of the following categories/ departments:

Members of the Board of Directors	Director – Credit Risk Department
Executive Director – Treasury and Financial Markets Division	Financial Director – Finance and Accounting Department
Executive Director – Corporate Division	Director – Conformity Department
Executive Director – Risk Division	Director – Legal Department
Executive Director – Financial and Operations Division	Manager – Internal Audit Department
Director – Treasury and Financial Markets Department	Regional Director
Director – Customers Department	Branch Director/Deputy Director
Strategic Customers and Project Funding Department	Agency Director

All transactions with related parties were concluded on market terms, by taking into account interest rates and commissions charged for transactions with non-related parties.

The Bank entered into buy and sell transactions with fixed income securities in RON and foreign currency, issued by the Minister of Public Finance of Romania. These transactions were concluded in normal commercial terms, at market prices. The transactions with the Ministry of Finance are presented in Note 18 to these financial statements.

31.12.2017 - GROUP	MANAGEMENT AND KEY PERSONNEL	PUBLIC FINANCE MINISTRY	NATIONAL COMPANY IMPRIMERIA S.A.	CEC BANK S.A.	BUCHAREST TREASURY	NATIONAL COMPANY ROMANIAN LOTTERY S.A.	FNGC IMM SA	TOTAL
Loans and advances to banks	-	-	-	-	5	-	-	5
Investment in subsidiary	-	-	-	-	-	-	-	-
State commission receivable	-	365	-	-	-	-	-	365
TOTAL ASSETS	**-**	**365**	**-**	**-**	**5**	**-**	**-**	**370**
State funds	-	1.647.841	-	-	-	-	-	1.647.841
Deposits from customers - total	-	-	86.686	-	-	74.563	132.466	293.715
TOTAL LIABILITIES	**-**	**1.647.841**	**86.686**	**-**	**-**	**74.563**	**132.466**	**1.941.556**
Interest income	-	-	-	58	-	-	-	58
Interest expense	-	-14.324	-465	-6	-	-513	-1.598	-14.795
Commission income	-	4.627	7	-	-	10	1	4.634
Commission expense	-	-	-	-	-1	-	-	-1
Short term benefits	-13.970	-	-	-	-	-	-	-13.970
	-13.970	**-9.967**	**-458**	**52**	**-1**	**-503**	**-1.597**	**-24.074**

31.12.2016 - GROUP	MANAGEMENT AND KEY PERSONNEL	PUBLIC FINANCE MINISTRY	NATIONAL COMPANY IMPRIMERIA S.A.	CEC BANK S.A.	BUCHAREST TREASURY	TOTAL
Loans and advances to banks	-	-	-	15.001	41	15.042
Investments in subsidiary	-	-	-	-	-	-
State commission receivable	-	390	-	-	-	390
TOTAL ASSETS	**-**	**390**	**-**	**15.001**	**41**	**15.432**
State funds	-	1.702.187	-	-	-	1.702.187
Deposits from customers - total	-	-	75.087	-	-	75.088
TOTAL LIABILITIES	**-**	**1.702.187**	**75.087**	**-**	**-**	**1.777.275**
Interest income	-	-	-	18	-	18
Interest expense	-	-15.136	-556	-71	-	-15.763
Commission income	-	4.540	10	-	-	4.550
Commission expense	-	-	-	-	-1	-1
Short term benefits	-13.374	-	-	-	-	-13.374
	-13.374	**-10.596**	**-546**	**-53**	**-1**	**-24.570**

EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2017
(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

31.12.2017 - BANK	MANAGEMENT AND KEY PERSONNEL	INSURANCE - REINSURANCE EXIMASIG S.A.	PUBLIC FINANCE MINISTRY	NATIONAL COMPANY IMPRIMERIA S.A.	CEC BANK S.A.	BUCHAREST TREASURY	NATIONAL COMPANY ROMANIAN LOTTERY S.A.	FNGC IMM SA	TOTAL
Loans and advances to banks	-	-	-	-	-	5	-	-	5
Investment in subsidiary	-	44.123	-	-	-	-	-	-	44.123
State commission receivable	-	-	365	-	-	-	-	-	365
TOTAL ASSETS	**-**	**44.123**	**365**	**-**	**-**	**5**	**-**	**-**	**44.493**
State funds	-	-	1.647.841	-	-	-	-	-	1.647.841
Deposits from customers - total	-	667	-	86.686	-	-	74.563	132.466	294.382
TOTAL LIABILITIES	**-**	**667**	**1.647.841**	**86.686**	**-**	**-**	**74.563**	**132.466**	**1.942.223**
Interest income	-	430	-	-	58	-	-	-	488
Interest expense	-	-6	-14.324	-465	-6	-	-513	-1.598	-16.912
Commission income	-	1	4.627	7	-	-	10	1	4.646
Commission expense	-	-	-	-	-	-1	-	-	-1
Short term benefits	-12.738	-	-	-	-	-	-	-	-12.738
	-12.738	**425**	**-9.967**	**-458**	**52**	**-1**	**-503**	**-1.597**	**-24.517**

31.12.2016 - BANK	MANAGEMENT AND KEY PERSONNEL	INSURANCE - REINSURANCE EXIMASIG S.A.	PUBLIC FINANCE MINISTRY	NATIONAL COMPANY IMPRIMERIA S.A.	CEC BANK S.A.	BUCHAREST TREASURY	TOTAL
Loans and advances to banks	-	-	-	-	15.001	41	15.042
Investment in subsidiary	-	29.432	-	-	-	-	29.432
State commission receivable	-	-	390	-	-	-	390
TOTAL ASSETS	**-**	**29.432**	**390**	**-**	**15.001**	**41**	**44.864**
State funds	-	-	1.702.187	-	-	-	1.702.187
Deposits from customers - total	-	1	-	75.087	-	-	75.088
TOTAL LIABILITIES	**-**	**1**	**1.702.187**	**75.087**	**-**	**-**	**1.777.275**
Interest income	-	-	-	-	18	-	18
Interest expense	-	-24	-15.136	-556	-71	-	-15.787
Commission income	-	-	4.540	10	-	-	4.550
Commission expense	-	-	-	-	-	-1	-1
Short term benefits	-11.856	-	-	-	-	-	-11.856
	-11.856	**-24**	**-10.596**	**-546**	**-53**	**-1**	**-23.075**

43. SUBSEQUENT EVENTS

During 2018, until signing these financial statements, there were no significant subsequent events which could have impacted the financial statements.

Traian Sorin Halalai | Executive President

Florian Raimund Kubinschi | Vice President

"We are more than exporters' bank,
we are The Bank for every entrepreneur."